

CSR Asia Summit 2007

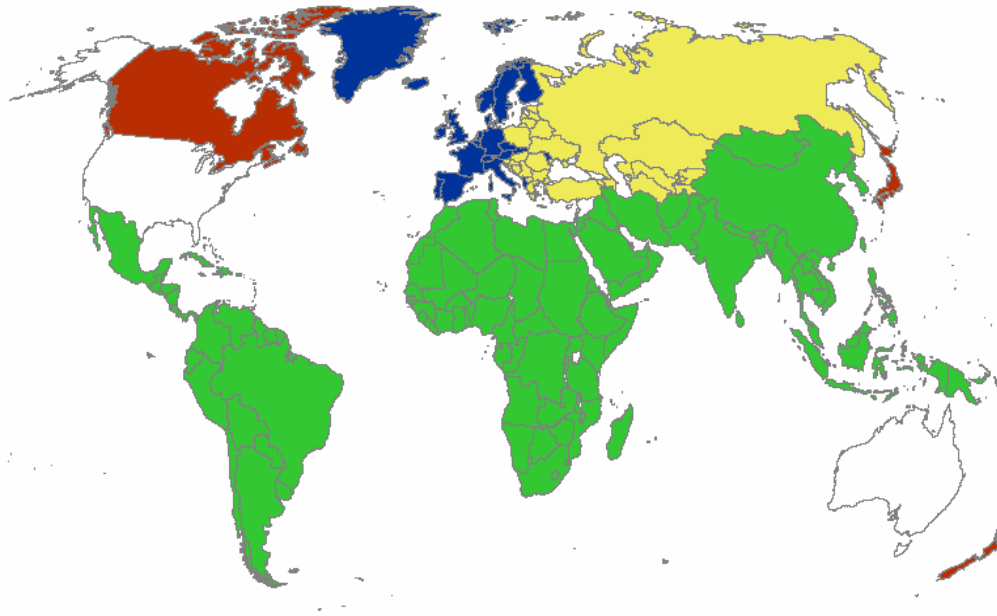
Carbon Finance for Renewable Energy

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FORTIS



Kyoto protocol



■ Annex I ■ Annex I, Economies in Transition ■ Annex II □ Did not ratify ■ Non Annex I/II

The Kyoto protocol is the fundamental international agreement governing the global carbon market.

The European Union has established the EU ETS in response to its member states' Kyoto obligations and to help its industry to prepare for the challenges and opportunities presented by global response to climate change.

Developing countries such as China & Brazil are not bound to reduce emissions by the Kyoto protocol but can use the Clean Development Mechanism to reduce GHG emissions thus creating valuable carbon assets known as CERs (Certified Emission Reductions). Annex-I countries purchase these CERs and hence the project developer obtains attractive financing to develop clean energy use and other emissions reducing activities.

The EU-ETS as part of the Kyoto target

Not ONE but multiple international agreements: 1992 United Nations Framework Convention on Climate Change, 1997 Kyoto Protocol, 1998 EU Burden Sharing Agreement, EU ETS Directive 2000, Marrakech Accords 2001

The European Union Emissions Trading Scheme

New assets, new liabilities, new values

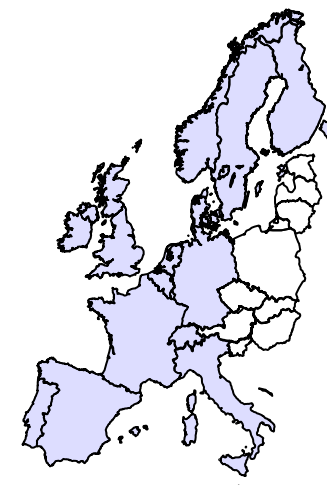
Two main ways to reduce emissions under the EU ETS

- **Allowance trading** sets a cap on emissions and companies can either buy or sell strictly European allowances depending on their emissions and the cost of abatement.
- **Credit origination** involves generating credits by investing in individual projects in developing countries that reduce emissions under the Kyoto Flexible Mechanisms

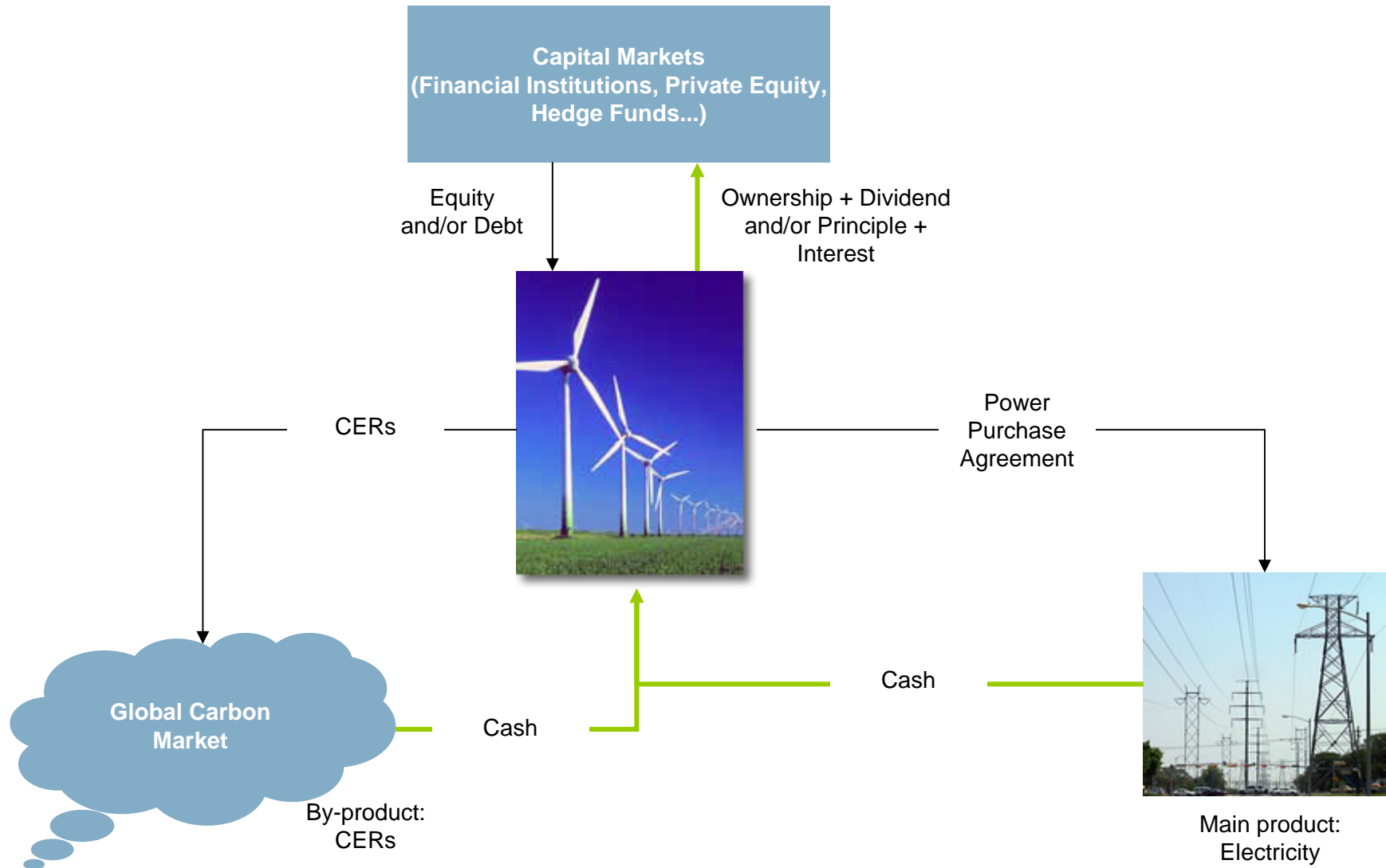
The EU ETS covers **±40% of EU CO₂ emissions**

Penalty of €40 per tCO₂e (2005-2008) and €100 (2008 to 2012)

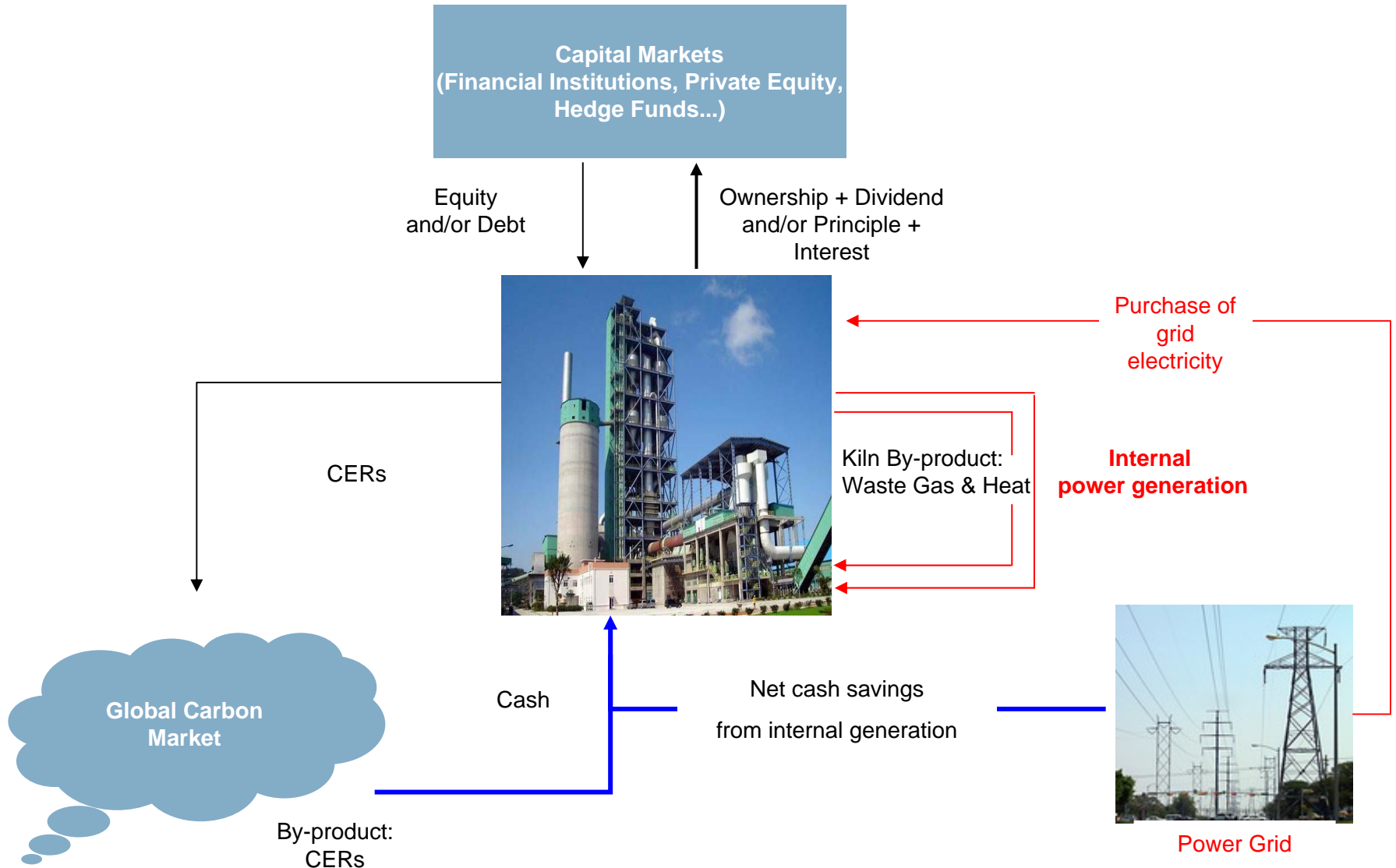
Stringent 2020 European reduction targets have been established and currently new global targets are being negotiated.



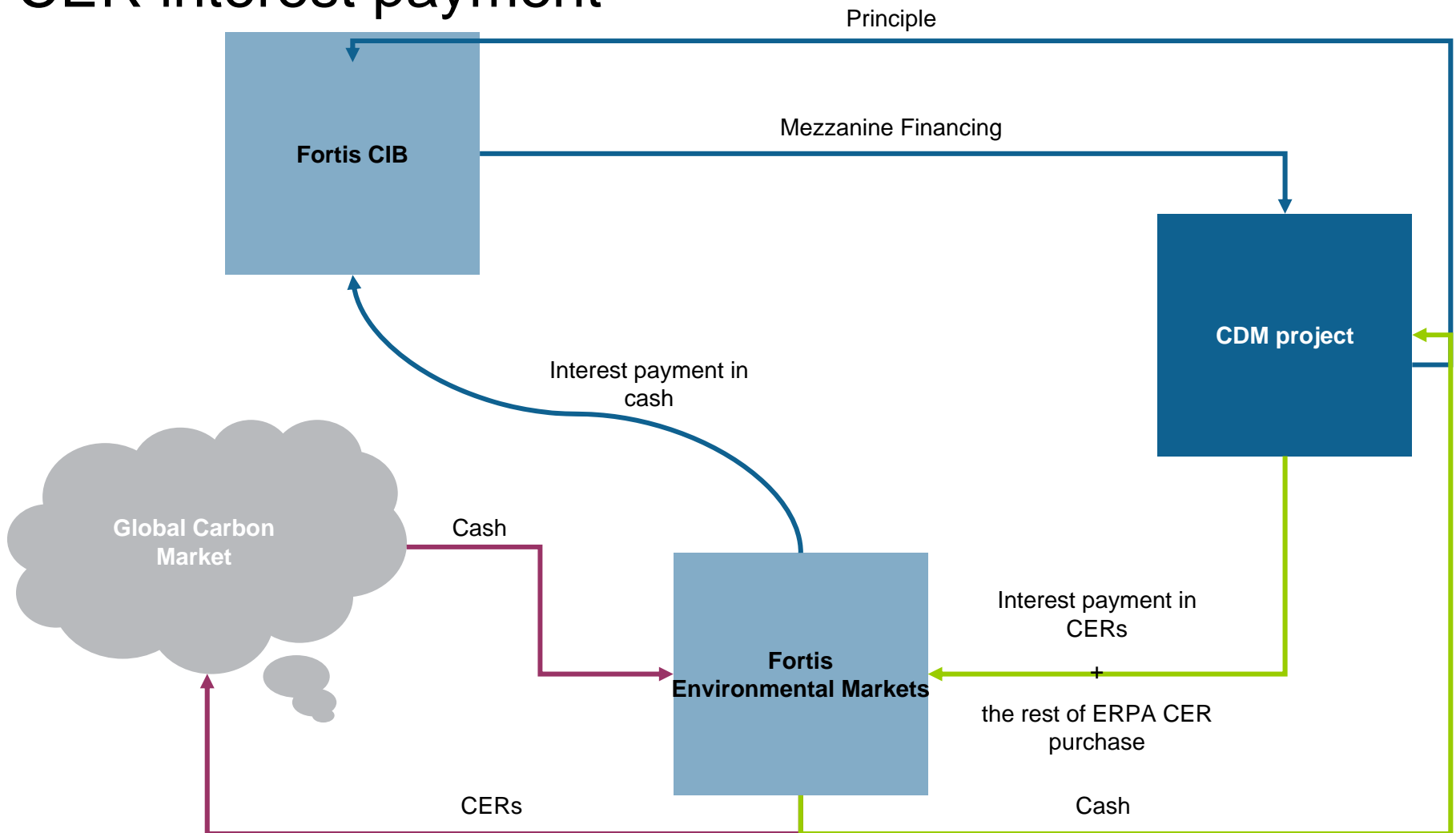
Nature of carbon finance for a typical CDM project



Generic Waste Heat / Gas Recovery CDM project



Structured Financing-Hedging transaction proposal: CER interest payment



Fortis: new products for the emerging carbon markets

Carbon Financial Services

Accepting returns in carbon
Including carbon value in financing
and due diligence
Clean Development Mechanism
project financing

Administration and Trust

Managing customers carbon
accounts
Custody of other Kyoto Compliance
Units
Fund custody and administration

Clearing

Eliminate counterparty risk and
guarantee trades
Cross commodity correlation model

Trading Services

Trading on demand or to order
Index based
procurement/divestment
CER purchasing and sales
Delivery date swaps (quasi repos)

Investing in and developing funds

Co-sponsorship of the European
Carbon Fund to ensure reliable
deliveries of Kyoto Compliance
Units for customers

CDP Climate Leadership 2006 – Top 50 Global

Co-sponsor and guaranteed placement CP for European Carbon Fund
Initiated index based position management contracts for customers
Trading on behalf of 200 customers
Cross selling successfully with trust, custody, escrow & settlement



Thank you

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