ab

Lowering transaction costs

The Climate Investment Partnership

ab

Understanding the needs of carbon-linked project finance

- Current Greenhouse Gas (GHG) transactions are dominated by “forward contracts”
  - with payment on delivery terms, and
  - non-convertible ERPAs (emission reduction purchase agreements)
- But GHG projects need upfront financing
  - in the form of equity, loans, grants, guarantees, delivery insurance, etc (“Structured Project Finance”), with…
  - carbon as collateral: Utilizing the market value of the emission reductions to enable projects to proceed

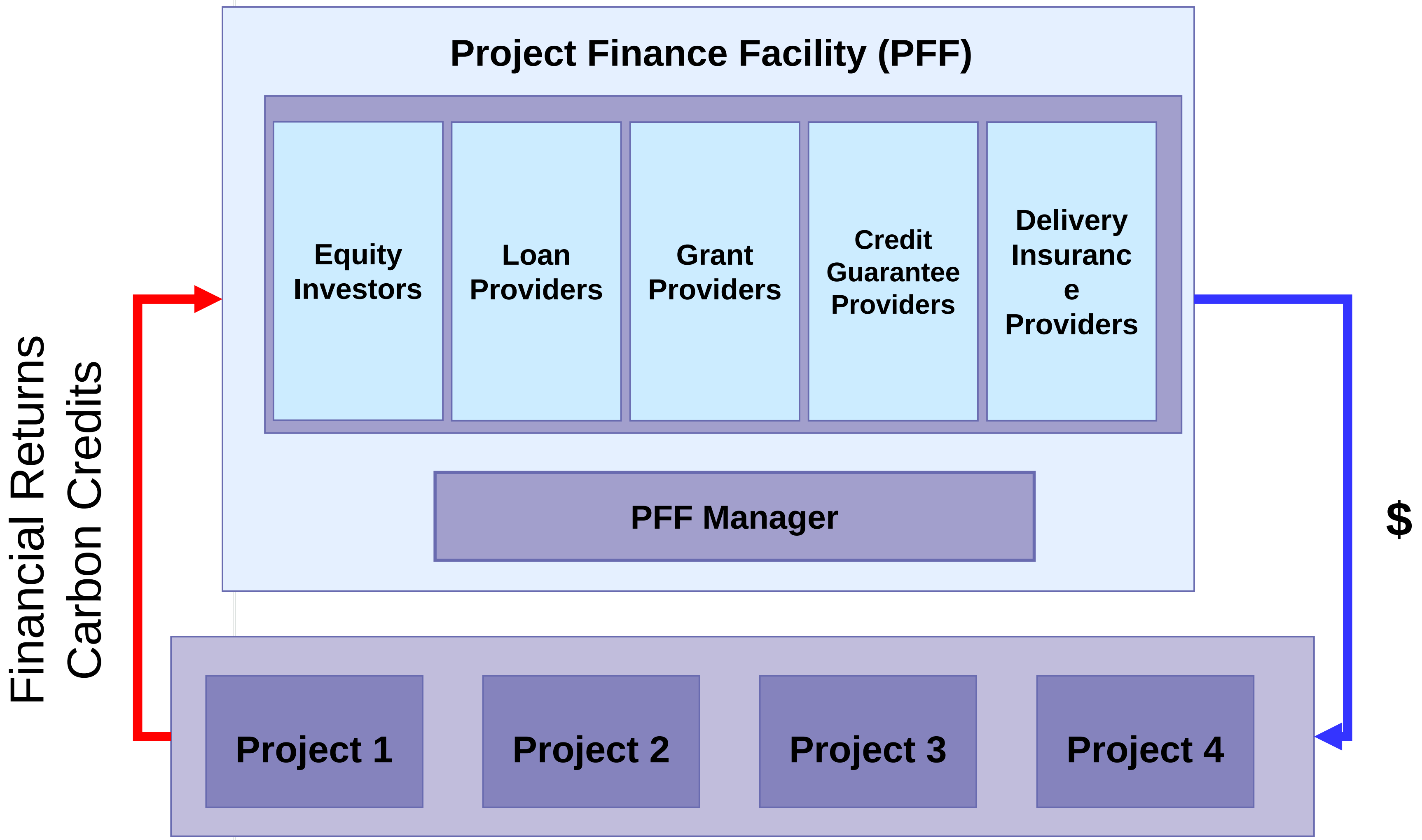
ab

Understanding the needs of carbon-linked project finance

- Transaction costs are being blamed for the lack of support for small to medium GHG reduction projects
- Without the small to medium projects there will be a significant shortage of ERUs (Emission Reduction Units) under the JI & CDM schemes
- Project finance risks are inherently complex and in the case of JI & CDM projects most private financial institutions are shying away from supporting them
- Public money is pledged but not effectively being accessed by project developers (e.g. due to lack of experience in developing business plans to required standards)

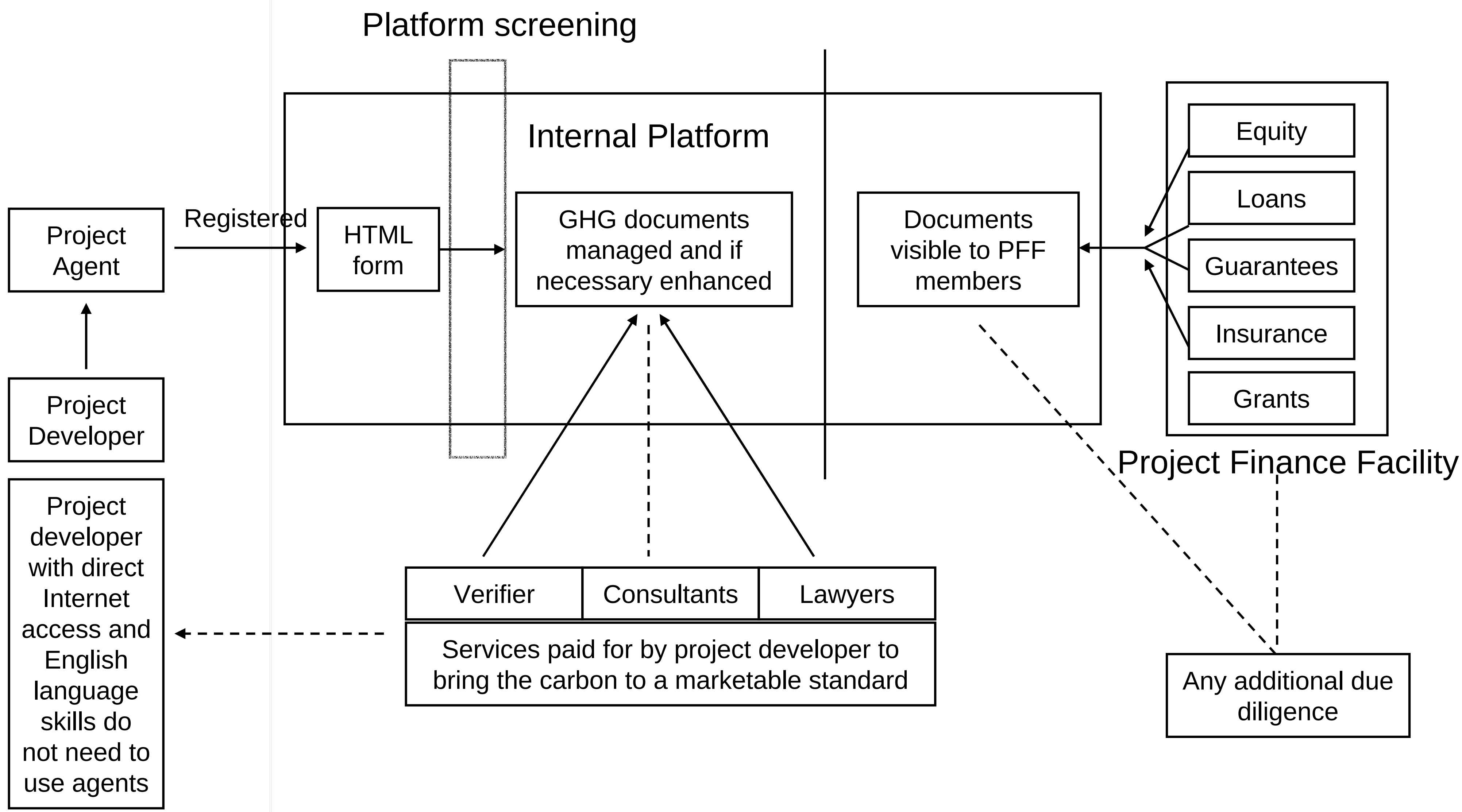
CIP - a project finance facility for project-by-project investing

ab



ab

CIP - process in detail



ab

The “CIP Fund” for those who want to invest & forget

- A carbon-linked global equity fund
  - first closing: €50m
  - 10-15 projects (up to €5m per project)
  - substantial equity participation: 25-50%
  - targeting medium size standalone projects: €30-50m
  - focus on Renewables (wind, biomass, landfill, etc), and Energy Efficiency
  - target ROI: 10-15% net (including the carbon value)
  - minimum participation: €5m

ab

CIP offers

- A Database of GHG Projects
  - enabling investors to access quality eligible projects & share investment risk
- A network of “Project Suppliers”
- An On-line Platform
  - to facilitate registration and processing of projects (helping to reduce transactions cost), and
- A technical office
  - providing high quality project management services & coordination
  - independence and integrity - a non-profit organisation based in Geneva

ab

The current stakeholders

The Original Vienna Group Members

- Swiss Re
- EBRD
- Development Bank of Japan (DBJ)
- Austria Wirtschaftsservice (AWS)
- FINNFUND
- European Commission
- Natsource
- Ernst & Young
- Fenwick Elliott

Plus the new CIP supporters

- Swiss State Secretariat for Economic Affairs (SECO)
- Swiss Ministry for the Environment (BUWAL)
- Standard Bank (London)
- INNOGY/RWE
- Deloitte & Touche
- Environmental Investment Partners (EIP)
- Global Environment Facility (GEF)
- UNCTAD-Earth Council Carbon Market Program
- Ecosecurities
- Factor Consulting
- PriceWaterhouseCoopers (PWC)
- CarbonWatch
- Point Carbon
- European Investment Bank (EIB)

The Climate Investment Partnership is committed to making projects real

ab

THANK YOU FOR YOUR SUPPORT