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The application of DNPV to unlock foreign direct investment in waste-to-energy in developing countries

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Commercial potential in developing countries has always received a great attention from international investors, but this is not the case in Waste-to-Energy sector. Waste-to-Energy is bound up with various uncertainties rooted in its long-term nature therefore incorporating risks regarding political matters in developing countries makes it more complex. The present study substantiates the incompatibility of classic valuation methods in risky projects. Consequently, to deal with the riskiness of waste-to-energy investment in less developed countries, the combination of binomial tree analysis and decoupled NPV is proposed. The hybrid approach is deployed to value a waste-to-energy project in Iran and all evidence attest to the robustness of the method. The contribution of this paper can open up new vistas for investing in waste-to-energy industry, thus abating the catastrophic effects of landfill gas emissions.

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