

AGREEMENT

between

the Swiss Confederation,

represented by
the **Federal Department of the Environment,
Transport, Energy and Communications (DETEC)**
CH-3003 Bern

and

the **Climate Cent Foundation (Foundation)**
Freiestrasse 167
CH-8032 Zurich

regarding

the modalities governing the termination of contractual relations between the Swiss Confederation and the Foundation, and the use of the Foundation's surplus assets

Preamble

Within the framework of the Kyoto Protocol's first commitment period, Switzerland had committed to reducing its greenhouse gas emissions by an average of 8% compared to 1990 over the years 2008 to 2012. It is expected that Switzerland will be able to meet this target, albeit only by taking into account foreign emission reduction certificates. The revised Swiss CO₂ Law (SR 641.71), which has been in force since 1 January 2013, aims to reduce greenhouse gas emissions by at least 20% by 2020 compared to 1990 via measures carried out within Switzerland. Reductions carried out abroad will only be allowed in specific cases.

The Swiss Confederation and the Climate Cent Foundation ("Foundation") have concluded three agreements on the reduction of greenhouse gas emissions in Switzerland and abroad over the five-year target period 2008 to 2012 ("agreements"). Greenhouse gas reductions achieved via climate protection measures carried out within Switzerland and abroad were funded by a charge levied voluntarily by the Swiss petroleum industry on petrol and diesel imports.

The agreement dated 30 August 2005 stipulated that the Foundation was to provide an average contribution of 1.8 million tonnes of CO₂ per year over the target period 2008 to 2012. On 17 February 2009, this agreement was complemented by a follow-up agreement, in which the Foundation agreed to provide additional reductions of 0.6 million tonnes of CO₂ per year. On 17 January 2012, a second follow-up agreement stipulated that the Foundation would supply an additional 1 million tonnes of CO₂ per year. Over the period 2008 to 2012, the Foundation has thus committed to contributing to meeting Kyoto targets by achieving reductions of 3 million tonnes of CO₂ per year abroad and 0.4 million tonnes of CO₂ per year in Switzerland.

With the measures already initiated in Switzerland and abroad, the Foundation expects to exceed targets for the years 2008 to 2012 by a total of 1.7 million tonnes of CO₂. Once obligations under the various agreements have been met, the Foundation's remaining assets should amount to roughly 40 million Swiss francs.

The Foundation and the Swiss Confederation have decided to enter a new agreement to settle the fulfilment and the execution of the aforementioned agreements as well as the use of the Foundation's remaining assets according to its purpose. The Foundation's remaining assets are to be used towards meeting emission reduction targets for the first (2008 to 2012) and second (2013 to 2020) Kyoto commitment periods.

At the UN climate conference in Doha in late 2012, Switzerland has agreed to a second commitment period under the Kyoto Protocol and consented to reducing greenhouse gas emissions by an average of 15.8% compared to 1990 over the period 2013 to 2020. If this commitment becomes legally binding, it is foreseeable that in this second commitment period, Switzerland will need to offset around 12 million tonnes of CO₂ equivalent using emission reduction certificates, as it will not be possible to cut these by 2020 using only the measures stipulated in the Swiss CO₂ Law. In the first commitment period, Switzerland already offset excess emissions using foreign certificates.

1 Object of the agreement

In a first part, this agreement settles the modalities governing the termination of the aforementioned contractual relations between the Swiss Confederation and the Foundation. The aim is to establish on the one hand the fulfilment of the agreements and on the other hand the extent of the Foundation's assets once its contractual obligations have been fulfilled. In a second part, the contracting parties agree how to use the Foundation's

remaining assets until 2022 in a manner that conforms to its purpose and its bylaws.

2 Termination of the agreements concluded in 2005, 2009 and 2012 between the Swiss Confederation and the Climate Cent Foundation

The termination of contractual relations between the Swiss Confederation and the Foundation takes place at the latest on 15 November 2013 with the transfer as agreed of domestic and foreign emission reductions (Swiss emission allowances of the first Kyoto commitment period CHU1 and emission reduction certificates of the first Kyoto commitment period CER1¹ and ERU1²) onto the state's account (account number: CH-100-1000-0, account name: Kompensationskonto Bund) in the Swiss Emissions Trading Registry, and the confirmation by letter of the Swiss Confederation's recognition of emission reductions generated by domestic projects.

2.1 Duties of the Foundation

With a view to the confirmation of effected domestic emission reductions, the Foundation compiles a final report, which describes its activities over the period 2008 to 2012 and provides detailed information on

- climate protection projects carried out in Switzerland;
- emission reductions achieved per year and per project;
- the purchase of Swiss emission allowances (CHU1) per year and per company;
- the purchase of Swiss emission allowances (CHU1) or emission reduction certificates (CER1 and ERU1) by firms before 31 December 2012;
- the purchase of emission reduction certificates (CER1 and ERU1).
- the extent of the Foundation's assets after fulfilment of all its obligations under the three agreements.

The Foundation may declare its annual reports for the years 2008 to 2012 as integral parts of its final report.

The final report will be submitted on 15 October 2013 to the Climate Cent Coordination Group (Coordination Group) of the Swiss Federal Office of Energy (SFOE) and the Federal Office for the Environment (FOEN) and presented at a meeting of the Coordination Group.

2.2 Duties of the Swiss Confederation

The Swiss Confederation verifies the final report and informs the Foundation at the latest by 15 November 2013 as to whether the agreements have been properly fulfilled.

2.3 Communication

The Foundation and the Swiss Confederation jointly communicate on 18 November 2013 on the fulfilment of contractual obligations and the agreement signed by both parties regarding the use of the Foundation's remaining assets in accordance with its purpose and bylaws.

¹ CER: The term Certified Emission Reductions (CER) is used for certificates stemming from projects for environmentally sustainable development (Clean Development Mechanism, CDM) according to clause 12 of the Kyoto Protocol.

² ERU: The term Emission Reduction Units (ERU) applies to emission certificates stemming from the realisation of Joint Implementation projects (JI) involving two industrial countries, according to clause 6 of the Kyoto Protocol.

3 Use of the Foundation's assets

The Foundation's remaining assets once the agreements have been fulfilled comprise domestic emission allowances and foreign emission reduction certificates from the first Kyoto commitment period (CHU1, CER1 and ERU1) as well as the Foundation's financial reserves. The Foundation will sell the CHU1 to the Foundation for Climate Protection and Carbon Offset (KliK). It will further hand over to the Swiss Confederation all its CER1 and ERU1.

The Foundation will use its remaining assets to fund activities aimed at reducing greenhouse gas emissions abroad.

3.1 Duties of the Foundation

3.1.1 Use of surplus CER1 and CHU1

The quantity of CER1 and ERU1 that exceeds the quantity defined in existing agreements for the period 2008 to 2012 (15 million) will be transferred to the state's account in the Swiss Emissions Trading Registry on 15 April 2014. Surplus CHU1 will likewise be transferred to the state's account in the Swiss Emissions Trading Registry by 15 April 2014, provided no sales agreement has been concluded with the KliK Foundation.

The sales price for surplus CHU1 is determined on the basis of the purchase price and a supplement. It follows the arm's length principle and is made available to the public.

Proceeds from the sale of CHU1 to the KliK Foundation will be used according to clause 3.1.2.

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3.1.2 Use of the Foundation's other financial assets

The Foundation will use its funds exclusively for activities aimed at reducing emissions abroad. It will primarily support projects that, next to a transfer of know-how, are expected to yield as many CO₂ emission reduction certificates (CER2) as possible. The CER2, which must meet the quality requirements of the Swiss CO₂ Ordinance (SR 641.711), will be handed over to the Swiss Confederation with a view to fulfilling its obligations under international law. It is also possible to hand over CER1 should this be necessary to meet the emission target of the Kyoto Protocol's first commitment period.

In order to generate CER2, the Foundation plans to invest more specifically in the development of its own pilot projects and programmes in accordance with the Swiss negotiation stance under the UNFCCC regime as well as in international initiatives that are complementary to the UNFCCC approach.

Decisions regarding the funding of international initiatives and the development and supervision of the Foundation's own pilot projects and programmes are made in consultative collaboration with the Interdepartmental Climate Committee (IDA Klima), Section 6 "Emission Trading and Flexible Mechanisms". Section 6 is placed under the leading supervision of the DETEC (represented by the Federal Office for the Environment (FOEN)). The FDFA (Federal Department of Foreign Affairs) and EAER (Federal Department of Economic Affairs, Education and Research) are permanent members of this Section.

The Foundation submits an annual report to the Swiss Confederation on the use of its financial means in accordance with its purpose. The first report is due on 30 June 2014.

3.2 Duties of the Swiss Confederation

The Federal Office for the Environment (FOEN) supports and supervises the activities of the Foundation covered by this agreement.

The Federal Office for the Environment (FOEN) operates an Emissions Trading Registry, in which the Foundation's CER2 are managed and can later be transferred to the state's account.

The IDA Klima's Section 6 meets on a regular basis and will supervise the joint activities of the Foundation and the Swiss Confederation. Representatives of the Foundation will be invited to attend meetings dealing with clauses of this agreement. Decisions are recorded in the minutes.

3.3 Communication

The Foundation and the DETEC (acting on behalf of the Swiss Confederation) communicate on the activities funded by the Foundation's assets.

4 Final provisions

4.1 Duration of the agreement

This agreement enters into force when signed by both parties and lasts until 31 December 2022. It may be terminated ahead of schedule by mutual consent. Unilateral termination by one of the parties is excluded. However, the Foundation's activity must be ensured, if need be by a third party, until its dissolution after fulfilment of all duties and obligations.

4.2 Amendments to the agreement

Amendments to this agreement require the written form. They are settled by the contracting parties in an addendum to this agreement.

The agreement must be adjusted accordingly if framework conditions change significantly.

4.3 Applicable legislation and disputes

The provisions of the Swiss Code of Obligations apply analogously.

The General Secretary of the DETEC settles disputes relating to this agreement.

Bern, 8 October 2013

Swiss Confederation,
represented by the
**Federal Department of the Environment,
Transport, Energy and Communications
(DETEC)**

Climate Cent Foundation

Doris Leuthard

David Syz Ronald Ganz

Federal Councillor

President

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