



Stiftung Klimarappen
Fondation Centime Climatique
Fondazione Centesimo per il Clima
Climate Cent Foundation

Business Plan Supplemental Agreement

2009

Contents

Business Plan Supplemental Agreement	1
1. Purpose and scope of the present business plan	2
2. Allocation of resources and impact	3
3. Quantitative assessment of delivery risks	6
4. Overview of the Foundation's activities	8

1. Purpose and scope of the present business plan

On 30 August 2005, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Climate Cent Foundation (CCF) signed an agreement which specifies the Foundation's contribution to meeting Swiss CO₂ reduction targets and sets out the modalities for substantiating the impact of the Foundation's activities.

In this agreement, the Foundation commits to funding CO₂ emissions reductions of 9 million tonnes over the period 2008 to 2012, which may be imputed towards the targets set out in the Swiss CO₂ Law resp. in the Kyoto Protocol. At least 1 million tonnes of CO₂ must be reduced via investments within Switzerland, giving special consideration to the fields of mobility, the building sector and waste heat. A maximum of 8 million tonnes of CO₂ emissions reductions may be achieved via the purchase and imputation of project-based Kyoto certificates.

In compliance with its contractual obligations, on 29 June 2007 the Climate Cent Foundation submitted to DETEC its definitive business plan regarding the implementation of emissions reductions over the period 2008 to 2012.

In a supplemental agreement, the Foundation commits to funding an additional 3 million tonnes of CO₂ emissions reductions over the period 2008 to 2012, of which at least 1 million tonnes must be reduced within Switzerland and at most 2 million tonnes may be imputed in the guise of project-based Kyoto certificates. The present supplemental business plan describes the intended allocation of the strategic reserve recorded in the definitive business plan dated 29 June 2007, as well as its impact, within Switzerland and abroad. The document aims to show in a transparent manner that and how the Foundation can meet the additional target it has been set.

2. Allocation of resources and impact

The strategic reserve recorded in the definitive business plan dated 29 June 2007 amounted to 106 million Swiss Francs. Taking into account interest accruing on the Foundation's assets by 2013, the reserve even stands at 116 million Swiss Francs. It will be deployed as follows for the purchase of emissions reductions in Switzerland and abroad (see table 1).

Table 1: Allocation of resources and impact of the strategic reserve 2008 to 2012

	Planned allocation of resources (million CHF)	Direct of expenses projects (million CHF)	Indirect for expenses projects (million CHF)	Expected impact (million t)	
Use of resources	116	113	2.6	3.11	
Large-Scale Programme	Projects	25	25	–	0.21
Target Programme	Agreements	32	30	2.0	0.40
Total Switzerland	programmes	57	55	2.0	0.61
Purchasing abroad	programme	59	58	0.6	2.50

In **Switzerland**, the procurement of additional emissions reductions is scheduled within the framework of the two following, already established programmes.

- An additional contribution of 25 million Swiss Francs will be allocated to the **Large-Scale Projects Programme**, one of the three Project Funding Programmes. Up to now, the average compensation rate for emissions reductions in the Project Funding Programmes stood at 89 CHF/t CO₂. Erring on the side of caution, we assume that additional emissions reductions may be purchased at an average compensation rate of 120 CHF/t. We thus expect to be able to trigger an additional 0.21 million tonnes of CO₂ reductions over the period 2008 to 2012.
- In the context of the **Target Agreements Programme**, the Foundation plans to conduct a further auction to acquire over-fulfilments of existing target agreements in the field of combustibles. 30 million Swiss Francs will be provided for this purpose. The first auction yielded a price of 70 CHF/t. Assuming that a price of 75 CHF/t will be offered at the additional auction, the Foundation would be able to compensate over-fulfilments of 0.4 million tonnes.

Abroad, resources will be deployed as follows to acquire Kyoto certificates:

- Further agreements are planned with one or more traders for the delivery of 2 million certificates over the period 2009 to 2012. Assuming a market price of 15 € per certificate, this will require resources of 48 million Swiss Francs.
- The two contracted brokers should procure at least one additional project providing 0.25 million certificates. At a price of 13 € per certificate, this will require resources of 5.2 million Swiss Francs.
- In addition, at least one further project will be acquired by the Foundation itself. Here again, 0.25 million certificates are expected given a deployment of resources of 5.2 million Swiss Francs.

Of the strategic reserve, 55 million Swiss Francs will thus be dedicated directly to climate protection projects within Switzerland and 58 million Swiss Francs to the purchase of Kyoto certificates. Indirect expenses are as follows:

- Within the **Large-Scale Projects Programme**, all projects are assessed by external experts. Indirect expenses for the additional projects to be acquired are well below 0.1 million Swiss Francs.
- In the **Target Agreements Programme**, indirect expenses are the fees paid to EnAW for the procurement of over-fulfilments. These are expected to amount to 2.0 million Swiss Francs.
- **Abroad**, indirect expenses arise from procurement fees, which are expected to amount to 0.6 million Swiss Francs.

Indirect expenses for the purchase of additional emissions reductions add up to a total of 2.6 million Swiss Francs, i.e. 2.2% of the deployed resources of 116 million Swiss Francs.

Only a general overview of the deployment of all available resources shows that the allocation of means described above will allow the Foundation to meet the emissions reductions commitments set out in the supplemental agreement, especially within Switzerland (see table 2).

Table 2: Overall allocation of resources and impact 2008 to 2012

	Planned allocation of resources (million CHF)	Direct expenses for projects (million CHF)	Indirect expenses for projects (million CHF)	Expected impact (million t)
Income	749	–	–	–
Use of resources	734	698	35.7	15.59
Buildings Programme	182	165	17.3	0.28
Project Funding Programmes	123	120	3.1	1.18
Target Agreements Programme	154	145	9.4	1.60
Total programmes Switzerland	461	430	30.6*	3.06

Purchasing programme abroad	273	268	5.1	12.53
Secretariat	15	–	–	–

* Including 0.7 million Swiss Francs of non-programme-related expenses for the purchase of emissions reductions

The Foundation's definitive business plan already announced reductions within Switzerland of 2.47 million tonnes for the period 2008 to 2012, which are now bolstered by additional reductions of 0.61 million tonnes. Overall, the CO₂ reductions add up to 3.06 million tonnes, which exceeds the total required amount of 2 million tonnes.

A total of 12.53 million certificates are purchased from projects abroad, which far exceeds the imputable volume of 10 million certificates.

3. Quantitative assessment of delivery risks

In order to reach a realistic assessment of the volume of CO₂ emissions reductions which may effectively be expected, one must allow for the fact that a variety of factors may prevent the full expected volume of emissions reductions indicated above from materialising. Along the lines of the definitive business plan, we assess delivery risks as follows (see table 3):

- **Large-Scale Projects Programme:** Based on the average success rate of CDM projects, compiled by the renowned Risø Centre for different project types, the Foundation's current project portfolio in Switzerland displays a success rate of 74% (as at 1 March 2008). Taking into account the fact that only around 80% of projects held in the portfolio will likely be carried out resp. imputed, the success rate even falls to 59%.
- **Target Agreements Programme:** Erring on the side of caution, we set the average delivery shortfall at 20%.

Allowing for a delivery shortfall across all programmes of 29% reduces expected emissions reductions over the period 2008 to 2012 from 3.06 million tonnes to 2.18 million tonnes. In all likelihood, the Foundation will thus be able to meet its contractually set reduction target of 2 million tonnes of CO₂ in Switzerland.

Table 3: Quantitative assessment of delivery risks in Switzerland (as at 30 April 2008)

Programme resp. type of project	Volume portfolio (A) in t CO ₂	Volume portfolio in %	Success rate (B)	Statistically expected delivery volume (A) x (B)
Biomass	427'672	14.0	86%	367'798
Biogas	35'384	1.2	83%	29'369
Waste heat	39'212	1.3	80%	31'370
Transport	247'108	8.1	51%	126'025
Other	7'170	0.2	80%	5'736
Project Funding Programmes (under contract)	756'546	24.7	74% 59%	560'298 448'238
Buildings Programme	277'400	9.1	70%	194'180
Target Agreements Programme	1'601'134	52.3	80%	1'280'907
Project Funding Programmes (prospective)	429'022	14.0	Delivery risk alone: 74% 59%	317'476 253'123

TOTAL	3'059'670	100.0	77%	2'352'861
			71%	2'176'448

Delivery risks beset projects abroad as well as within Switzerland. Assessing the projects held in the Foundation's portfolio using the success rate computed by the Risø Centre (Issuance Success) by project type, the Foundation must expect only 78% of contractually agreed certificates to be delivered (see table 4).

Table 4: Quantitative assessment of delivery risks abroad (as at 30 April 2008)

Project type	Volume in portfolio (A) in t CO ₂ e	Volume in portfolio in %	Success rate (B)	Statistically expected delivery volume (A) x (B)
Biomass	835'470	6.7	86%	718'504
Biogas	251'405	2.0	83%	208'666
Agriculture	202'704	1.6	46%	93'244
Wind	400'000	3.2	77%	308'000
Water	325'738	2.6	90%	293'146
Transport	167'167	1.3	51%	85'255
Self-acquisition / Broker (under contract)	2'182'484	17.4	78%	1'706'815
Certificates APCF	1'800'000	14.4	80%	1'440'000
Certificates Traders	5'250'000	41.9	90%	4'725'000
Self-acquisition / Broker (prospective)	3'300'000	26.3	78%	2'580'770
TOTAL	12'532'484	100	83%	10'452'585

Adding delivery risks stemming from the remaining purchase agreements, shortfalls against contractually expected certificates statistically average 17%. Thanks to its purchase of 12.53 million certificates, the Foundation is able to cover a delivery shortfall of 25% and still impute the maximum amount of 10 million certificates.

4. Overview of the Foundation's activities

By 30 April 2008, the Foundation had contracted resp. approved 2.04 million tonnes of CO₂ reductions within Switzerland over the period 2008 to 2012 (see table 5). It had further concluded – resp., in the case of the ADB fund, prepared – contracts for the purchase of an expected volume of Kyoto certificates of 7.23 million t CO₂. Adding to these contractually secured reductions those which may be expected on the basis of experience to date and current negotiations yields total reductions of 15.6 million tons over the period 2008 to 2012, of which 3.1 million tonnes within Switzerland and 12.5 million tonnes abroad. Even taking into account all risks, the Foundation will in all likelihood meet its contractually agreed CO₂ reductions target of 2 million tonnes within Switzerland resp. 10 million tonnes abroad.

Table 5: Expected impact 2008 to 2012 contracted by 30 April 2008 and prospective

Programme		Planned allocation of resources (million CHF)	Expected impact of contractually secured approved projects (million t)	of Expected / impact further projects (million t)	Total expected impact (million t)
Buildings Programme		165	0.08	0.19	0.28
Project Programmes	Funding	120	0.75	0.43	1.18
Target Programme	Agreements	145	1.20	0.40	1.60
Total Switzerland	programmes	430	2.03	1.02	3.06
Purchasing abroad	programme	268	7.23	5.30	12.53

Figure 1 depicts the development of direct and indirect expenditures as well as expected emissions reductions over the period 2006 to 2012 for activities within Switzerland and abroad. Figure 2 provides an overview of cumulative expenditures and expected emissions reductions for the Foundation, including the Secretariat's expenses.

Figure 1: Programmes in Switzerland and abroad: expenditures and emissions reductions

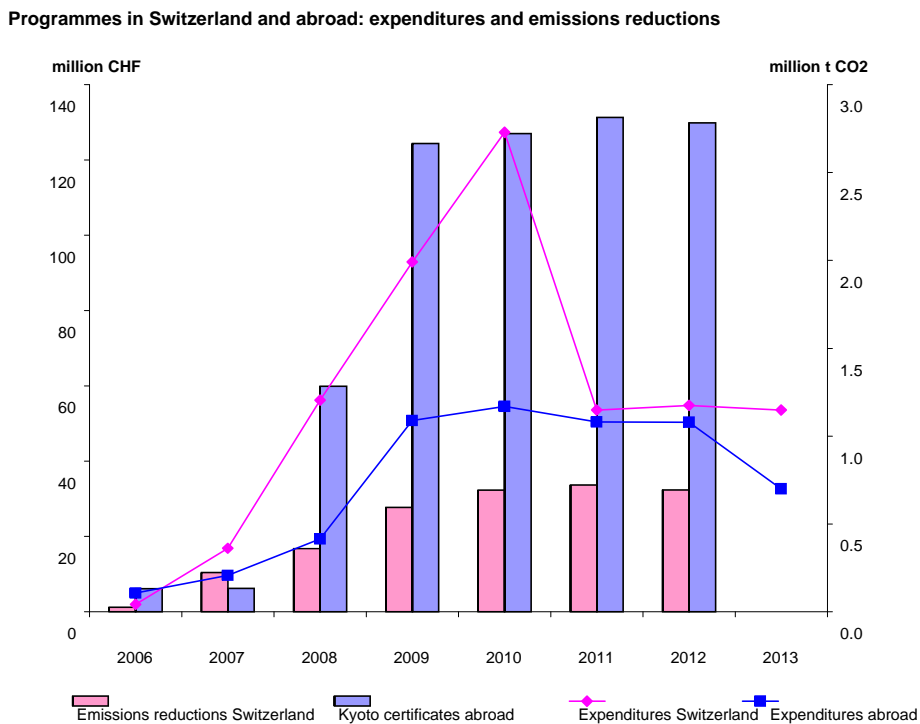


Figure 2: Climate Cent Foundation: cumulative expenditures and CO₂ emissions reductions

