



FINANCING REDD+ PEAT



ASEAN Peatland Forests Project Workshop on Financing (4-6 October 2010)



**Global Environment
Centre**



**Carbon
Conservation**

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CARBON CONSERVATION TRACK RECORD

Achievements and Timeline

March 2007

- \$3M Rio Tinto deal protecting 13,000 Ha in Australia, runner up Banksia & UN Earth Day Awards

April 2007

- MOU signed with three Governors in Indonesia to use carbon finance to avoid deforestation

September 2007

- Coverage on front page of WSJ for our forest deal, Time Magazine, Aceh Forestry Moratorium

December 2007

- Front page of Sydney Morning Herald, Age
- Green Governors Dinner funded by ADB

January 2008

- Our Aceh project gains approval as world first CCBA validated REDD project and largest carbon project in the world with 100M tCO₂e, 750,000 Ha

March 2008

- Merrill Lynch ground breaking purchase agreement USD\$9M up to USD\$420M

November 2008

- Winner Environmental Finance Deal of Year, Finalist FT Sustainable Banking Deal of Year
- MoU with California Governor Schwarzenegger

February 2009

- Suriname Green Economic Development Plan done
- Burning Season aired on PBS, CBC, ABC, BBC, National Geographic and on TV around the world

April 2009

- Burning Season wins Brisbane Film Festival Audience Choice, Atom and IF Best Docu Awards and launches at Tribeca Film Festival in NYC, USA

Forests = Earth Infrastructure

Protecting nature helps tackle climate change AND conserves the resources needed for human survival, most particularly for the 1.2 billion people worldwide living in poverty. This is one of the most effective – and overlooked – ways to counter global climate change.

The Carbon Cycle: Deforestation and Climate Change



Diagram by Conservation International



\$3 million for protecting a forest in Queensland

HOW WILL CARBON CREDITS BE CREATED?

**100
YEARS**

- A contract between The Carbon Pool Pty Ltd and the landowner transfers ownership of the “carbon rights” and binds landowners and their successors in title not to clear the land for a minimum of 100 years after the emission reductions are sold

**20%
BUFFER**

- Project includes a “buffer” whereby 20 per cent of all carbon credits are set aside to provide for any potential losses due to fire, drought etc. within a 100 year period



- Arrangements are in place for ongoing monitoring, management and risk management of the vegetation by the Carbon Pool Pty Ltd



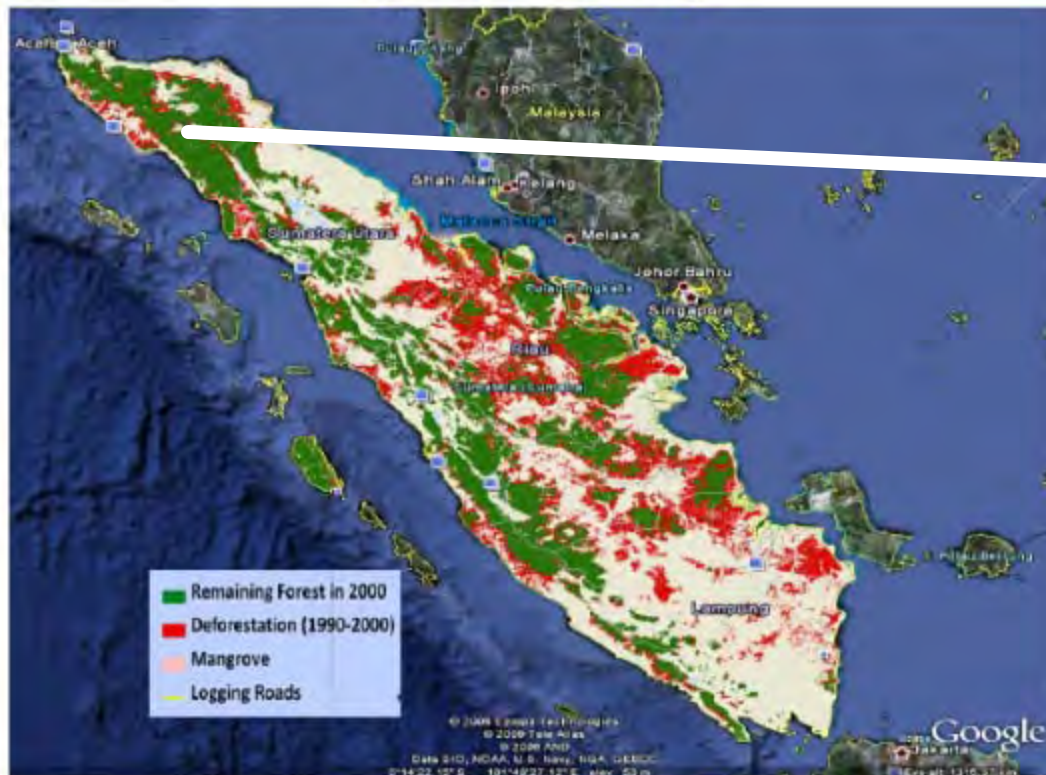
- Verified (under the Greenhouse Friendly Programme) greenhouse gas abatements sold



REDD Example 2: AcehGreen Ulu Masen

Civil conflict protected the forests in Aceh
Unlike the rest of the Sumatra island, so...
we created avoided deforestation carbon!

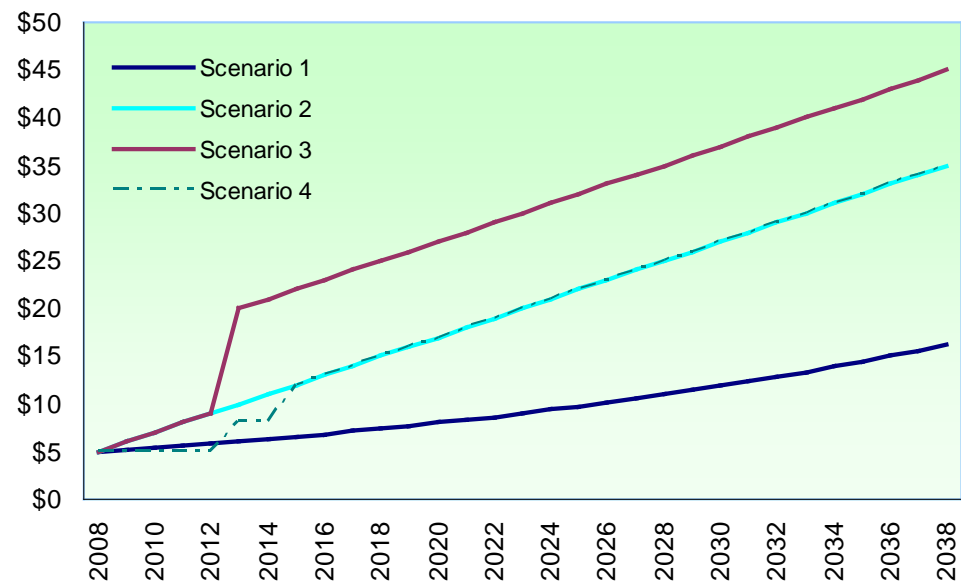
26 Percent Forest Loss in Sumatra (1990-2000)



Minimum investment USD: \$9M
Option for 6yrs with upper end
Potential investment USD: \$432M

Carbon Price Assumptions

Forecast Carbon Credit Price



Merrill Lynch

Global Markets & Investment Banking Group

TEMASEK HOLDINGS



LETTER OF INTENT

The Parties to this Letter of Intent agree that:

- Environmental services such as reducing greenhouse emissions and increasing carbon storage can provide alternative revenues to other forest practices;
- Carbon storage must be sustained and this is best achieved by ecologically, economically and socially sustainable management of land and forest resources;
- There are opportunities for alternative income streams, especially for local communities in the Provinces, arising from markets for environmental services and carbon;
- Mechanisms that ensure equitable and transparent sharing of economic benefits among local communities will be developed.

Governor Irwandi

Governor Abraham Atururi

Governor Barnabas Suebu

Fauna Flora International

Carbon Conservation

Dated: 26 April 2007



End to End Carbon Capability



Origination

Pipeline
Business
Development

Project
Assessment
and Valuation

Project
Structuring
and Legal
Execution

Project
Development and
Delivery

PDD Validation,
and Project
Management

Project
Verification

CC
Commercialization

Structuring,
Leveraging,
Hedging and
Securitization

Acquiring,
Brokering and
Trading

FINANCING REDD+ PEAT

CC PROJECT & FINANCING CAPABILITIES

Overview of General Avoided Deforestation Peat Project

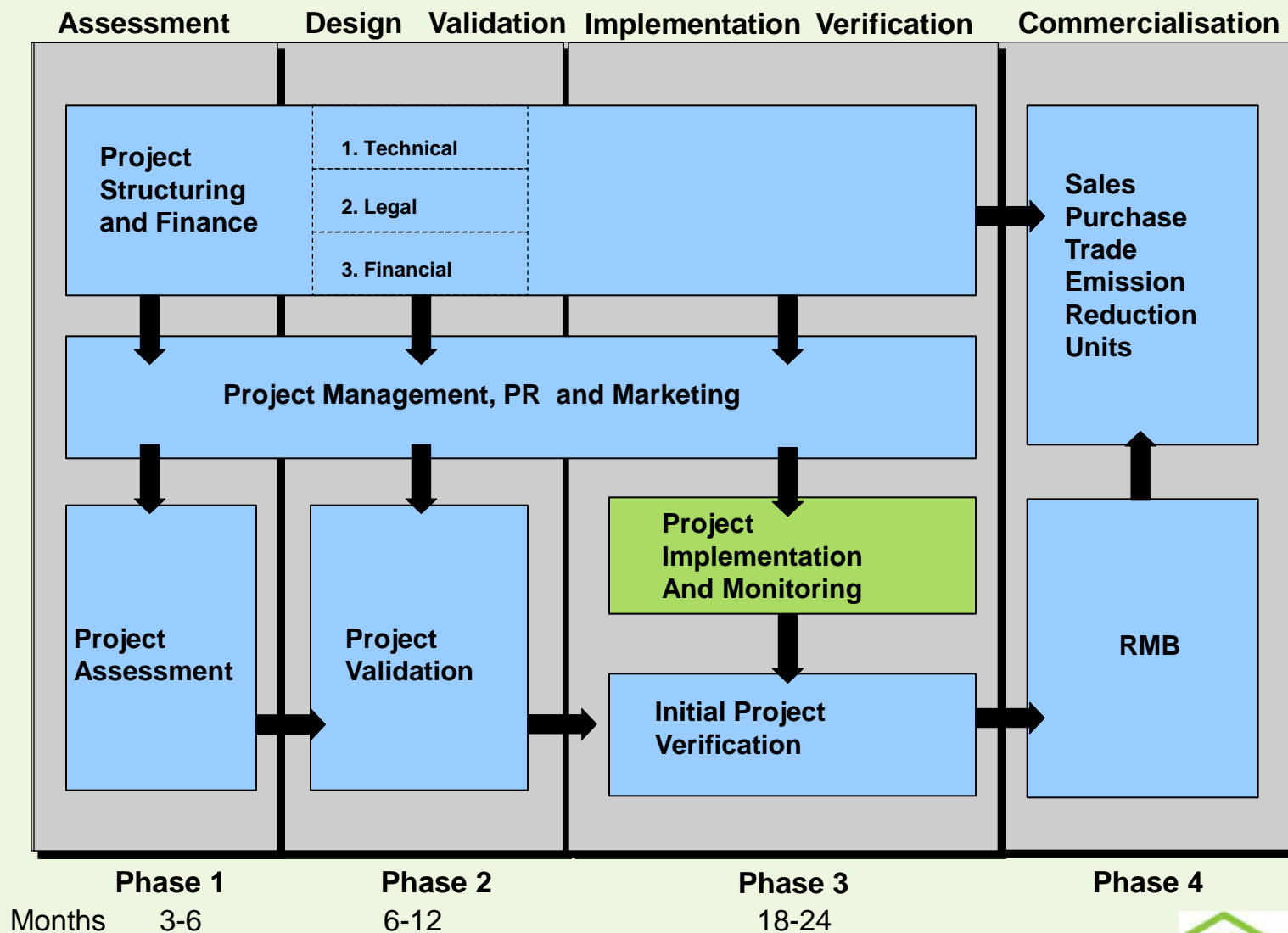
Project Goals:

1. Maximise the carbon returns with the minimal investment from concession owner
2. Maintain a commitment to environmental awareness
3. Ensure local communities and NGOs are supportive and appropriately informed of the success of the environmental protection
4. Protect and Avoid any forest and carbon loss in biomass and soil

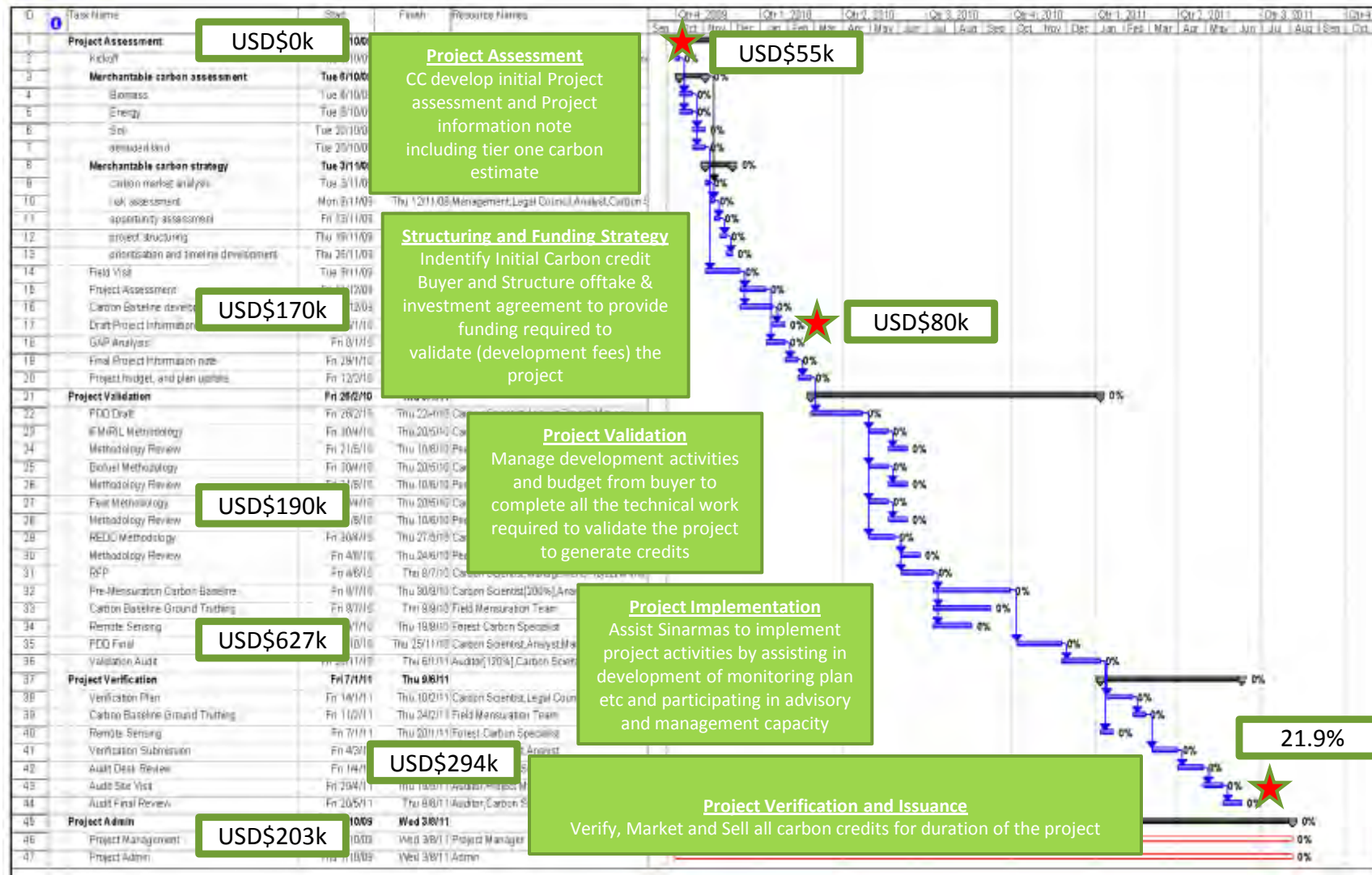
Project Risk:

1. Project Additionality due to commencement of protection activities ahead of carbon development activities
2. Only the VCS has approved a single Peat carbon baseline methodology
3. Unknown capabilities to manage hydrology of peat soil to protect from forest fires
4. Leakage Issues – Activity Shifting
5. Limited data on biomass and soil carbon stock
6. Government endorsements and appropriate legal licenses for carbon

Typical 4 Phase Project Delivery and Commercialization Model



Typical Example of a REDD+ Project Delivery Plan



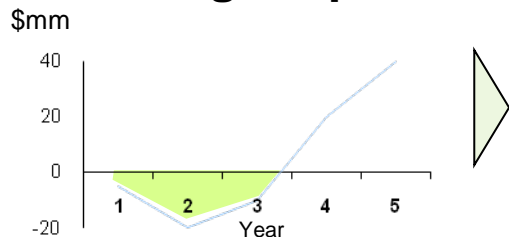
Carbon can be calculated based on upcoming VCS 2011 Guidelines

Updated
New VCS Guidelines

Peat Project Crediting Issues

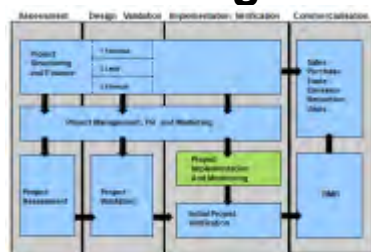
- Under Current UNFCCC rules there is no option for Peatland carbon generation
- Under REDD+, being negotiated at the upcoming COP 16 in Cancun, Mexico, there is no mention for peat emissions accounting
- The only current options are under the Voluntary Carbon Standard 2007.1 and 2011
- The current VCS 2007.1 standards does recognize the carbon pool of “organic soil carbon” – however the status of peat has been perhaps unclear
- The New VCS 2011 standard however does specifically recognize peat within the carbon pool of organic soil carbon
- The first approved REDD Methodology is a Peat methodology
- Many technical challenges remain, but Peat Carbon projects have a secure future in the VCS

Financing Requirements



- CC to provide the seed funding based on project potential
- Source addition and appropriate funding based on project requirements

Carbon Origination

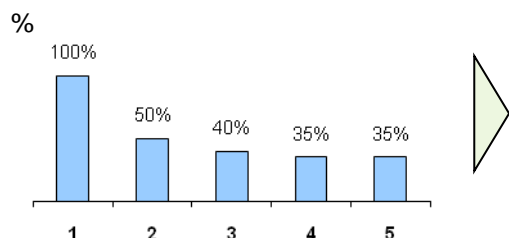


- CC to perform carbon origination services to maximise project
 - Project Assessment
 - Project Design
 - Project Validation
 - Project Management

Terms:

- Percentage share of Project Credits OR
- Smaller percentage share plus services fee
- Exclusive Partnership engagement for Project

Carbon Commercialisation



- CC to develop PR and marketing of project jointly with landowner
- CC to develop and manage carbon commercialisation on the international market

First Mover Opportunities for New Projects

New Projects builds value by being a carbon first mover and generates revenue from protecting and managing forest

- Execute Project Development Agreement
- Work with CC to perform Due Diligence on project
- Commence Project Assessment
- Identify and develop Baseline Methodology and Carbon Market for Project
- Develop Project Design Document
- Host Country Approval
- Independent Validation
- Project Implementation
- Project Verification and Sale of Credits