

Pierre Ducret

CHAIRMAN AND CEO OF CDC CLIMAT



CDC Climat was born out of one conviction: the mobilization of stable equity, is increasingly necessary in order to ease the transition towards a sustainable carbon economy. In 2010,

this conviction led the long-term investor Caisse des Dépôts, to create CDC Climat, its new subsidiary dedicated to the fight against climate change.

The focus of CDC Climat is two-fold: environment and partnerships.

Our ambition is first and foremost environmental. CDC Climat has set itself the objective of reducing carbon emissions by 25 Mt per year. As an investor, we are committing ourselves beyond 2012. Accordingly, we wish to encourage the launch of new emission reduction projects, and attract new investors to finance them.

Our primary course of action is partnership: since it was set up, CDC Climat has aimed to reinforce its project by building alliances.

Together with our counterpart long-term investors, as well as the banks and development agencies, we intend to mobilize new resources and direct them to regions such as the Mediterranean zone and sub-Saharan Africa, where mechanisms of greenhouse gas emissions reduction projects are not yet sufficiently deployed, with a particular focus on the agricultural and forestry sectors.

We also wish to provide essential services to carbon economy operators, with the aim of bringing the right level of performance, clarity and security to the carbon markets that will allow them to develop.

CDC Climat is also a supporter of climate policies, and wishes to emerge as a proposal force. Our research team is currently investigating innovative financing techniques, so that new economic actors can benefit from the incentive they need in order to reduce their carbon emissions.

Finally, CDC Climat is the project of a talented and experienced team which has spent the last ten years developing an expertise of great value. It is rapidly being reinforced to span the entire engineering of carbon finance. Its action is based on the values of reliability, innovation and expertise.

Interview with... Jean-Pierre Sicard

DEPUTY CEO



Why was CDC Climat created?

The creation of CDC Climat is, above all, the fruit of Caisse des Dépôts' ambition to actively pursue its commitment to fighting climate change.

The decision of Caisse des Dépôts to outsource its climate activities has provided us with a unique opportunity to pilot innovative trades and with a potential to develop internationally, with an ongoing commitment to transparency and security. We commit to incur 250M€ in sector operators and investments in carbon assets.

How do you view the current state of the international carbon market?

The immediate future is all about "post-Copenhagen". Most carbon market operators had expected it to be impossible to reach a binding agreement, but the summit showed that all economies, both from developed and emerging nations, are taking climate issues seriously. Despite the fact it did not live up to all expectations, it did create a much needed momentum, which, hopefully, will secure ongoing commitment as well as offering funding opportunities.

At the same time, a revival of climate scepticism has come to light. Indeed, fighting global warming not only means reducing greenhouse gas emissions into the atmosphere, but also involves encouraging energy independence, reducing deforestation and preserving biodiversity, eliminating pollution of all

kinds and often providing the economy with new means of development. Our project encompasses these multiple objectives.

What is CDC Climat's added value in this context?

In this field, one needs to reason on the basis of a time scale of five to ten years. Any period of uncertainty and risk creates opportunities for investors. Long-term investors have the particular asset of being able to undertake climate-friendly commitments, and Caisse des Dépôts is in a privileged position of being able to align its action with public policies in the major issue that is climate change. On the other hand, CDC Climat is the only operator in this field which covers the entire chain of value: operators and services to the market, investor, research etc.

What are your main strengths?

Beyond our long term approach, our key asset is our experience. We played a pivotal role in several of the greatest successes of the carbon economy. In particular, we set up effective market services, such as Seringas and other registries and developed BlueNext with our partner NYSE Euronext.

We are already an investor in carbon assets, and intend to reinforce this role, with a particular focus on the environmental, economic and social impact of our projects.

Our values of reliability, expertise and innovation are also an essential asset. They underpin all our activities, which is essential in order to support operators of the carbon market who need reliable and efficient partners in the long term.

A start-up with a decades' experience



HAVING TAKEN OVER THE ACTIVITIES FROM CAISSE DES DÉPÔTS IN THE FIELD OF CLIMATE CHANGE ECONOMY, CDC CLIMAT BECAME A 100% SUBSIDIARY OF THE FINANCIAL INSTITUTION LAST FEBRUARY.

CDC Climat therefore brings together ten years of experience in the field of carbon finance, and the flexibility and innovation capacities of a brand-new structure. CDC Climat currently works through three trades:

→ **Carbon market services:** For the past 10 years, the climate teams of Caisse des Dépôts have created reputable tools and services for carbon finance players and have developed, alongside NYSE Euronext, one of the major carbon exchanges, BlueNext.

→ **Investment in carbon assets:** As a partner of several key funds involved in fighting climate change and bringing together major AAA financial institutions (European Investment Bank, KfW etc.), CDC Climat has set itself the objective of avoiding the emission of 25 million tons of carbon per year, as of 2013 (that is, the equivalent of 5% of French emissions over this period) via new funds or direct investments in carbon assets.

→ **Research in climatic economics:** Having operated within the framework of the climate taskforce of Caisse des Dépôts since 2004, the CDC Climat research team carries out independent and neutral analyses, which are then disseminated to public authorities, market operators and the general public.

Strong values underpin CDC Climat's three fields of activity:

→ **Reliability:** CDC Climat maintains a strong relationship with its partners and clients, based on dialogue and exchange, and develops services and tools which enable the rationalisation of movements of carbon assets and guarantee their traceability. Long term and sustainable trust in carbon markets will be ensured through this security requirement.

→ **Expertise:** CDC Climat enables its clients and partners to benefit from its unique expertise which brings together academic reflection and practical experience acquired on the markets, within the framework of the numerous projects it accompanies.

→ **Innovation:** With the support of expertise of its teams and researchers, CDC Climat continues to develop new services and products to respond to the constantly evolving needs of a new economy and its emerging markets.

A start-up with a decades' experience



10 YEARS OF COMMITMENT IN FIGHTING CLIMATE CHANGE

1997 → Signature of the Kyoto Protocol.

2001 → Creation, within the Caisse des Dépôts group, of a task force to assess its role in commissioning financial instruments set out in the Kyoto Protocol, the date of enforcement of which being still uncertain.

2002 → Caisse des Dépôts proposes a two-fold action plan:

- Creation and management of the French greenhouse gas registry,
- And Investment in shielding the future market of emission credits by a purchase programme of Kyoto credits.

→ **European political agreement to instigate a European carbon trading scheme of CO₂, as of 2005.**

2003 → Caisse des Dépôts launches the structuring of a carbon credits investment fund.

2004 → **Ratification of the Kyoto Protocol by Russia – Enforcement of the Protocol on 16/02/2005.**

→ Adoption of Seringas software by France in order to keep its national carbon registry.

2005 → **Enforcement of the European Union Emission Trading System (EU ETS).**

→ January: creation of a research team on climate change economics.

→ March: launch of the European Carbon Fund.

→ May: launch of Powernext carbon, exchange of allowances, a partnership between Euronext and Caisse des Dépôts.

2006 → **Publication of the Stern report.**

→ **Creation of a “domestic CO₂ projects mechanism” in France.**

2007 → Acquisition of the start-up Sagacarbon, an independent European broker specialising in carbon assets.

→ Launch of a call for tender for domestic offset projects.

2008 → **Opening of the 1st period of application of the Kyoto Protocol.**

→ January: creation of BlueNext.

→ March: Publication of a preliminary analysis of performances of the EU ETS (2005-2007).

→ April: Launch of the Post-2012 carbon credit Fund.

→ December: Launch of the Capital Carbon Fund Morocco.

2009 → January: Launch of the REI (Registry Electronic Interface).

→ March: Launch of the VCS registry of Caisse des Dépôts.

→ July: Caisse des Dépôts joins the capital of Metnext.

→ **“Copenhagen Accord”.**

2010 → **Creation of CDC Climat, a subsidiary of Caisse des Dépôts dedicated to fighting climate change.**

Services to carbon market participants



WITHIN THE FRAMEWORK OF THE KYOTO PROTOCOL AND THE EU ETS, CDC CLIMAT HAS BEEN TRADING MARKET TOOLS AND SERVICES SINCE 2004.

As the founder of BlueNext (see below), CDC Climat is a leading operator on the European carbon market.

Registries solutions

→ *Seringas*, on the regulated markets arising from Kyoto and the European trading system. Seringas is now the object of five European licences and four licences under the aegis of the United Nations. CDC Climat's role is that of a software publisher of this tool; thus improvements benefit all other nations using the tool.

→ *The Voluntary Carbon Standard (VCS)*, labels 48% of the carbon credits on the voluntary offset market. CDC Climat intervenes as registry holder: in 2009, CDC Climat registered 27% of new VCS credits, that is, 1.4 million tons of carbon.

Services

→ *The Registry Electronic Interface (REI)* – see the box.

→ *The Global Carbon Portfolio (GCP)*, a portfolio management solution of carbon permits. This chart gives a clear accountancy of carbon assets. It has been commercialised since 2010.

CDC Climat works to develop new services where security and transparency are paramount. This is essential in order to structure and secure carbon markets and guarantee credit traceability.

BLUENEXT

The biggest European exchange on the spot market, BlueNext is the outcome of a partnership between NYSE Euronext (60%) and CDC Climat (40%). Created in December 2007, BlueNext represents 80% of the spot transactions of allowances and carbon credits. In 2008, BlueNext opened up to spreads and derivatives. It also organised auctions of credits. BlueNext regularly publishes environmental indices in partnership with Markit.

As of 2013, within the framework of the transition to the European auction system, BlueNext will reinforce its position and enhance its international dimension.

BlueNext launched the Panda Standard with the environmental exchange of Beijing in December 2009.



REGISTRY ELECTRONIC INTERFACE

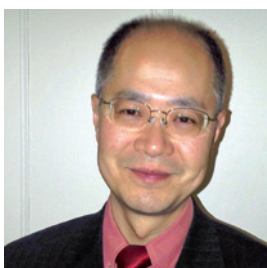
This multi-standard connection platform connects market operators and registries.

The REI allows investors, financial brokers, industrialists and other carbon market operators to transmit mass transfer orders, addressed to national and voluntary registries, consultation if instructions, verification of the transfer into the registry etc.

Initiated by Caisse des Dépôts, it has been marketed since 2009. The second version is currently being developed.

Three questions to... François Sit

VICE PRESIDENT REGISTRIES AND SERVICES



The carbon markets have not always performed optimally: what are the main lessons learnt?

There have been issues with the European market over the last months, mainly due to the fact that

it is still early days for these emerging markets. Indeed, compared to financial markets, they lack a robust regulatory framework. However, they do benefit from the presence of well established, key players, such as industries and project leaders.

We are very cautious as regards the security of operators on the market. Transparency and security are paramount in the services that we are currently developing. This is imperative in order to create trust in this emerging economy, which has suffered from the current economic crisis and subsequent criticism of the financial markets.

What are the services of the future?

With the transition to the auctioning system on the European market, and the gradual emergence of national and regional markets, we are going to have to adapt to a more diverse and ambitious demand and we are preparing the ground for these changes. One of the key issues will be allowing an integrated piloting of carbon assets, as well as providing our

clients with a global vision of their portfolios in order to streamline their management. The GCP (Global Carbon Portfolio) type portfolio management tools and the REI (Registry Electronic Interface) type systems of inter-registries relations will thus be deployed and further developed. We are currently working on improving these tools.

Do you envisage penetrating other markets?

In setting up of the European trading scheme, Europe has adopted a pioneering approach.

It is now a matter of taking advantage of this head start, as these approaches are developing in other regions of the world. We envisage developments in North America, but also in Asia. We trust that our expertise acquired on the EU ETS will be valuable, in terms of creating exchanges or associated registries and services.

OBJECTIVE: 25 MT OF CARBON EMISSIONS AVOIDED PER YEAR, AS OF 2013.

CDC Climat has the ambition to act to reduce emissions by 25 Mt of carbon per year, as of 2013, that is, the equivalent of 5% of French emissions. In order to fulfill this ambitious objective, CDC Climat will invest in two ways:

Investing directly among project carriers

CDC Climat has a direct investment portfolio of 50M€, fully dedicated to carbon assets. It is the fast intervention tool on projects and of ongoing adjustments to evolutions of carbon market and regulation. This liquidity allows CDC Climat to optimize the management of its investments and control risks.

The experience of domestic projects

Initiated in 2005, these projects provide funding to finance operators not covered by the European trading scheme, who voluntarily set up actions to reduce their emissions. The major sectors concerned are transport, agriculture, building, and waste processing.

Following the call for projects launched in 2007 by Caisse des Dépôts, six projects are currently funded by CDC Climat, representing about 1.5 million of tons equivalent CO₂. Among these, one concerns the **dehydrated alfalfa sector**, where investments in industrial processing tools enabling the food to be dried for cattle will allow 650,000 tons of CO₂ to be saved over the 2008-2012 period.

Initiation of innovative investment funds in carbon assets

CDC Climat is involved in three funds dedicated to fighting climate change:

→ **The European Carbon Fund**, initiated by Caisse des Dépôts and launched in 2005. This fund brings together thirteen investors and has financed twenty-three projects in seven countries.

→ **The Post-2012 Carbon Credit Fund**: see below

→ The Capital Carbon Fund

Morocco: At the initiative of Caisse de Dépôt et de Gestion du Maroc, it brings together CDC Climat and the EIB. It is in the process of investing exclusively in Moroccan projects, especially leading and innovative projects in the field of renewable energies.



THE POST 2012 CARBON CREDIT FUND

This Fund was created in March 2008 by the European Investment Bank, Caisse des Dépôts and three other public European financial institutions with AAA rating.

The Fund has €125 million to invest in emission rights. It focuses on the purchase of carbon credits according to the mechanisms of the Kyoto Protocol, created for the post-2012 period.

The Fund comprises a portfolio of 25 projects, thus showing the interest of project leaders in guaranteeing prices on mid-term assets.

In the future, CDC Climat will strengthen its ambition to invest.

It has fixed an **objective to raise at least €500 million until 2014, with a commitment of €160 million**, in new innovative funds, taking into account:

- The class of assets in which they invest: post-2012, forest etc.
- Methodological or geographical specificities: programmatic projects, forest projects, local projects in France, or the Mediterranean basin, or Africa etc.

These funds are being structured by CDC Climat in partnership with other long-term international investors.

Consolidation of the management of carbon assets

The creation of CDC Climat has been accompanied by a **reinforcement of investment teams and asset management expertise**, since 2010.

In this sense, an asset management company is in the process of being created, with a particular focus on setting up direct investment lines. Through its international team and collaboration through technical assistance tools and investment in own funds, it will be in a position to provide relevant and effective solutions to project leaders.

Furthermore, CDC Climat supports its subsidiary **Sagacarbon**, a broker specializing in carbon assets, in developing its offers to European companies submitted to compliance and its access to CDM (Clean Development Mechanism) credits.

As a member of BlueNext and ECX, Sagacarbon offers its clients brokerage services that make it possible to limit risks and access the best market conditions.

LAUNCH OF THE WORK FOR THE CREATION OF A MEDITERRANEAN CARBON FUND

CDC Climat, the French Development Agency and its subsidiary PROPARCO, the European Investment Bank, Cassa Depositi e Prestiti of Italy and German KfW bankengruppe are currently studying the feasibility of a Mediterranean Carbon Fund (FCM).

This initiative aims to support the deployment of projects within the framework of the Mediterranean Solar Plan of the Union for the Mediterranean, particularly by building capacity and financing countries of the South and East banks. It also aims to exploit the potential of carbon credits arising from clean development mechanism, both in renewable energies and in energy efficiency.

Three questions to... Hervé Allègre

VICE PRESIDENT INVESTMENT



Is the current climate change economy situation favorable to investors in carbon assets?

The adoption of the European Energy-Climate Package guarantees the existence of a European

market until at least 2020. But the uncertainties regarding the international framework may be off putting to investors. We know that there will be a need for investment, but we don't yet know in what types of assets, or at what level of emissions offset. As a long-term investor benefiting from a high profile financial signature, Caisse des Dépôts, thanks to CDC Climat, is in a position to continue to invest during this period of uncertainty. CDC Climat wishes to attract long-term financial partners, in order to support project leaders in both Northern and Southern countries.

What are the priority needs in terms of investment?

The needs are both in terms of mitigation and adaptation to climate change. Different needs have been identified in both Northern countries, where

the "green economy" offers new prospects for a cleaner development and in Southern countries, where it is more a case of adapting infrastructures and production tools, especially in the energy sector. But certain countries are more attractive than others: for example, the Kyoto credits first developed in China and India, yet very little in Africa so far.

Priority must be given to countries and sectors that have the biggest needs: countries that have fewer funds and sectors where only few projects have been conducted.

What are your priorities for the years to come?

Indeed, we recognize that there is a lot to be done, for instance, in the Mediterranean countries but also in Sub-Sahara African countries. Europe is also a priority region, which will obviously offer very exciting prospects once the regulatory framework for the project mechanisms has been stabilized, at national and European levels. In particular, we plan to set up funds with and for local authorities. We shall also be particularly keen on investing in quality assets that effectively guarantee the maximum reduction of greenhouse gas emissions.

FOR THE PAST FIVE YEARS, CAISSE DES DÉPÔTS HAS BEEN THE DRIVING FORCE BEHIND APPLIED ECONOMIC RESEARCH IN THE FIELD OF CLIMATE CHANGE.

Within the framework of the outsourcing of the Group's climate activities, it now falls under the remit of CDC Climat. Successor of the former "Mission Climat", CDC Climat Research retains its role as a contributor to academic programmes and continues to provide independent expertise to carbon economy operators and the European general public.

Three centres of applied research

→The European Union Emission trading scheme (EU ETS)

The existence of a structured market in Europe and the forthcoming transition towards a system for the bidding of allowances constitute a very favourable territory for research. The Research Department regularly publishes analytical papers on the development of transactions in terms of price and volumes, as well as on institutional developments of the European trading system and its evolution.

CDC Climat has been involved in an academic research programme launched in April 2007 focusing on the analysis of 2005-2007 period of the EU ETS (see below). In addition to this programme, CDC Climat Research publishes the monthly bulletin "Tendances carbone"

(Carbon Trends) on the evolution of the market drivers; it has also been a sponsor of "Tendances Carbone" Club since March 2007.

→**The role of local authorities in climate policies.** Local authorities are key operators in the fight against climate change. CDC Climat Research supports them by providing expertise (publication of studies on the funding of the adaptation of infrastructures to climate change or the possible use of carbon markets to finance local public policies) and by leading an active dialogue between them via the "Towns, Territories and Climate Change Club".

→The emission reduction project mechanisms (CDM and JI)

These mechanisms lie at the heart of the implementation of the Kyoto Protocol, and should be continued after 2012. As major issues in the reduction of emissions, they have been the focus of several experts' papers of CDC Climat Research. Similarly, studies undertaken by the Research Team support the implementation of domestic offset projects such as the French version of the Joint implementation. In 2007, the Research Team initiated a study of the voluntary offset markets.

Four new themes for 2010

In 2010, CDC Climat Research identified four priority research areas in order to respond to the current needs of the climate economy operators:

→Prospective study focusing on promoting exploitation of carbon in the field of French forestry and woodland: this research programme brings together the major operators of the field, within the framework of the "Carbon, Forest, Wood products" Club (see next page).

RESEARCH PROGRAM ON THE EVOLUTION OF THE EUROPEAN MARKET

The Research Team of CDC Climat worked in association with the Centre for Energy and Environmental Policy Research (CEEPR) of the MIT, the School of Geography, Planning and Environmental Policy of University College of Dublin and the Center of Geopolitics, Energy and Raw material of University Paris-Dauphine, in order to develop an international research program on the evaluation of the first period of the European market of CO₂ (2006-2008).

A first analysis, published in 2008, suggests that *"the experience acquired during this pilot phase has already proved beneficial, as confirmed by several choices for phase II. Thus, the countries applied better harmonized rules of allocation during phase II, and the allowances requested in the national allocation plans decreased"*.

→ Analysis of the different carbon markets set up in Europe and in the rest of the world: research programme on international carbon markets, in close collaboration with the Climate Economy Research Programme (PREC) of the “Finance and Sustainable Development Dauphine-Polytechnique” Forum.

→ Study of international financing mechanisms of climate policies (reduction of emissions, adaptation to climate change, financing infrastructures, aid to development etc.).

→ Comparative analysis of carbon taxes introduced in the different countries.

THE “CARBON, FOREST, WOOD” CLUB

This Club aims to facilitate a dialogue with French operators of the forestry and wood sector. The main objective is to present carbon tools that may be made available in order to allow companies and local authorities to access carbon markets through the wood and forest French sector.

Three questions to... Benoît Leguet

VICE PRESIDENT RESEARCH



What is the current focus of your research?

The current subjects of interest for CDC Climat Research are the European market and the project mechanisms of

the Kyoto Protocol (CDM and JI). The European experience is the most advanced market on which we can base our analyses and identify good practices that can be transposed elsewhere. We are also working on the analysis of other economic tools: reduction of emissions (voluntary markets, certificates of energy savings, carbon taxes...) and adaptation to climate change.

In practice, how do you disseminate your expertise and who are the main audiences?

In addition to our publications, which are distributed to a broad base of contacts, and to the media, we share the results of our research with a number of actors, in different settings. We sponsor Clubs that target different types of partners, such as “Tendances Carbone” or “Town, Territory and Climate Change”, in order to respond to their specific needs. We also

intervene in several universities and major schools. We have a privileged partnership with the Forum “Finance and Sustainable Development, Quantitative Approaches” of Dauphine-Polytechnique universities, which allows us to maintain close contacts with the academic sphere. Finally, we are involved in numerous conferences and study groups, within Europe and beyond.

Thanks to Caisse des Dépôts, CDC Climat is currently developing a marketplace research accessible to all interested players, economic and political decision-makers and, through the media, to the public at large.

What does the research team bring to CDC Climat?

We share our analyses with the operational teams of CDC Climat; we are at their disposal to answer specific questions they may have on the mechanisms of the climate economy. However, we value our independence, especially our impartiality. Our analyses are always based on objective data and are not intended to be restricted to CDC Climat, but to be shared with all operators involved in fighting climate change, in France and abroad.

Research clubs



“TENDANCES CARBONE” CLUB

The Tendances carbone (Carbon Trends) Club provides a forum for Members to exchange information and ideas on the European market of CO₂ allowances and its stakes.

Meetings are organized three times a year, focusing on a particular topic in collaboration with CDC Climat Research. By providing a perspective of past activity and analyzing major forthcoming issues, members, through their discussions, are able to provide a summary of the evolution of EU ETS, by analyzing its past functioning and the major forthcoming issues.

A monthly publication “Tendances carbone” is also published. It aims to highlight topical issues while putting them in perspective with a market analysis.

Themes for 2010

The North American market.

The Climate-Energy Package and debrief of Bonn Conference.

International negotiations before Cancun.

“TOWNS, TERRITORIES AND CLIMATE CHANGE” (VITECC) CLUB

The ViTeCC club aims to build upon the current levels of knowledge of the link between management and the funding of infrastructures and climate change. It provides territorial decision-makers with first-hand information on the local impacts of climate change, and the appropriate economic instruments to act upon these impacts and/or reduce their greenhouse gas emissions.

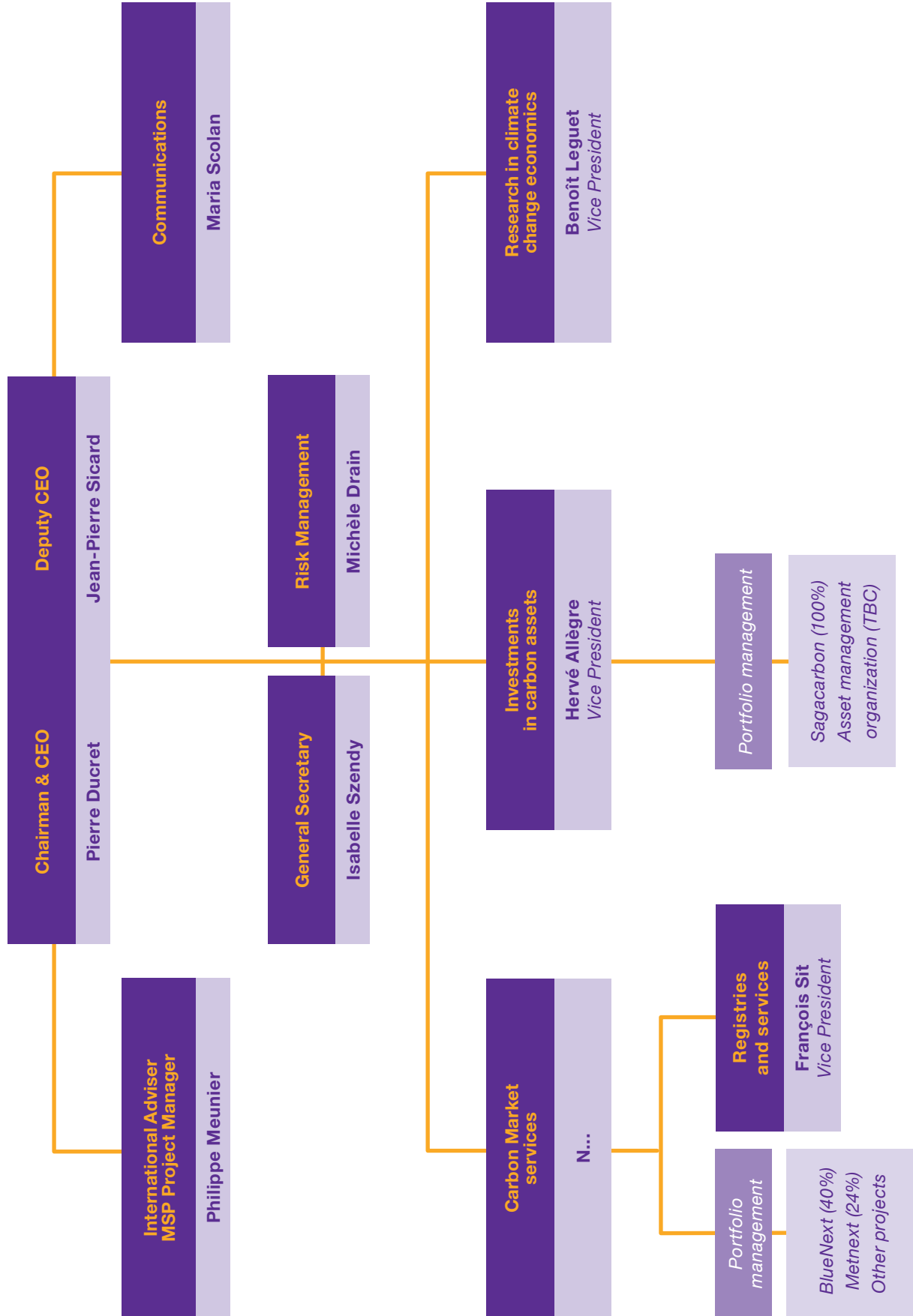
This club brings together the department managers of French local authorities (towns, departments, regions etc.) of the businesses that provide amenity services (energy, building, transport etc.) and experts recognized in the field of climate change and the economy of infrastructures.

Forthcoming meetings

Access of towns to carbon finance and management of extreme events.

Climatic scenarios and international climate negotiations.

CDC Climat's team



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