

## **Post 2012 Carbon Credit Fund to continue to buy post-2012 carbon credits despite lasting uncertainties following the Bonn Climate Change Talks**

*Amid continued uncertainty over the content and design of a possible post-2012 policy regime to succeed the Kyoto Protocol, the Post 2012 Fund continues to provide payment certainty by entering into contracts to purchase post-2012 emission reduction certificates from those projects needing to count on securitizing this cash flow.*

**Zurich / Bad Vilbel – Frankfurt, April 9, 2009** – The Bonn Climate Change Talks have clarified few details of some of the proposals on the elements of a successor regime to the Kyoto Protocol and little progress has been made on narrowing down the options on the table. Substantial uncertainty therefore continues to remain among clean development project owners and developers, making it difficult for environmentally worthwhile projects to monetize fully their emission reductions achieved after 2012, which in some cases may even jeopardize the viability of the project.

While these uncertainties over the design and limits of a future regime are likely to remain for some months to come, the Post 2012 Carbon Credit Fund continues to provide payment certainty as a sign of confidence that a post-Kyoto regime will be developed, which allows for the continued use of post-2012 emission reduction certificates to be used as collateral to allow for projects to proceed without impediment.

The Post 2012 Carbon Credit Fund, established by five leading public European financing institutions – the European Investment Bank (EIB), Caisse des Dépôts, Instituto de Crédito Oficial, KfW Bankengruppe (KfW) and the Nordic Investment Bank, continues to provide this much needed payment certainty to project developers who are looking to take advantage of post-2012 emission reduction certificates generated after 2012 from their potential projects. The Fund, managed by Conning Asset Management Limited as investment manager and advised by First Climate as its investment advisor, purchases and trades carbon credits exclusively generated in the post-Kyoto period, potentially up to 2020. By assuming the inherent regulatory or regime risk, the Fund sends a clear signal to the market that the EIB and its European partners have full confidence in the development and success of a post-Kyoto regime through their direct support of environmentally beneficial projects.

The much publicized purchase by the Fund of emission reduction certificates generated post-2012 earlier this year has invigorated interest among project developers and the Fund, with available assets of EUR 125 million, is busy analyzing and examining over 150 clean energy projects in all the major CDM regions, over a variety of sectors. The sectors cover a wide variety, including renewable energy, energy efficiency, fuel switch, fugitive methane, land use and carbon capture and storage.

Urs Brodmann, Member of the Executive Board of the carbon asset manager First Climate, who advises the Fund regarding its investment decisions, is convinced of the particular merits of the Fund: “The carbon credit market has been extraordinarily successful in taking the ideas developed for the Kyoto Protocol and turning them into otherwise unattainable investments and emissions reductions. The current uncertainties, however, are stifling the development and initiation of further clean energy projects at the moment. We are delighted to be able to reduce these market uncertainties for project developers in the shape of the Fund. Apart from our own long-standing experience in accompanying and developing CDM projects, the Fund’s

attractiveness to project developers lies in the excellent standing of the Fund's investors, who are all state-owned AAA-rated development banks."

Nevertheless, Brodman is disappointed by the lack of substantial results at the recent Climate Change Talks: "with only eight months remaining to negotiate a post-2012 agreement, uncertainty now remains not only over which countries will take on emission targets and at which level, but also over the extent to which market based mechanisms in their current form will be accepted in the future."

Some proposals suggest limiting the use of CDM credits from advanced developing countries for compliance post-2012 and call for the creation of new mechanisms, such as sectoral or policy-based crediting. It has also been suggested to exclude some project types from the CDM in the future. Others propose major improvements to the CDM governance process, allowing projects to be registered in a more efficient manner.

Brodman says: "Despite the hopes of private sector investors, the Climate Change Talks in Bonn have not added clarity to what market-based mechanisms post-2012 may look like." Much of the focus in Bonn was on procedural and legal issues, resulting in the request for the Chair to prepare a draft negotiating text for amendments to the Kyoto Protocol for the next session in June. The long list of options for changes to the mechanisms developed last year hence remained largely unchanged and will be up for negotiation again at the future sessions.

Project developers looking to sell their post-2012 certificates can continue to contact the Fund despite the regulatory uncertainties and vend certificates at a guaranteed price, to use the proceeds for the financing of their projects – regardless of the outcome of the United Nation's ongoing negotiations concerning the post-Kyoto regime. The Fund would be happy to provide further information.

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***First Climate** is one of Europe's leading carbon asset management companies. With offices on five continents and more than ten years of 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 USD104 billion as of 31 December 2008). 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, a fully-owned subsidiary of Swiss Re, is headquartered in Hartford, Connecticut with offices in London, Dublin and New York.*

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