NEFCO Carbon Finance and Funds

Operational Review 2010

Mobilising innovative climate finance for sustainable energy investments

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1 — Review of operations

The Cancún Agreements adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2010 have re-affirmed that finance has become increasingly important to international negotiations on climate change. It is now mandated in the agreements that developed countries must mobilise large scale finance flows, in the order of USD 100 billion per annum by 2020, for mitigation and adaptation measures. The high level UN Advisory Group on Finance argues that a judicious use of public funds in combination with private resources is required to achieve these levels of investment. The key issue is leveraging private finance using public financing mechanisms and risk sharing.

Hence, NEFCO is working with innovative pilot mechanisms and programmes in the climate finance space. 2010 saw several initiatives in this respect, including the launch of a new climate guarantee facility, ProClimate. Recognising that, public sector resources can in many cases be effectively utilised to leverage private capital flows through safeguarding private investors against defaults, ProCF is an innovative pilot facility, implemented jointly with the Nordic Development Fund, which seeks to unite loan guarantees to carbon financing. In another example of mobilising private finance, the Nordic Climate Facility (NCF) signed 14 agreements for small mitigation and adaptation projects worth EUR 8.9 million with 62% of the funding originating from the NCF. NEFCO in cooperation with other financial institutions also concluded a landmark transaction in Mexico, one of the largest post 2012 transactions globally in 2010. The transaction allowed the collateralisation of carbon financing to mobilise upfront resources for a large scale wind project, with capital to be invested at over USD 660 million.

Secondly, the need for upscaled approaches for more advanced developing countries is critical. So called sectoral approaches involve country specific sector based actions based around technology choices or policy instruments, such as implementation of fuel efficiency standards. These Nationally Appropriate Mitigation Actions (NAMAs) can also involve sectoral crediting approaches, which have the possibility to mobilise private sector capital flows. However, given that progress in international negotiations for these concepts had been slow, NEFCO undertook a study on innovative climate finance facilities for testing scaled up mitigation approaches. This work has evolved into a NOAK[1]–NEFCO Partnership Initiative, which will over 2010–11 start a pilot initiative to test upscaled support for NAMAs in 1–2 developing countries. The Partnership will contribute in practical terms to the body of experiences on market readiness.

The carbon procurement vehicles, the NEFCO Carbon Fund (NeCF) and the Testing Ground Facility (TGF) continued their progress, despite continuing delays in the project cycle and rising transaction costs. In particular, the NeCF signed additional projects during the year in China, Indonesia, Mexico and Viet Nam, all of which were in the renewable energy sector. Up to date four NeCF projects have achieved registration. The TGF received a sizeable amount of carbon credits in 2010 from 4 issuing Joint Implementation (JI) projects and were distributed to investors. The COP16 conference also agreed a number of reforms to the Clean Development Mechanism, including the creation of an appeals board, the use of standard baselines and the streamlining of the registration process. These, along with increased resourcing at the UNFCCC, should improve the functioning of the current mechanism.

At a wider scale, whilst there remains much negotiation and hard bargaining to be done, there now exists a renewed commitment to tackle climate change and improved prospects for a long term global agreement. This bodes well for the carbon markets, and re-affirms NEFCO's commitment to its carbon finance products as well new instruments and programmes to support market readiness for future mechanisms.

Ash Sharma Vice President
Magnus Rystedt Managing Director
NEFCO, January 2011

1 — NOAK stands for the Nordic Ad Hoc group on Climate Change, a working group under the Nordic Council of Ministers charged with facilitating progress in the international climate change negotiations.

2 — New climate finance facilities and initiatives

In 2010, CFF continued to develop its operations in response to the expected demand for greater and more innovative climate financing. A number of new climate finance initiatives and strategic programmes have been undertaken, to pilot and demonstrate public financing mechanisms for climate mitigation and adaptation including technical assistance, climate guarantees and market readiness activities.

ProClimate Facility

In August 2010, a EUR 10 million climate guarantee vehicle was established jointly with the Nordic Development Fund (NDF). The ProClimate Facility (ProCF) was set up to pilot a partial climate guarantee to support small and medium-sized investments in climate change mitigation and adaptation projects. ProCF can extend partial loan guarantees as well as technical assistance to selected projects. As an innovative element the facility can enable different kinds of advance payments on deliveries and supplies, such as energy and Certified Emission Reductions (CERs) under the Clean Development Mechanism (CDM). Attaching technical assistance to the selected projects via a EUR 1 million window is expected to further enhance the efficiency of the facility. The ProCF is currently in the project identification phase.

Joint Nordic project on carbon market mechanisms

NEFCO has been participating in a climate project under the so called Globalization Initiative of the Nordic Council of Ministers during 2010. A decision was made by the Nordic finance ministers in autumn 2009 to launch a joint project on the Nordic countries' experiences from the global Joint Implementation / Clean Development Mechanism (JI/CDM) markets and to assess prospects for possible future Nordic cooperation. The project, titled "Nordic perspectives on carbon market mechanisms" was prepared by a steering committee with representatives from NEFCO, the Nordic JI/CDM authorities, the Nordic ministries of finance, the Nordic Council of Ministers (including the Climate Group) and with Denmark as the Chair.

The project was organized around three workshops hosted by NEFCO in Helsinki (March and May 2010, Helsinki) and the Ministry of Finance in Oslo (September 2010). The workshops were held with the following themes (1) lessons learned, (2) financing of JI / CDM projects and (3) post-2012 Nordic cooperation. The activity contributed to a very useful exchange of experiences, and there are good perspectives for a strengthened future Nordic cooperation on JI/CDM, focusing on the post 2012 period and new mechanisms.

Scaled up approaches to climate change mitigation — The NOAK[1]–NEFCO Partnership Initiative

NEFCO has been exploring its potential market readiness role for scaled up mitigation actions or sectoral approaches. During 2010, it undertook a study to scope out of the possibility of developing innovative climate finance facilities for testing sectoral approaches in developing countries. The work concluded a potential role for NEFCO in piloting market readiness activities. Following this study, a joint NOAK–NEFCO Partnership Initiative has been established with funding from the Nordic Council of Ministers. The aim of this initiative is to start a pilot initiative on upscaled support for nationally appropriate mitigation actions.

The Initiative was announced at a Ministerial meeting in Reykjavik in November 2010, and presented at an official side event in Cancún, Mexico. NEFCO is a member of the steering committee and is administering a DKK 1 million Trust Fund for the Initiative.

International networks for cooperation on climate finance

NEFCO continues to engage a wider range of climate stakeholders beyond its traditional networks in Eastern Europe and the Nordic countries, reflecting the global reach of its funds. This has included multilateral banks, bilateral development financial institutions and UN organs, in areas of project development, co-financing and technical cooperation.

NEFCO has been cooperating with the Climate Change Working Group of the Bilateral Finance Institutions, which also includes AFD (France), KfW (Germany), JICA (Japan) and the European Investment Bank. In 2010, the group updated its 2009 climate finance mapping exercise and presented this at an official side event at the COP 16 conference in Mexico.

Project reports and outputs from all the above initiatives are available at → www.nefco.org/publications

3 — NEFCO Carbon Fund (NeCF)

The NEFCO Carbon Fund (NeCF) is a global carbon fund based on a public-private partnership model, launched in March 2008 for the purchasing of greenhouse gas emission reductions under Joint Implementation (JI) and the Clean Development Mechanism (CDM). The NeCF is directed towards private investors (corporate entities with compliance obligations under the EU Emissions Trading Scheme, or EU ETS) as well as sovereign investors.

Public sector investors

- Denmark
- Industrialisation Fund for Developing Countries (Denmark)
- Finland
- Norway
- Nordic Environment Finance Corporation

Private sector investors

- DONG Energy (Denmark)
- EPV Energy (Finland)
- Kymppivoima (Finland)
- Vapo (Finland) — from December 2010

The NeCF has mobilised approximately EUR 97 million in the first Tranche. During 2010, EPV Energy exercised its option to add a further EUR 14 million to its initial Tranche 1 investment.

In August, a post 2012 only tranche of the NeCF was launched with a target capitalisation of EUR 30 million. This capital raising was targeted initially at existing CFF fund participants. By year end, the Kyoto Plus tranche had raised EUR 18 million for new projects, with additional contributions from EPV Energy and Vapo.

PATRIK RASTENBERGER

Case study —

Wind energy developments in Oaxaca state, Mexico

In September NEFCO together with KfW Bankengruppe, the German promotional bank, the Spanish Banco Santander, and the Spanish private equity fund, Eolia Renovables, announced a landmark deal whereby NEFCO will buy up to 4.6 million tonnes of Certified Emissions Reductions (CERs) from two wind farms developed by Eolia Renovables. The project developer Eolia plans to build grid connected combined 324 MW of wind power capacity in state of Oaxaca, southern Mexico. The separate wind power projects to be developed under CDM comprise a 160 MW installation at Santo Domingo and 164 MW at Bii Stinu. Both projects have been approved by the CDM Executive Board.

The project, believed to be one of the largest of its type in the post 2012 market, used an innovative financing structure whereby Banco Santander will monetize the future income derived from the sale of those CERs. The transaction takes the form of a carbon collateralization structure based on the CERs purchased by KfW Bankengruppe and NEFCO. Under this structure, the future receivables derived from the Emission Reductions Purchase Agreement fronted by KfW/NEFCO will be relied upon by Banco Santander as the main source of repayment. The transaction was funded by Bancomext making use of two sustainable credit lines – one with the European Investment Bank, EIB and the other with the German KfW.

The projects are under development and full operation of both wind farms is expected by August 2012.

The project developer Eolia in Mexico plans to build 324 MW of wind power capacity in Oaxaca.

Projects

The NeCF seeks to invest in a wide range of greenhouse gas mitigation projects including – but not limited to – renewable energy projects (e.g. biomass, small-scale hydropower, wind, geothermal), energy efficiency and fuel switching. Projects should be in line with the requirements of the Kyoto Protocol, in particular the fulfilment of the requirements of the JI Supervisory Committee and CDM Executive Board, and the eligibility criteria under the EU ETS, including to the extent possible, any guidance on post 2012 provisions.

As of December 2010, the NeCF had signed eleven contracts for the purchase of a total of 9.3 million Certified Emission Reductions (CERs) entirely from renewable energy projects located in Eastern Asia and Latin America. In addition, the NeCF had valid Letters of Intent (LoIs) on eight further projects at year-end located in India and Southeast Asia.

During the course of 2010, a number of further LoIs were signed but these projects were not contracted due to issues raised during the due diligence phase.

The NeCF portfolio has in aggregate around half its contracted volume expected in the post Kyoto period.

Regulatory and market overview

Cancún did not result in a new international agreement or an agreement on the second commitment period under Kyoto Protocol, but the outcome is viewed as broadly positive for the international carbon markets. However, one of the key achievements of the COP16 meeting in Mexico was the formalisation of the framework for legally binding emission reductions targets for both developed and developing countries. The long-term financing goal of developed countries to provide USD 100 billion in financing by 2020 was enshrined in the Cancún decision, and a Green Climate Fund has been established. Other significant developments included agreement on a new REDD + (reducing emissions from deforestation and forest degradation) mechanism and progress on monitoring, reporting and verifying emissions. Overall, there is much to commend the process, not least of all renewed confidence in the multilateral approach and the foundations for more concrete agreements at COP 17 to be held in South Africa. Of greatest relevance to NeCF, the Cancún Agreements confirmed the continuation of the CDM after the expiration of the Kyoto Protocol's commitment period on 31st December 2012. The negotiators sent a signal that this will be the case, even if, as is likely, a gap will occur between the end of the first period and the entry into force of a subsequent international agreement.

At a global level, the regulatory environment has shown some signs of improvement, and positive supply side signal comes from the UNFCCC, which has stated its aim to significantly reduce the backlog of projects seeking registrations and issuance. Overall, there has been a decline in volume of projects registered directly with the Executive Board increasingly calling projects for some type of review. A key development therefore from Cancún in response to criticisms of delays in registration, projects will now be able to commence crediting periods from the date of request for registration is submitted rather than the actual date of registration. However, the NeCF portfolio is still delayed by lengthy procedures prior to issuance and risks of non-registration, despite careful due diligence and continual involvement by the Fund Manager in the project cycle.

4 — Baltic Sea Region Testing Ground Facility (TGF)

The Testing Ground Facility (TGF) has its origins in multilateral energy cooperation in the Baltic Sea Region. The energy ministers of the Baltic Sea Region countries and the European Commission decided in 1999 to enhance energy cooperation in the region with the creation of BASREC (Baltic Sea Region Energy Cooperation). Since then, the TGF has evolved into a commercially functioning carbon purchase fund based on the public-private partnership principle.

The TGF invests in projects owned and operated by private enterprises, public utility companies, public-private partnerships and municipal, regional or governmental authorities. Due to its BASREC origins, TGF operates only in Russia, the Baltic countries and Ukraine and prioritises energy-related projects.

The TGF is a public-private partnership with investors from six governments and

Public sector investors

- Denmark
- Finland
- Germany
- Iceland
- Norway
- Sweden

Private sector investors

- DONG Energy (Denmark)
- Fortum (Finland)
- Gasum (Finland)
- Keravan Energia (Finland)
- Kymppivoima (Finland)
- Outokumpu (Finland)
- Vapo (Finland)
- Vattenfall Europe and Vattenfall Generation (Germany)

nine heat and power and industrial companies. It is capitalised at EUR 35 million, split equally between public and private sectors.

TGF portfolio overview

The Fund Manager has sought to diversify portfolio risk across different project types, with an emphasis on renewable energies and energy efficiency projects, and the TGF's countries of operation (Russia, the Baltic countries and Ukraine), taking into account the technical and realizable potential in those markets.

The graph shows a strong emphasis on renewable energy and energy efficiency projects. The energy efficiency projects are distributed between wind and biomass/biogas technologies.

At the end of 2010, the TGF portfolio consisted of thirteen Emission Reductions Purchase Agreements (ERPAs) projects in Russia (6), Estonia (3), Lithuania (3) and Ukraine (1), and the TGF's active procurement phase was effectively concluded in 2009, pending developments in Russia, which accounts for half the portfolio. At the time of writing, the Russian portfolio is under review awaiting recent developments in the Russian approval procedures. Four of the six Russian projects were submitted to the second tender organized in October 2010 by Sberbank and the Russian Ministry of Economic Development. Two of TGF's Russian projects were approved in December. During 2010, the final Letter of Approval for a small wind project in Estonia was received, completing the approvals for the Baltic portfolio of six projects.

In total, the Facility has committed, in the form of ERPAs, to buy 3.9 million tonnes of carbon dioxide equivalent of emission reduction. So far, 4 projects are issuing credits, and have generated 0.45 million ERUs, equivalent to 13% of the fund capital. The bulk of these have been distributed to TGF investors.

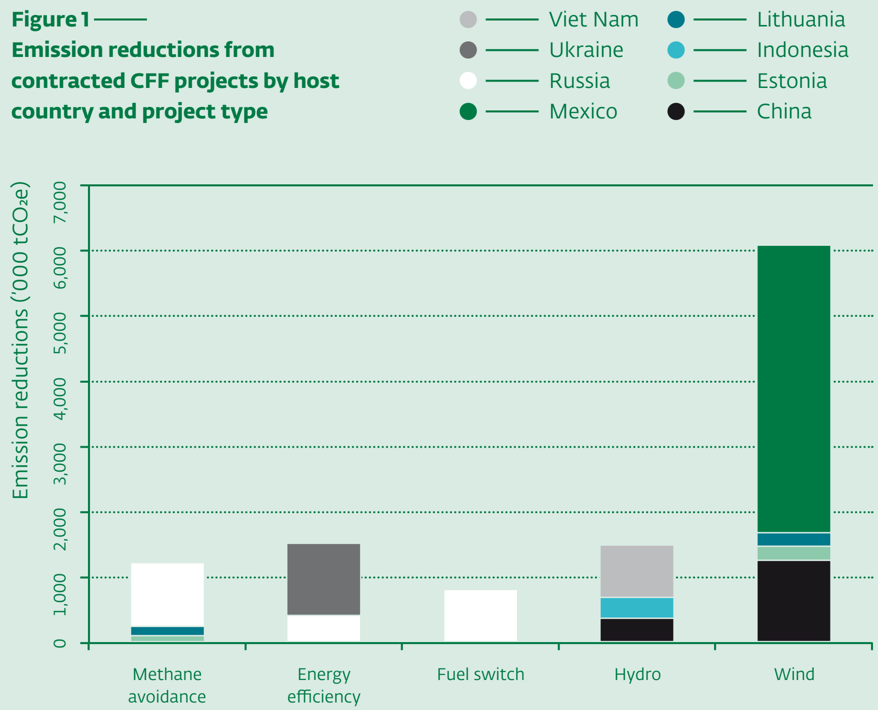
Regulatory and market overview

The JI mechanism saw significant activity during 2010, with the opening up of the largest market, in the Russian Federation, which successfully finally determined (registered) its first project in October. Whilst there have been some delays with the domestic situation in Russia, the JI mechanism as a whole has enhanced its credibility, at least in the Kyoto period. A secondary market is developing, and new ERU futures and options contracts are being launched. Notwithstanding, the reforms have been slow to implement. Bold proposals by the JI Supervisory Committee for post Kyoto continuation until a new agreement is reached were shelved at COP 16 in Cancún and the future of the mechanism is still uncertain for the post 2012 period. However, a proposal to allow existing JI projects to continue issuing ERUs for emission reductions achieved post 2012 even if the Kyoto Protocol is not extended remains under consideration.

5 — Carbon Finance and Funds (CFF) CDM/JI portfolio overview

NEFCO has sought to diversify portfolio risk across project types, with an emphasis on renewable energy and energy efficiency projects, taking into account the technical and realizable potential in the carbon markets of different host countries.

Figure 1 — Emission reductions from contracted CFF projects by host country and project type



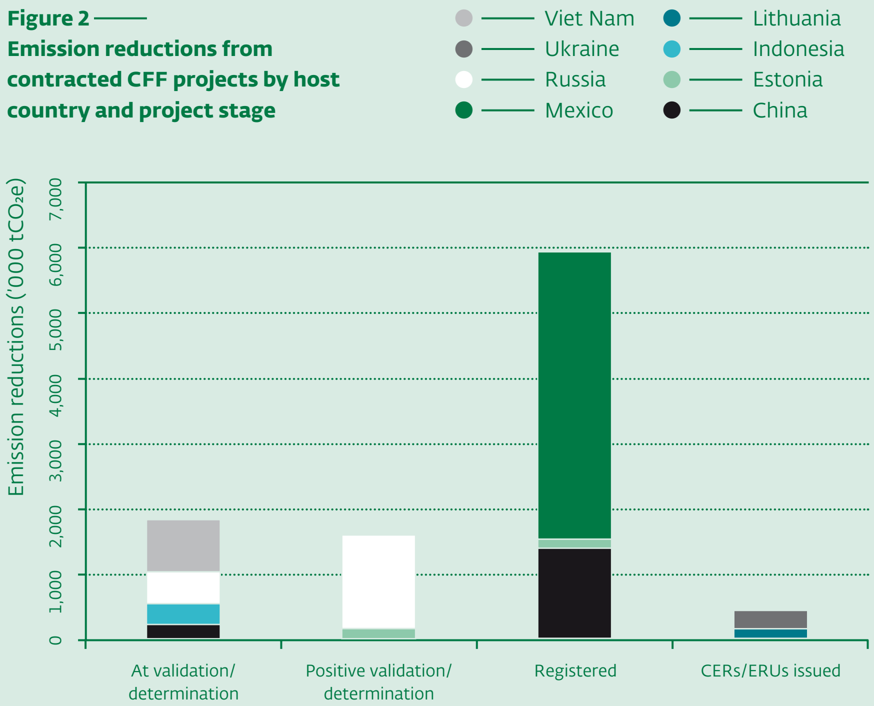
The breakdown of emission reductions by project type demonstrates CFF's continuing emphasis on catalysing sustainable energy investments, notably renewable energy, particularly wind, and small hydro projects. Other priorities include solid biomass, biogas and energy efficiency.

Nordic Climate Facility

The Nordic Climate Facility (NCF) is implemented jointly with the Nordic Development Fund (NDF), a sister institution co-located with NEFCO in Helsinki. The NCF is funded by the Nordic Development Fund. NCF encourages and promotes technological innovation in areas susceptible to climate change such as: energy, transport, water and sanitation, health, agriculture, forestry and natural resource management. The first tranche of the EUR 6 million facility signed 14 contracts in 2010 to support projects in these areas, with the projects being implemented over a 2 year period.

Following on from the success of the first round a new EUR 6 million Call for Proposals of the NCF was launched in October 2010 with a focus on adaptation to climate change in urban areas and deployment of renewable energy technologies.

Figure 2
Emission reductions from contracted CFF projects by host country and project stage



The breakdown by project stage shows that the majority of emission reductions is expected from projects that have achieved at least positive validation/determination. This means that they have already successfully passed independent scrutiny and are awaiting confirmation of final status by the Executive Board (CDM), JI Supervisory Committee (JI Track 2) or the host country (JI Track 1).

Nordic Climate Facility grant agreements signed in 2010

Nationality of Nordic Partner	Name of the project	Host country for project
Denmark	Climate-proofed water conservation strategies in Northern Ghana	Ghana
Sweden	Mount Elgon – integrated watershed management project	Kenya
Sweden	Providing assistance for design and management of appropriate water harvesting technologies in arid lands of Kenya	Kenya
Finland	GHG mitigation and sustainable development through the promotion of energy efficient cooking in social institutions	Ethiopia
Sweden	Adapting to climate change in Bolivian Andean communities depending on tropical glaciers	Bolivia
Denmark	Climate change adaptation – water resources project in Isiolo district in Kenya	Kenya
Denmark	Fuel efficient stoves in East Africa – Reducing emissions and improving livelihoods in Kenya, Tanzania, Rwanda and Uganda	Kenya, Tanzania, Rwanda, Uganda
Sweden	Building adaptive capacity to climate change in Kenya	Kenya
Finland	Scaling the solar market garden	Benin
Sweden	Enhancing capacity for adaptation and mitigation of climate change in Kibera, Nairobi	Kenya
Finland	Demand side management for climate change adaptation for the Ethiopian power sector	Ethiopia
Norway	The Bukaleba charcoal project	Uganda
Finland	Strengthening of the national capacities in energy efficiency	Nicaragua
Sweden	Energy efficient recycling of electric and electronic scrap material	Ghana

KARI HÄMEKOSKI

Case study —

Climate-proofed water storage and conservation strategies in Ghana

Ghana is vulnerable to floods and droughts and the northern regions are experiencing higher temperatures, altered patterns of precipitation and runoff, which are increasingly compromising the effective management of water and agricultural resources. Climate forecasts and climate change scenarios predict more severe and frequent patterns of drought and flood events in the country, and therefore there is a need to raise awareness and implement adaptation strategies to reduce the negative impacts of climate change.

DHI from Denmark with Water Resources Commission (WRC), Geohydronomics Limited and Centre for Human & Environmental Security in Ghana will promote transfer of knowledge and skills on the sustainable management of water resources through cost-effective climate-proofed water storage and conservation strategies.

The NCF funded project includes: designing and testing of sub-surface water storage and flood retention systems in flood prone areas; promoting the use of ecologically sustainable irrigation systems and piloting dug-outs and earth embankments for harvesting receding flood waters. It will also promote women's role in water security and conservation activities along floodplains; and implementing the water conservation and irrigation strategy through domestic and agricultural water use. All planned activities are based on vulnerability and adaptation research outcomes that have been planned together with the affected people and communities, and are undertaken by the WRC and its grassroots NGO partners.

Measuring the water level at the White Volta River in Ghana.

CFF portfolio — Current TGF portfolio as of December 2010

Project and location	Category	Expected emission reductions (tCO_2e)[1]	Status
Estonia: Saaremaa animal waste management project	Renewable energy, waste treatment, CHP	60,299	Contracted; Track 1 Registration
Estonia: Viru Nigula 24 MW wind power development project	Renewable energy	108,000	Contracted; Track 1 Registration; Issuing
Estonia: Vanakula 9 MW wind power project	Renewable energy	70,000	Contracted; Letter of Approval
Lithuania: Lapes landfill gas utilisation project, Kaunas	Waste-to-energy	131,000	Contracted; Track 2 Final Determination; Issuing
Lithuania: Benaiciai 16 MW wind power project	Renewable energy	126,000	Contracted; Track 2 Final Determination; Issuing
Lithuania: Sudenai – Lendimai 14 MW wind power project	Renewable energy	68,000	Contracted; Track 2 Final Determination; Issuing
Russia: Kirov Fuel Switch Project	Renewable energy (biomass) and fuel switch (to natural gas)	288,000	Contracted; Awaiting Letter of Approval
Russia: Priozersk Biomass Fuel Switch, Leningrad Oblast	Renewable energy (biomass) and fuel switch (to natural gas)	50,000	Contracted: Letter of Approval
Russia: Strezhevoi District Heating Rehabilitation, Tomsk Oblast	Energy efficiency (supply side)	62,000	Contracted; Awaiting Letter of Approval
Russia: Khimprom waste coke oven gas utilisation project, Kemerovo	Energy efficiency (supply side)	272,000	Contracted; Awaiting Letter of Approval
Russia: Belokurikha District Heating Rehabilitation project, Altai Region	Energy efficiency (supply side)	363,000	Contracted; Awaiting Letter of Approval
Russia: Associated Petroleum Gas project	Associated petroleum gas utilisation	750,000	Contracted: Letter of Approval
Ukraine: Alchevsk Coke Plant Waste Heat Recovery, Ukraine	Energy efficiency (demand side)	977,000	Contracted; Track1 Registration; Issuing
Russia: Combined Vodokanal Sludge Incineration Project, St Petersburg	Methane destruction, energy generation	134,000	draft ERPA[2]

CFF portfolio — Current NeCF portfolio as of December 2010

Project and location	Category	Expected emission reductions (tCO_2e)[3]	Status
China: Xiangshui 201 MW wind project, Jiangsu province	Renewable energy	1.1 million	Contracted; Registered
China: 19 MW Hydro Project, Yunnan Province	Renewable energy	181,000	Contracted; Registered
China: 16 MW Hydro Project, SW China	Renewable energy	96,000	Contracted; At validation
China: 20 MW Hydro Project, SW China	Renewable energy	187,000	Contracted; At validation
Viet Nam: 18 MW Hydro Project, Nghe An province	Renewable energy	280,000	Contracted; At validation
Viet Nam: 10 MW Hydro Project, Son La province	Renewable energy	148,000	Contracted; At validation
Viet Nam: 12 MW Hydro Project, Lao Cai province	Renewable energy	195,000	Contracted; At validation
Viet Nam: 15 MW Hydro Project, Thanh Hoa province	Renewable energy	243,000	Contracted; At validation
Indonesia: Small Hydro Project, Sumatra	Renewable energy	585,000	Contracted; PDD under development
Indonesia: Bundle of Small Hydro Projects	Renewable energy	497,000	Letter of Intent[4]; PDD under development
Mexico: 160 MW wind power project, Oaxaca state	Renewable energy	2.5 million	Contracted; Registered
Mexico: 164 MW wind power project, Oaxaca state	Renewable energy	2.3 million	Contracted; Registered
Laos: 9 MW run-of-river hydropower project, Huaphanh province	Renewable energy	179,000	Letter of Intent; PIN
Viet Nam: 12.9 MW Hydro Project, Lao Cai province	Renewable energy	219,000	Draft ERPA; draft PDD

1 — Contracted emission reductions volume adjusted based on known and expected delays and changes in project design. Delivery rates typically vary in carbon finance projects.
2 — ERPA is an Emission Reductions Purchase Agreement.
3 — As per PDD/PIN. Estimated emission reductions based on latest version of the Project Design Document (PDD). Note that NEFCO does not necessarily contract the full amount.
4 — A Letter of Intent (or Term Sheet) is a contractually binding agreement which commits the project owner and Fund Manager to a Duty to Negotiate.

Governance

The governance of the procurement funds is based on a set of Operating Guidelines for the TGF or Participation Agreement for the NeCF and overseen by an Investors' Committee, which meets four times a year. The Chair of the Committee was held in 2010 by Norway (NeCF) and Germany (TGF).

At the end of 2010, the NeCF Investors' Committee had the following composition:

Gavin Green
DONG Energy (Denmark)
Inge Gerhardt-Pedersen
Danish Energy Agency (Denmark)
Karoliina Anttonen
Ministry of Foreign Affairs (Finland)
Natalia Svejgaard
Industrialisation Fund for Developing Countries (Denmark)
Magnus Rystedt
NEFCO (as Investor)
Jon Kristian Pareliussen
Ministry of Finance (Norway, Chair)
Jani Vesanto
Kymppivoima (Finland)
Tomi Mäkipelto
EPV Energy (Finland)
Erik Nieminen
Vapo (Finland)

At the end of 2010 the TGF Investors' Committee had the following composition:

Bengt Boström
Swedish Energy Agency (Sweden)
Inge Gerhardt-Pedersen
Danish Energy Agency (Denmark)
Gavin Green
DONG Energy (Denmark)
Barbara Appel
Ministry of Environment (Finland)
Måns Holmberg
Fortum (Finland)
Uwe Schroeder-Selbach
Federal Ministry for Economics and Technology (Germany, Chair)
Helga Barðadóttir
Ministry of Industry and Commerce (Iceland)
Line Sunniva Flottorp Østhagen
Ministry of Petroleum and Energy (Norway)
Erik Nieminen
Vapo (Finland)
Vincent Helfferich
Vattenfall Berlin (Germany) and Vattenfall Generation (Germany)

CFF staff

The Carbon Finance and Funds Unit currently operates with 11 full time staff, and in addition, draws significantly upon the resources of the NEFCO team in terms of environmental and technical due diligence and financial administration. Locally based climate change experts in Singapore; Kyiv, Ukraine and St. Petersburg, Russia originate and manage projects.

CFF staff during 2010 (based in Helsinki, unless otherwise indicated) were:

Ash Sharma
Vice President, (coordination, investor relations)
Hanna-Mari Ahonen
Project Manager, Joint Implementation (until February 2010)
Helle Lindegaard
Senior Legal Counsel (legal, contractual and institutional issues, from October 2010)
Janika Blom
Legal Counsel (legal, contractual and institutional issues)
Emilie Yliheljo
Junior Legal Counsel (legal, contractual and institutional issues)
Lotta Aho
Legal Counsel (legal, contractual and institutional issues)
Raili Kajaste
Chief Technical Advisor (technical, environmental) until June 2010
Anja Nystén
Senior Adviser (environmental, ProClimate Facility, from September 2010)
Maija Saijonmaa
Project Manager, Clean Development Mechanism
Aliona Fomenco
Project Assistant (from July 2010)
Vasyl Vasylchenko
(project management in Ukraine), based in Kyiv
Tina Nyberg
(Administration matters)
Kimmo Siira
(origination & project management in Asia), based in Singapore
Kari Hämekoski
Manager (Testing Ground Facility, Nordic Climate Facility)
Vitaly Artyushchenko
(project management in Russia), based in St. Petersburg

Further information

For additional information on NEFCO CFF, please visit
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or contact:

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Abbreviations

AFD Agence Française de Développement, a public development finance institution.

BASREC Baltic Sea Region Energy Cooperation

CDM Clean Development Mechanism

CER Certified Emission Reductions issued in return for a reduction of atmospheric carbon emissions through projects under the Kyoto Protocol's Clean Development Mechanism (CDM). One CER equals to an emission reduction of one tonne of CO_2.

CFF Carbon Finance and Funds at NEFCO

COP Conference of the Parties, The United Nations Framework on Climate Change (see UNFCCC) meetings held each year.

COP 16 the 16th session of the Conference of the Parties

EB CDM Executive Board

ERPA Emission Reductions Purchase Agreement

ERU Emission Reduction Units generated via Joint Implementation. See also CER.

EU ETS European Union Emissions Trading Scheme

JI Joint implementation, one of the flexibility mechanisms set forth in the Kyoto Protocol to help countries with binding greenhouse gas emissions targets

JICA Japan International Cooperation Agency

KfW a German government-owned development bank

Kyoto Protocol An international agreement, negotiated in 1997, that set binding targets for industrialised countries to reduce their greenhouse gas emissions before 2012.

LOI Letter of Intent

NAMAs Nationally Appropriate Mitigation Actions

NCF Nordic Climate Facility

NDF Nordic Development Fund

NeCF NEFCO Carbon Fund

NEFCO Nordic Environment Finance Corporation

NGO non-governmental organization

NOAK The Nordic Ad Hoc group on Climate Change, a working group under the Nordic Council of Ministers charged with facilitating progress in the international climate change negotiations.

PDD Project Design Document

PIN Project Idea Note

Post-2012 Period after year 2012. See also Kyoto protocol.

ProCF ProClimate Facility

REDD Reducing Emissions from Deforestation and forest Degradation, United Nations programme designed to reduce deforestation

TGF Testing Ground Facility

UNFCCC United Nations Framework Convention on Climate Change. An agreement signed by the United States and 191 other countries in 1992 with the objective to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous manmade interference with the climate system.

WRC Water Resources Commission, Ghana

FSC
Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
Cert no. DNV-COC-000149
www.fsc.org
© 1996 Forest Stewardship Council

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Patrik Rastenberger

The Carbon Finance and Funds (CFF) operations of the Nordic Environment Finance Corporation (NEFCO) continued to broaden their scope of activities in the climate financing space during 2010. A number of new initiatives and strategic programmes have been undertaken, including technical assistance, climate guarantees and market readiness activities.

The NEFCO Carbon Fund (NeCF), now with financial resources of EUR 115 million, has been active in sustainable energy investments in Asia and entered the Latin American market. The NeCF also launched a second tranche, the "Kyoto Plus" targeting post 2012 projects, which has to date raised EUR 18 million. The Nordic Climate Facility (NCF) supporting mitigation and adaptation actions for the poorest countries operated jointly with the Nordic Development Fund (NDF), signed 14 agreements for interventions in Africa and Latin America, and launched a new round of requests for proposals. In addition, an innovative climate guarantee facility, ProClimate, was introduced.

In total, EUR 172 million of climate funds are currently managed by the CFF team of NEFCO, an international financial institution owned by the five Nordic Governments, based in Helsinki.

NEFCO