

Trading In New Commodities

SWISS CARBON FUND MEETS ITS TRANSACTION TARGETS

Climate Cent Foundation

The Climate Cent Foundation is an industry initiative designed to help Switzerland meet its obligations under the Kyoto Protocol.

Issues:

In 2005, Swiss industry adopted a voluntary levy on transportation fuel imports to fund the Foundation, which has a mandate to:

- (1) Invest in emission reduction projects in Switzerland
- (2) Purchase Kyoto credits from international projects that meet certain sustainable development requirements.

For the latter purpose, the Foundation had budgeted CHF 200 million (approximately US\$164 million) and committed to purchase 10 million tons of CERs and ERUs through a multi-faceted procurement strategy.

Solutions:

Van Ness Feldman advised the Foundation on a variety of agreements:

- An Emission Reduction Purchase Agreement (ERPA) for approximately 141,000 CERs from a renewable energy project in Brazil involving a wood chip power plant.
- An ERPA for up to 650,000 ERUs from a wind farm being constructed in New Zealand.
- An ERPA for approximately 175,000 CERs from a biogas project in Honduras. The project also meets the rigorous Gold Standard criteria developed by the World Wildlife Fund.
- An ERPA for approximately 167,000 CERs from a project to develop a new bus system for Bogotá, Colombia. The project is the first transportation sector project registered under the Clean Development Mechanism.
- An agreement with EcoSecurities under which EcoSecurities is obliged to deliver 2 million CERs from a selection of projects that meet the Climate Cent Foundation's sustainable development specifications. In addition, the Foundation purchased a call option on the delivery of an additional 1 million CERs.

Future Steps:

We will counsel on investments in a new carbon fund, which an international development bank is launching in 2007. The Foundation intends to purchase approximately 1.8 million CERs through this entity. In addition, the firm will advise the Foundation on agreements with brokers to source additional CERs and ERUs.