

PRESS RELEASE
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Dangerous slow-down in CDM investments possible until 2013

First Climate comments today's decision by the EU Parliament's Environment Committee and sees a possible danger to the emission trading systems.

Bad Vilbel- Frankfurt/ Zurich, October 07, 2008 – The European Parliament's Environment Committee voted today on the review of the EU-Emissions trading scheme. The outcome of the vote will serve as the Parliament's position when it starts the compromise negotiation with the Council in the coming months to reach a final legislative text.

The Parliament's position restricts the use of Kyoto Protocol mechanism credits. If an installation uses more than 6.5% of credits compared to its 2005 emissions in the period from 2008-2012, it foregoes the right to use additional credits in the period 2013-2020.

Parliament also calls for unilateral quality criteria for credits from the Kyoto Protocol mechanisms to be eligible in the EU-ETS. The countries from which these credits can be sourced will need to have ratified the future international climate treaty. Furthermore eligible credits would need to be accepted by other major emissions trading schemes.

"A company, which has already bought credits beyond the proposed limit of 6.5% for 2008-2012 would all of a sudden see itself at a disadvantaged position after 2013, as it would not be allowed the same amount of credits in the period leading up to 2020. Penalizing installations in the future for having played according to the current member states' rules would be a dangerous message to send, questioning the credibility of Brussel legislators as consistent law-makers," says Urs Brodmann, member of the executive board of First Climate.

Furthermore investments in CDM projects will face considerable uncertainty until the ratification of the international treaty if the Parliament's position holds. "The unilateral quality criteria do not add anything to the current UN standards in force to make sure that the projects contribute to global emissions reductions. However, the Parliament is sending the message that no investment in emission-reducing projects should be done in developing countries until we have certainty, which countries have ratified the treaty. This might occur as late as 2013" Mr Brodmann adds. "It takes years to set up these kinds of investments once certainty on eligibility is reached. In the mean time European countries will need to comply to emission limits only through domestic abatement. This is against the spirit of the Kyoto protocol and undermines the international post-Kyoto negotiations."

Besides the risk about eligibility of credits from specific countries, the Parliament text links the eligibility of credits to whether or not these credits would be accepted by other major emission trading schemes, especially the US federal system. "Hopes are high of course, but we can't know if such a system will even exist one day."

Parliament voted in favour of accepting credits from forestry-projects in the EU-ETS. "This is a welcomed development. The concerns which led to the exclusion of forestry credits in 2008-2012 are no longer founded. They contribute to global emissions reductions in the same way that industry projects do," Brodmann states with satisfaction.

The legislative process in Brussels continues now with the Parliament and the Council negotiating for a final legislative text based on each institution's respective position. "We hope that the Council will rectify the text in a manner that there would not be a disruption in investments in CDM and JI projects."

Meanwhile the CDM Executive Board is working to solve problems linked to the quality of certain projects. "That is the only right place where such rules should be discussed. We are dealing with one climate. Therefore we should have one framework and one uniform market for global project-based credits" says Mr Brodmann.

First Climate is one of Europe's leading carbon asset management companies. With 13 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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