

UN climate conference expected to send continuity signals

Poznan conference to pave the road to UN summit in Copenhagen in December 2009, where the post-Kyoto agreement is supposed to be finalized. Meanwhile, post-2012 carbon credit funds reduce uncertainty for greenhouse gas mitigation projects.

Bad Vilbel – Frankfurt / Zurich, November 28, 2008 – The 14th Conference of the Parties to the UNFCCC (COP 14) and the 4th meeting of the Parties to the Kyoto Protocol to be held from December 1-12 in the Polish town of Poznan is expected to take decisions with direct relevance to the future of the carbon market and in particular as to its future design and direction. The final deal is to be agreed at the UN Conference in Copenhagen in December 2009.

“We call on participants to reach an agreement on the main political principles for the post-2012 era in order to pave the way to the final deal in Copenhagen”, says Urs Brodmann, Member of the Board of First Climate, one of the global leaders in carbon asset management. And he adds: “The agreement should include a long-term global emissions target and a more stringent mid-term target for the developed countries.” According to Brodmann, such an agreement would send a much needed positive signal to the carbon market, ensuring continuity beyond 2012 and providing an indication of the potential demand for future emission reductions.

The Kyoto Protocol currently sets emission targets for developed countries only up to 2012. The uncertainty about a successor agreement limits the incentives for investments in emission reductions to be achieved after 2012. An agreement providing continuity for the Clean Development Mechanism (CDM) is expected to unleash a huge potential for efficient climate protection and sustainable development in developing countries and in emerging markets like India and China. This opportunity should not be jeopardized by unnecessarily drawn-out discussions.

To bridge the looming financing gap and to build confidence in the future of the carbon markets until the successor to the Kyoto Protocol has taken shape, five European public financing institutions under the lead of the European Investment Bank (EIB), have launched the Post 2012 Carbon Credit Fund. This novel fund, which aims at promoting innovation in climate change investment, will be presented in Poznan by the EIB. The EUR 125 million vehicle, managed by the Swiss-Re subsidiary Conning Asset Management (Europe) Limited and advised by First Climate, is to stimulate the market for emission reduction credits generated after 2012.

“We also expect the conference to agree on improvements to the current CDM and Joint Implementation regimes”, Brodmann points out. This would increase the predictability of these mechanisms by clarifying and simplifying their rules and improving their governance. Ultimately, this would allow for a larger number of climate protection projects, including new types of projects such as Carbon Capture and Storage (CCS).

As of Monday, delegates from about 200 countries will gather in Poznan for two weeks to discuss the future of the international climate protection regime. First Climate’s Senior Analyst for international climate policy, Ms Alina Averchenkova, will be in Poznan to analyze, evaluate and report on the developments in the negotiations as they happen.

First Climate is one of Europe's leading carbon asset management companies. With offices on four 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.

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