

Post 2012 Carbon Credit Fund:

Project Developers aim to lock in their future carbon credit revenues now

Creating certainty for project developers while a post-2012 agreement has not yet been accomplished, the Fund's investors affirm their commitment to the carbon credit market. At the Carbon Expo in Barcelona the Fund announces continued interest among project developers as uncertainty over a post-2012 agreement persists.

Barcelona, May 28, 2009 – In the last few weeks alone, the Fund has signed two ERPAs and several other term sheets in Asia, Africa and Latin America. The projects, using wind energy, improved waste management and energy efficiency technologies, are to generate in excess of 4 million CERs in the period 2013-2020. The early sale of these CERs is of crucial importance to these projects, as substantial uncertainty about the existence and design of a post-2012 agreement continues among project developers. By signing these ERPAs with the Fund, the project developers concerned have converted their carbon credits into a bankable revenue stream, while significantly reducing the risks they face in today's carbon credit market. The core value proposition of the fund thus continues to be reaffirmed.

Launching the Fund in early 2008, its five investors, the European Investment Bank, Caisse des Dépôts, Instituto de Crédito Oficial, KfW Bankengruppe and the Nordic Investment Bank stressed the Fund's aim of providing certainty to the carbon credit market beyond 2012. How relevant this mandate is, given the current risk scenarios facing project developers, is born out by the number of enquiries the Fund is receiving from project developers looking to sign ERPAs with it now.

Simon Brooks, Vice President of the European Investment Bank (EIB), emphasizes risk reduction as the Fund's key contribution: *"Our key aim in launching this fund was to facilitate project business after 2012 by offering a solution to the main issues facing project developers: the timely coming into effect and the potential shape of a post-2012 agreement, income levels from future carbon credit revenues, and the availability and reliability of buyers for ERPAs signed in advance. The Fund offers solutions to all these problems," stresses Brooks, "it guarantees to purchase CERs based on current Kyoto regulations, irrespective of any potential changes to the framework in the future and independent of whether an agreement has been reached in time or not."* The fact that the investors are all Aaa-rated public financing institutions precludes any potential counterparty risk project developers may face and allows them to monetize their projects now, if needed, based on the future income guaranteed by an ERPA.

Among the ERPAs already signed is a wind energy project in China. Mr Xie Yufan of Hainan Wind Farm, a project also signed by the Fund comments his decision to sign an ERPA thus: *"by signing this ERPA with the Post 2012 Carbon Credit Fund now, we have solved several of our problems already and can get on with implementing our project. There is now no need for us to worry about when and what kind of international agreement might come into place or what may happen to the price of CERs by the time we generate them. We know exactly what our budgets will look like and can plan accordingly."*

"In these uncertain times, we are pleased to report that we are open for business" comments Walter Blasberg, Managing Director of Conning. "We offer project owners and developers a fantastic opportunity to add price certainty to their Post 2012 emissions portfolio ahead of Copenhagen. It's a terrific window of opportunity for those strapped for cash or risk averse."

Within just two short weeks the Fund signed an additional eight term sheets with projects in China, India and Nigeria, using a diverse range of technologies including wind energy, energy efficiency waste management and landfill. Apart from the security offered by the Fund, its flexible pricing structures are proving attractive to project developers.

Among the larger projects contracted by the Fund is a wind energy project in India. India currently ranks 5th in the world with a total wind power capacity of 9,587 MW in 2008. The two sites involved in the project are to feed a total of 49 MW of clean energy into the regional grid. Urs Brodmann, Member of the Executive Board at First Climate, investment advisor to the Post 2012 Carbon Credit Fund, comments: "This is an exciting project because, once registered it will generate a total of some 700,000 CERs in the period 2013-2020. In addition, it offers replication potential, since there is a large pipeline of similar projects waiting to leverage their post-2012 carbon credits for financing."

The Nigerian landfill project deserves special interest, as Africa has yet to reach anywhere near its full potential in terms of CDM projects. Until now only 30 projects in Africa have been registered with the UNFCCC, representing a mere 1.9% of projects worldwide. Urs Brodmann explains the particular significance of this project: "The project in Lagos stands out for two reasons: the dearth of CDM projects in the region, in fact only two projects have been registered in Nigeria to date, and the additional environmental and socio-economic benefits attached to this particular project. Where there is now a garbage dump, right in the suburbs of Lagos, this project is creating a waste treatment facility for sorting out recyclable and compostable waste, creating new jobs in a city with an official unemployment rate of 12%. The project will avoid methane emissions from the dumpsite by converting organic household wastes into compost, a marketable product. In addition, a sanitary landfill will be installed for the residual wastes that will capture the gases emanating from the site." The project will generate an expected 260,000 CERs in the period 2013-2017.

The investors welcome inquiries from owners or developers planning projects that will generate CERs after 2012. Inquiries should be addressed to First Climate, investment adviser to the Fund or Conning Asset Management (Europe) Limited, investment manager of the Fund.

The European Investment Bank (EIB) is the long term lending institution of the European Union, financing projects which further European objectives. Carbon finance initiatives form an integral part of the EIB's response to the economic and environmental challenges raised by climate change. The EIB has established market mechanisms to encourage carbon trading schemes, in cooperation with other public and private financing institutions, at national and international level. By getting involved in carbon fund sponsorship, the EIB aims to promote the use of both public and private sector capital to support low carbon projects. EIB-sponsored carbon funds specifically focus on the less developed areas of the carbon market. They aim to help companies, EU Member States, and other countries and institutions to meet their carbon emission obligations under the Kyoto protocol and the European Union's Emission Trading Scheme (ETS), through environment friendly investments.

First Climate is one of Europe's leading carbon asset management companies. With offices on five continents and more than ten years' experience in the market, it is one of the few intermediaries to cover the entire carbon credit value chain. First Climate develops, finances, and implements CDM, JI, and VER projects, purchases the resulting carbon credits, and customizes trading solutions for companies subject to the EU ETS. As investment advisor to several institutional investors, First Climate structures and develops carbon funds and related products. In the voluntary market, the company provides VERs verified according to the highest international standards. First Climate is one of the main sponsors of the Gold Standard Version 2.



Conning Asset Management (Europe) Limited (conning.com) is part of Conning & Company, which has assets under contract in excess of USD 103 billion as of 31 March 2009. Conning has been active in renewable and sustainable investments since 2003 and, along with its parent Swiss Re, has a commitment to developing a portfolio in sustainable or alternative energy investments. In 2006, Conning took part in structuring and placing a EUR354 million European Clean Energy Fund, one of the first pan-European, multi-technology clean energy, mezzanine and equity funds. The Post 2012 Carbon Credit Fund is the latest of successful carbon-related investments for Conning. Conning continues to pursue similar opportunities to expand the portfolio. Conning has recently been mandated by the United Nations Economic Commission for Europe to design a USD 250m Eastern European energy efficiency and renewables fund. Conning, a fully-owned subsidiary of Swiss Re, is headquartered in Hartford, Connecticut with offices in London, Dublin and New York.

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