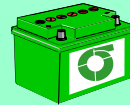


# **Green Lead™**

## **Budget & Resource Allocation**

**Ian Burrell**

**Head of Economics & Environment  
ILZSG**



Green Lead London Workshop 2005

## **The Green Lead Initiative**

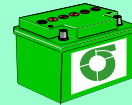
### **London Workshop**

**Australian High Commission**

**April 27-28, 2005**

# Presentation Outline

- Existing funding sources
- Setting up the pilot scheme
- Co-financing
- Allocation of resources
- Moving towards a permanent Green Lead structure



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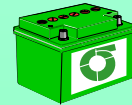
## Outline

Thank you Mr. Chairman.

My presentation will talk about one possible route through to building on the funds for Green Lead raised by industry. I am going to summarise the sources of funds already raised, estimated costs of setting up pilot schemes, using co-financing and how Green Lead could allocate the funds raised. I'll end by offering one idea on how Green Lead could move towards a more permanent structure.

## Existing Funding

- **BHP Billiton in-house funding for initial development**
- **First Green Lead Workshop raised \$30,000 from industry**
- **ILZSG secured \$45,000 from Common Fund for Commodities (CFC)**



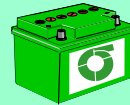
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### Existing Funding

Green Lead owes its initial development to commitment to fund the concept of a product stewardship initiative by BHP Billiton's Cannington lead and silver mine in Queensland. By the time of the first Green Lead Workshop held in April 2004, the lead industry had contributed \$30,000 to fund a Green Lead development phase. At the first workshop ILZSG offered to approach the Common Fund for Commodities (an intergovernmental commodity development fund set up by the United Nations) in its role as an international commodity body, to ask for funding for a second workshop. The application was made in January 2005 and was successful in raising an additional \$45,000.

## Uses of Existing Funding

- Organisation of second Green Lead Workshop
- Finance services of Green Lead Secretariat
- Pay for expert advice on auditing
- Translation costs



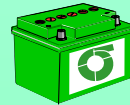
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### Uses of Existing Funding

The funding raised has been used to organise and pay for this second Green Lead Workshop, to finance the activity of the Green Lead Secretariat (Ecofutures) and to pay for expert advice on auditing pilot plants that will participate in the Green Lead Scheme. We have also translated all Green Lead documentation into Spanish.

# Setting up Pilot Schemes

- **Factors to take into account:**
  - **Widespread geographic locations of participants**
  - **Cost of auditing**
  - **Cost of Secretariat services**
  - **Sources of funds available**



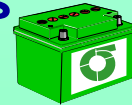
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## Setting Up Pilot Schemes

Setting up these pilot schemes will be a major undertaking. Located in Australia, Philippines and El Salvador they will be spread across the globe. We need to take into account the cost of this wide geographical spread, the cost of using expert, independent auditors to verify compliance with GL standards and the cost of providing a GL Secretariat to co-ordinate this activity. At this early stage we also need to re-focus on the possible range of funds that may be available to finance this activity.

# Financing Options

- Industry throughout the product chain must be the prime source of funding
- ILZSG can again act as a conduit to funding from CFC
- CFC involvement will only be on a matched funding basis



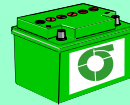
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## Financing Options

Phillip has already highlighted that Green Lead is an industry-led approach and that it is important to send a signal that it has industry wide support. It is paramount that GL secures funding contributions from throughout the lead-acid battery product chain to establish its credibility. ILZSG can again act as a route through to possible funding from the Common Fund. However, this is one option among many and the CFC will only consider involvement if there is evidence of strong industry support. As a matter of principle CFC works on a basis of matching funds already raised by industry sources, or other multilateral lenders.

# Managing Resources

- Spending needs to be transparent
- Budget needs to be agreed in advance by a Green Lead Standing Committee
- Accounts need to be independently audited



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## Managing Resources

Whether money is forthcoming from industry or the CFC donors need to be reassured that their contributions will be spent in a transparent way, that all spending priorities are agreed openly and that Green Lead's accounts will be independently audited.

# Resource Allocation

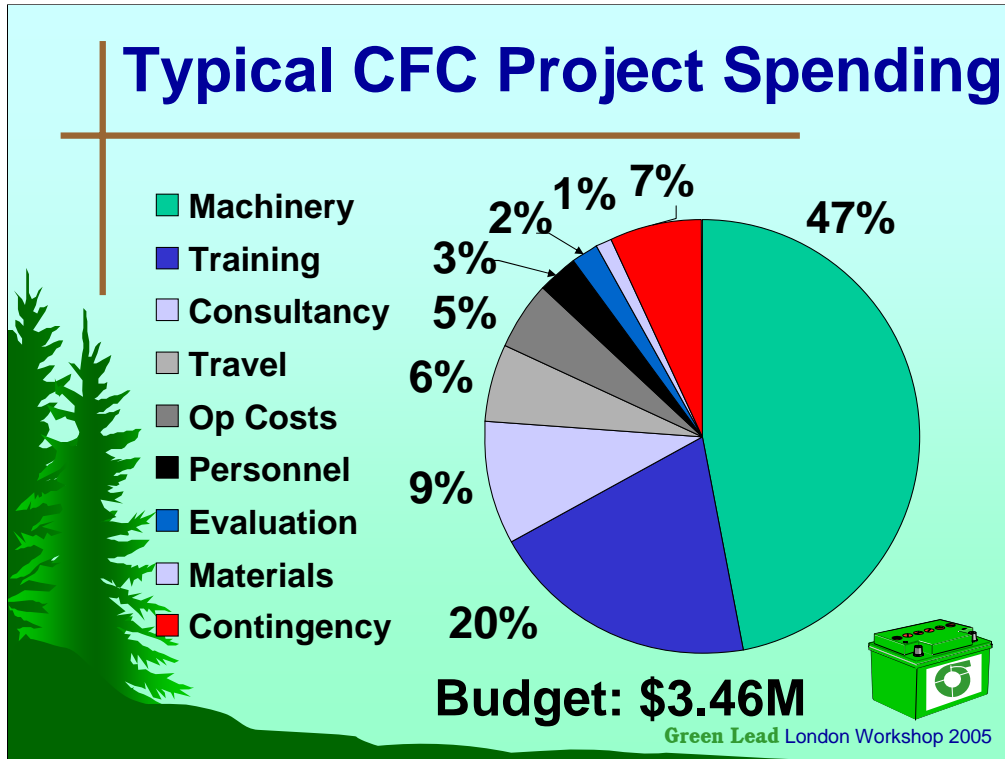
- Personnel and administration
- Materials and equipment
- Technical assistance and consultancy
- Auditing fees
- Duty travel
- Marketing
- Operating costs



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## Resource Allocation

If we were to follow the disclosure of expenditure required by the CFC for example, data would have to be provided on a range of items from personnel, equipment costs, technical consultancy costs to travel and operating costs.



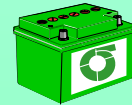
Typical CFC Spending Project

To illustrate this point I have taken this example of a recent project that ILZSG has agreed to supervise between the CFC and the international zinc industry to promote the usage of zinc in the developing world. The pie chart gives you an idea of total spending in this CFC-financed project (just under \$3.5 million) and where the money goes.

## CFC Project Sources of Finance

- **Industry – 48% (including counterpart contributions\*)**
- **CFC Grant – 52%**

\* **Defined as in - kind contributions other than cash**



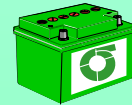
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### CFC Project Sources of Finance

Just to stress the point once more, the CFC route is one possible option. It is only open to the Green Lead Project if industry takes the lead in providing funds, technical assistance and support. If industry commitment is there the CFC may match funding in the form of either a grant, or a low interest rate loan.

# Criteria for CFC Funding

- Firm project cost estimates
- Timing
- Clearly stated objectives
- Details of inputs and outputs
- How project success will be measured
- Independent verification included



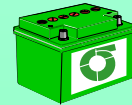
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## Criteria for CFC Funding

If Green Lead decided to pursue the CFC option once industry funds had been raised, ILZSG would help in ensuring that all CFC criteria for granting assistance were met. The Green Lead Secretariat would need to address a number of issues relating to project costs, timing, objectives and clearly identified project inputs and outputs. Careful consideration would be needed to show how the project would measure its success against the objectives outlines as well as how this success could be independently verified.

## Costs Estimated in 2004

- Total year 1 start-up development cost of \$1.62M, including:
  - Consulting fees of \$312K
  - Pilot audit fees of \$273K
  - Sub-contractors of \$273K
  - Travel costs of \$234K
  - Legal fees of \$78K
  - Marketing of \$62K
  - IT costs of \$39K



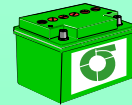
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### Costs Estimated in 2004

In 2004 the Green Lead Secretariat put its pilot scheme start-up costs at \$1.62 million and this chart shows some of the major expenditure items that were expected at that time.

# Permanent Structures

- **Financing the Green Lead Body to:**
  - **Hold the legal trademark**
  - **Certify successful applicants**
  - **Provide technical advice**
  - **Recruit new member companies**
  - **Administer license fees, contributions and development fund**



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## Permanent Structures

Down the line, there will be a need to meet the challenge of financing a permanent structure for the Green Lead project. This fixed entity could be expected to hold the legal Green Lead trademark, certify successful Green Lead applicants, provide technical advice and recruit new members. It would also have the task of administering license fees, contributions and managing a Green Lead development fund.

# Conclusion

- **International lead and battery industry must demonstrate financial commitment**
- **CFC aid may be possible**
- **Green Lead licensing system and membership fee structure necessary for long-term viability**



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## Conclusion

Ladies and gentlemen to conclude let me stress once more that Green Lead is, and should continue to be an industry-led project. Commitment and funding from the international lead and battery industry is of paramount importance. If such commitment is in place the CFC might be a possible source of co-funding for the GL pilot scheme development phase.

Longer term, the lead industry needs to agree on a GL licensing system and membership fee structure to secure its future viability.