

# EE-Capital Green Fund Update for The United Nations Economic Commission for Europe

John Palmisano

Chairman

Energy & Environmental Capital LLC

Washington DC

Geneva

June 29, 2005

# Items to be Discussed

- The team
- Team experience
- Relationships with organizations in key countries
- The pipeline of projects
- The strategy

# E&CS/EE-Capital Proposal is Submitted

The team includes:

- John Palmisano
- Robert McFarlane
- Deltcho Vitchev
- Ken Locklin
- Michael Velikanov
- Gregory Lvovsky
- Vadim Diukanov
- John Arata
- Steve Davies
- AFK Sistema

# Experience

- John Palmisano, Chairman: 27 years of experience in the public and private sector implementing emissions trading, energy efficiency, and renewable energy policies and projects
- Robert McFarlane: 20+ years experience as energy project developer
- Deltcho Vitchev: project developer/banker 25+ years experience
- Ken Locklin: energy efficiency and renewable fund designer
- Michael Velikanov: project developer/financial analyst, 20+ years experience in Russia and Southeast Europe
- Gregory Lvovsky: analysis, IT, emissions trading, energy projects, QA/QC
- Vadim Diukanov: environmental and energy policy, applied math
- John Arata: attorney and environmental insurance
- Steve Davies: experienced business consultant, CBM, LNG, analyst for power projects
- **AFK Sistema: banking, insurance, IT**

E&CS/EE-Capital Proposal Was Submitted  
in November 2003, Accepted in December  
2003, Confirmed in February 2004

The E&CS/EE-Capital proposal was  
supported by:

- Russian Ministry of Economic Development and Trade
- Representative of Ukraine Rada (Parliament)
- RAO UES Energy Carbon Facility
- AFK Sistema

# The Current Team Includes

- AFK Sistema
- Moscow Bank for Reconstruction and Development
- Rosno (insurance) 50% owned by Allianz
- FEEEM, leading Ukrainian NGO promoting environmental trading

# Our Team Becomes Formalized

ВЕДОМОСТИ

Среда, 20 апреля 2005 А3



ДЕНЬГИ / ВЛАСТЬ

## Заработать на выбросах

Попытаются АФК "Система" и американская EE-Capital

Ольга Проскурнина  
Екатерина Кудашкина  
Ведомости

Владимир Евтушенков вместе с бывшим советником Роналда Рейгана по национальной безопасности попробуют заработать на глобальном потеплении. Как стало известно "Ведомостям", они собираются создать специальный фонд для продажи российских квот на выброс вредных для климата газов. Если не поведет правительство, оборот фонда может составить до 500 млн евро в год.

Россия – участник Киотского протокола, по которому с 2008 по 2012 г. все ратифицировавшие его государства должны сократить выбросы парниковых газов в среднем на 5,2% по сравнению с 1990 г. России сокращать эмиссию не придется: отечественные предприятия сейчас загрязняют атмосферу на 30% меньше, чем 15 лет назад. Зато страна сможет ежегодно продавать до 10% от разницы между реальным и разрешенным объемом выбросов –

Capital (EE-Capital), предусматривающий создание совместного Зеленого энергетического фонда для привлечения инвестиций в "проекты по энергоэффективности и возобновляемой энергии". На первом этапе фонд, по словам консультанта "Системы" Антона Галеновича, рассчитывает торговать квотами не менее чем на 100 млн т выбросов (около 500 млн евро).

Учредитель EE-Capital – экс-советник президента США Роналда Рейгана по национальной обороне Роберт Макфарлейн. Для инвестиций в энергосбережение в России после начала действия Киотского протокола наступило "аудитивное время", убежден он. Партнер Макфарлейна – известный эксперт в области экологических инвестиций Джон Палимизано, один из авторов концепции торговли выбросами в США и организатор AER\*X – первой американской брокерской компании, проводившей подобные сделки (в начале 1990-х гг. вошла в состав Enron).

Зеленый энергетический фонд сможет заработать, если правительство будет передавать квоты в управление компаниям, которые будут

сокращать выбросы в 2008–2012 гг. и дает правительству финансовые гарантии своих обязательств в обмен на право продавать национальные квоты иностранным инвесторам на внутреннем рынке. Но этот вариант требует кардинальных правок в законодательство. "Это сложная в осуществлении схема: в ЕС на создание рынка квот ушло три года", – напоминает Галенович из "Системы". Не верит в быстрое развитие рынка квот в России и директор климатических программ Всемирного фонда дикой природы Алексей Кокорин. Выбрать оптимальную схему Минэкономразвития должно до 1 июня.

"Система" и EE-Capital отказались сообщить, каким компаниям они намерены передавать "киотские" инвестиции. РАО ЕЭС вряд ли воспользуется их услугами, поскольку у холдинга есть собственный посредник для работы с западными инвесторами – Энергетический углеродный фонд, говорит начальник отдела подготовки проектов фонда Алексей Варфоломеев. "В высокой степени готовности", по его

## AFK Sistema and EE-Capital (U.S.) Will Try To Earn Money from Emissions Trading

*Vladimir Yevtushenkov, jointly with former National Security Advisor to President Reagan, will try to make money on the global warming. Vedomosti has learned that they are going to create a special fund for selling Russian quotas on emissions of climate change inducing gases. If the government holds up its end of the bargain, the fund's annual turnover may reach 500 million Euros.*

Under the Kyoto Protocol, to which Russia is a signatory, all countries which have ratified it must reduce their emissions of greenhouse gases on average by 5.2% between 2008 and 2012 in comparison with 1990 levels. Russia will not have to reduce its emissions because its domestic enterprises now pollute 30% less than 15 years ago. On the other hand, the nation will be able to annually sell up to 10% of the difference between the actual and the permitted volumes of emissions – approximately 500 million tons per year worth US\$ 1-3 billion, according to the estimate of the Ministry of Economic Development. The government has not yet chosen the mechanism of such emissions trading.

Contenders to "Kyoto money" have already appeared. Vedomosti has at its disposal the text of a Memorandum of Understanding between AFK Sistema and a U.S. company Energy and Environmental Capital (EE-Capital) regarding creation of a joint Green Energy Fund for attraction of investments to "energy efficiency and renewable energy projects." During the first stage, according to Sistema's advisor Anton Galenovich, the Fund is expected to trade quotas for at least 100 million tons of emissions (approximately 500 million Euros).

One of the founders of EE-Capital is Robert McFarlane, former National Security Advisor of President Ronald Reagan. He is convinced that now that the Kyoto Protocol has come into effect, it is an excellent time for making investments into energy savings projects in Russia. Mr. McFarlane's partner is John Palmisano, a well-known expert in the sphere of environmental investments, one of the authors of the emissions trading concept in the U.S., and founder of AER\*X, the first U.S. broker company to carry out such transactions (in the early 1990s this firm joined Enron).

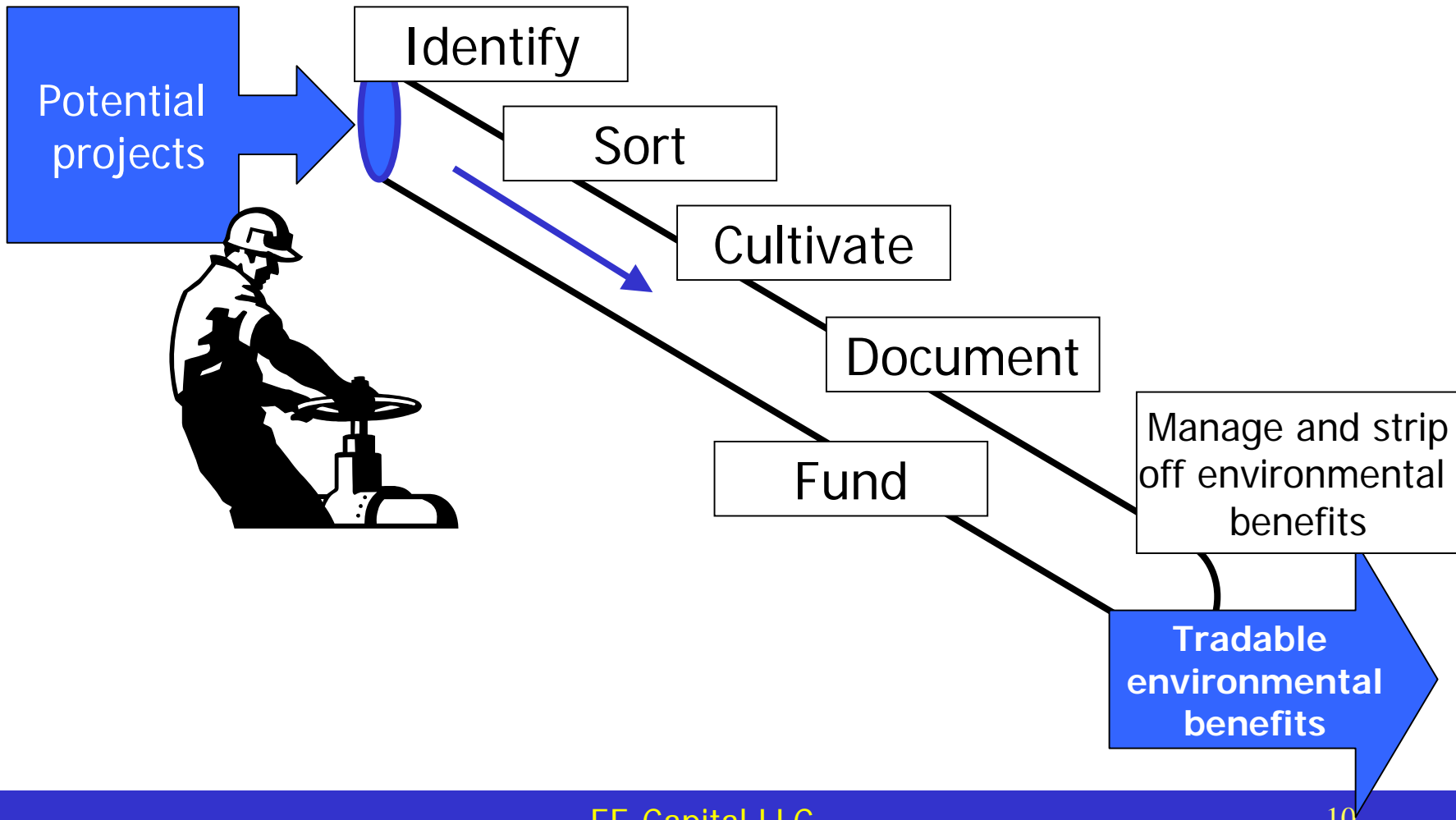
# Previous, Existing, and Planned Working Partners Includes

- Russian Union of Industrialist and Entrepreneurs
- Ukrainian Union of Industrials and Entrepreneurs
- Eastern European Energy Union
- SWI – valve sealant and methane specialists

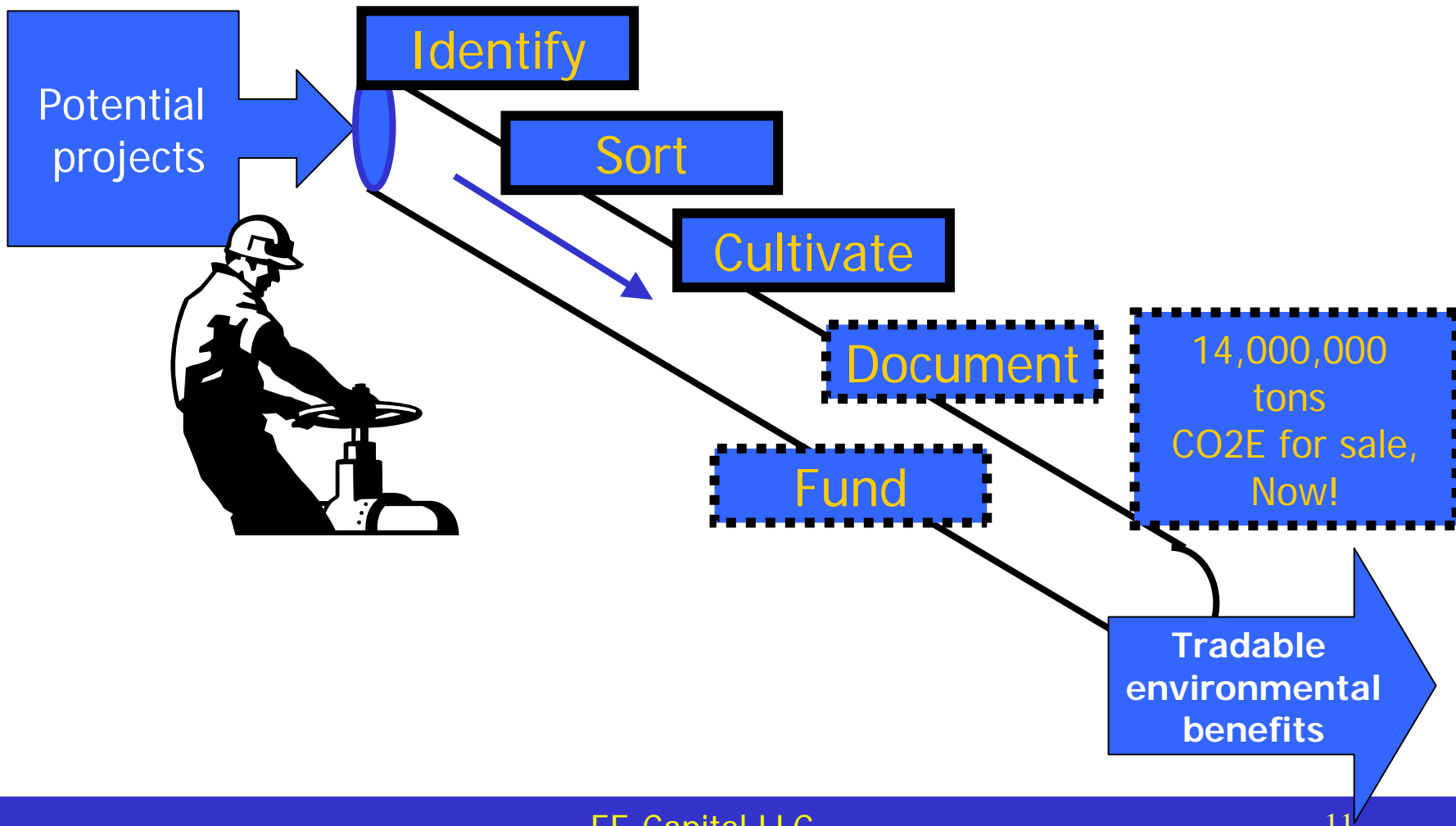
# Activities that Support Development of the Fund

1. Building a pipeline of projects
2. Relationships with regulators in Russia and Ukraine
3. Training

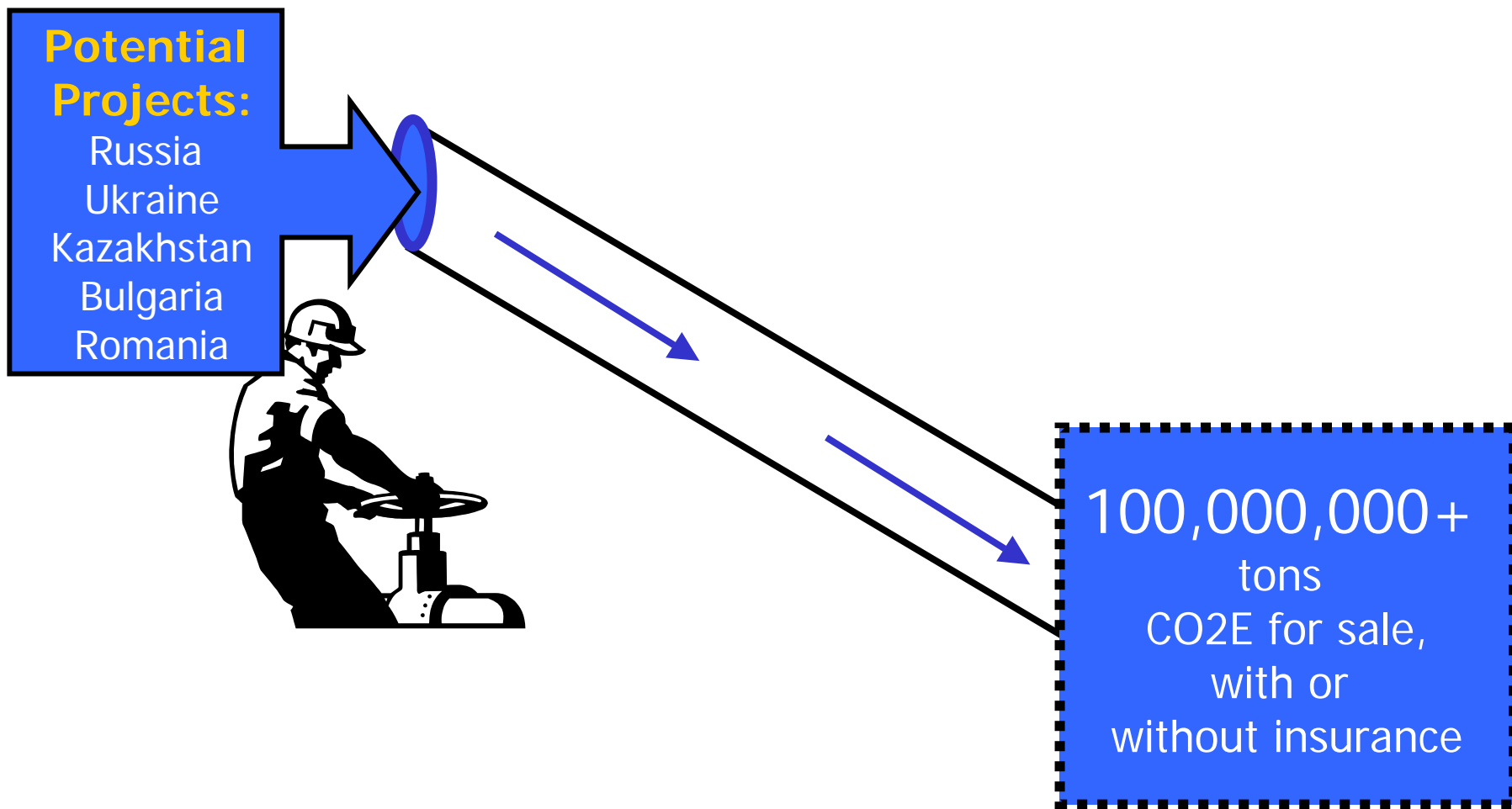
# 1. The EE-Capital Project Pipeline for Creating Environmental Credits



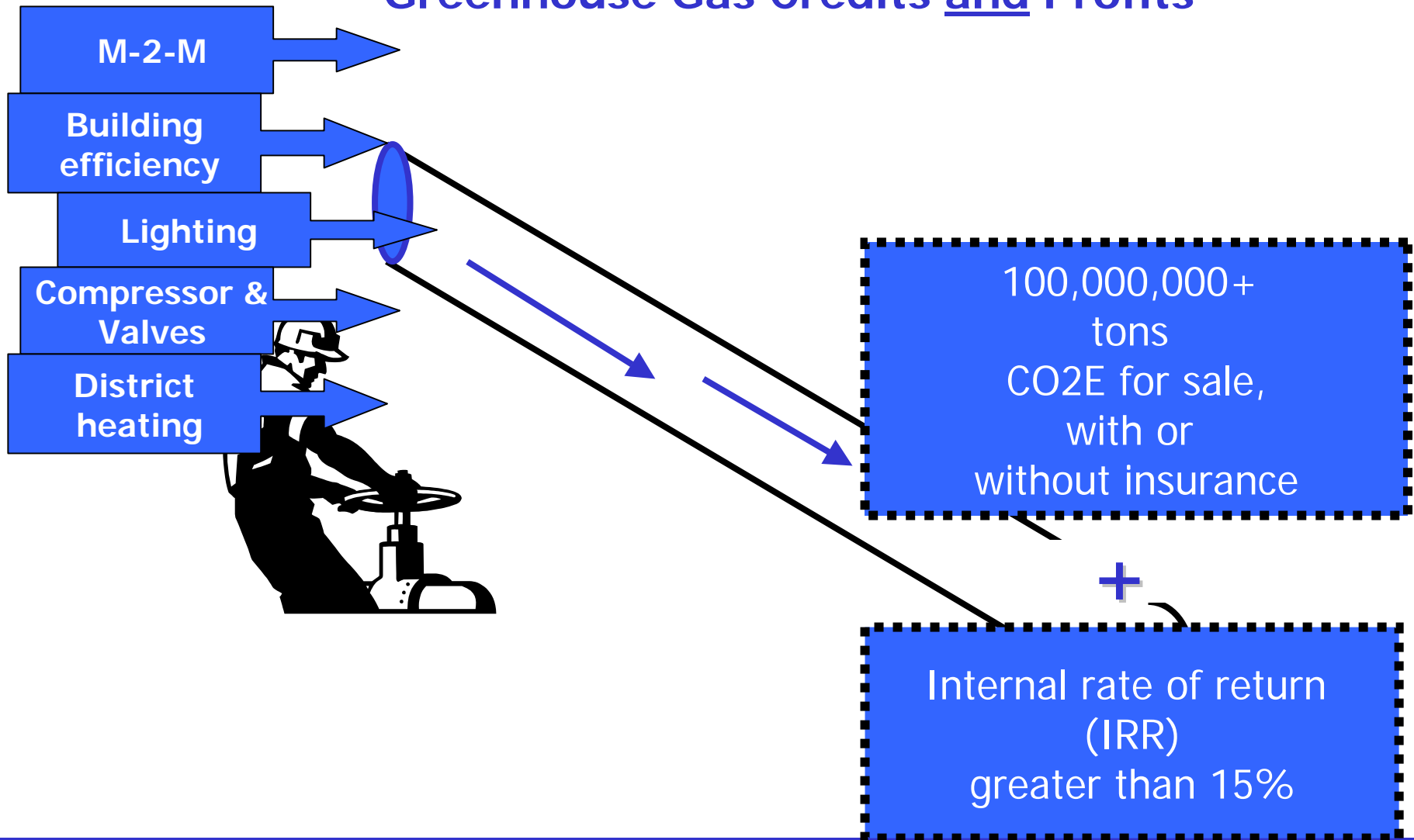
# 1. We Are Now Documenting, Funding and Selling Greenhouse Gas Reductions



# 1. The EE-Capital Project Pipeline for 2005-2006



# 1. The EE-Capital Project Pipeline During 2005-2006: Greenhouse Gas Credits and Profits



# Relationships and Training

- US EPA contract to assist Russia and Ukraine develop trading based environmental programs
- Training in the US for regulators and parliamentarians
- November 2004 meeting with Russian Union of Industrialists and Entrepreneurs
- February 2005 meeting in Ukraine on GHG trading
- February 2005 meeting in Moscow on GHG trading
- May 2005 meeting in Kiev with Ukrainian Union of Industrialists and Entrepreneurs
- Proposed meeting in Kiev, Dnipropetrovsk, Donetsk re: registries with Californian GHG registry, US EPA, and GRETA experts
- FEEEM emissions trading handbook
- Proposed Russian emissions trading handbook, agreed
- Proposal to document JI process, under discussion
- Agreement in Ukraine to develop M-2-M fund

# How Do These Pieces Fit Together?

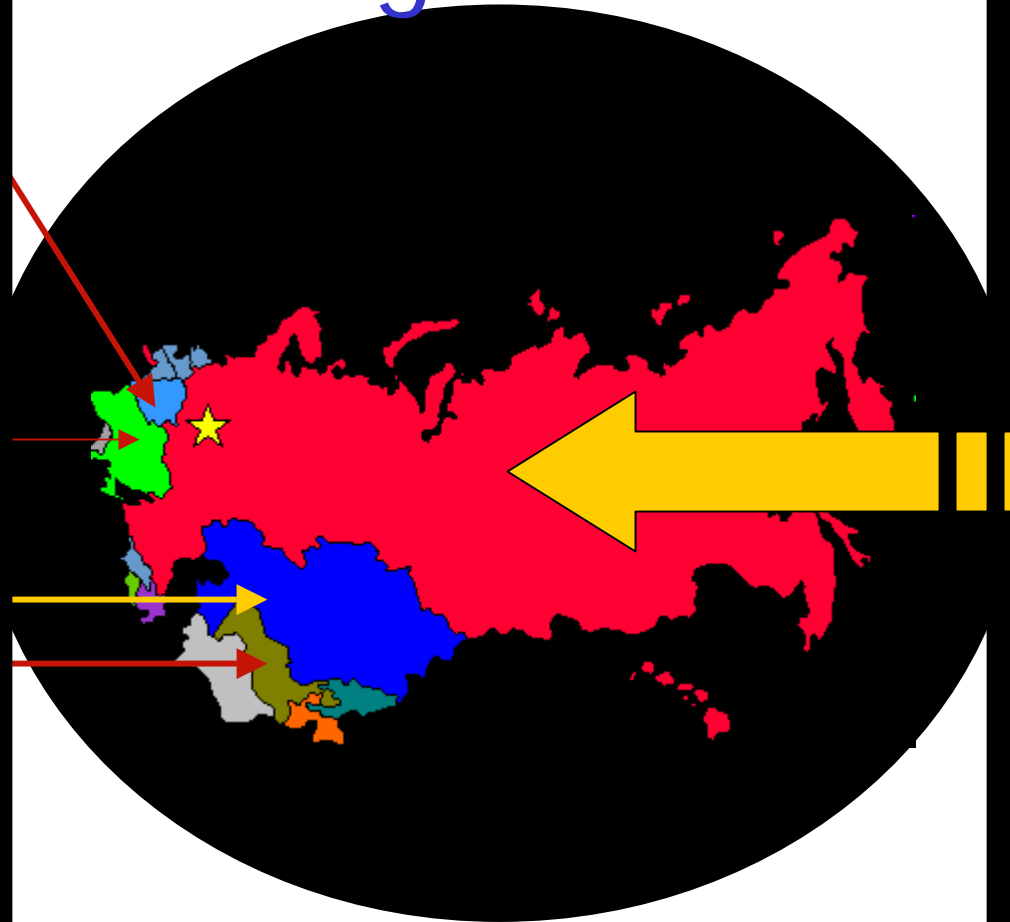
First, go where the projects are.

Second, go where the high (risk adjusted) IRRs are.

Third, go where the most JI projects are.

Fourth, go where you have the best relationships with industry, regulators, and NGOs.

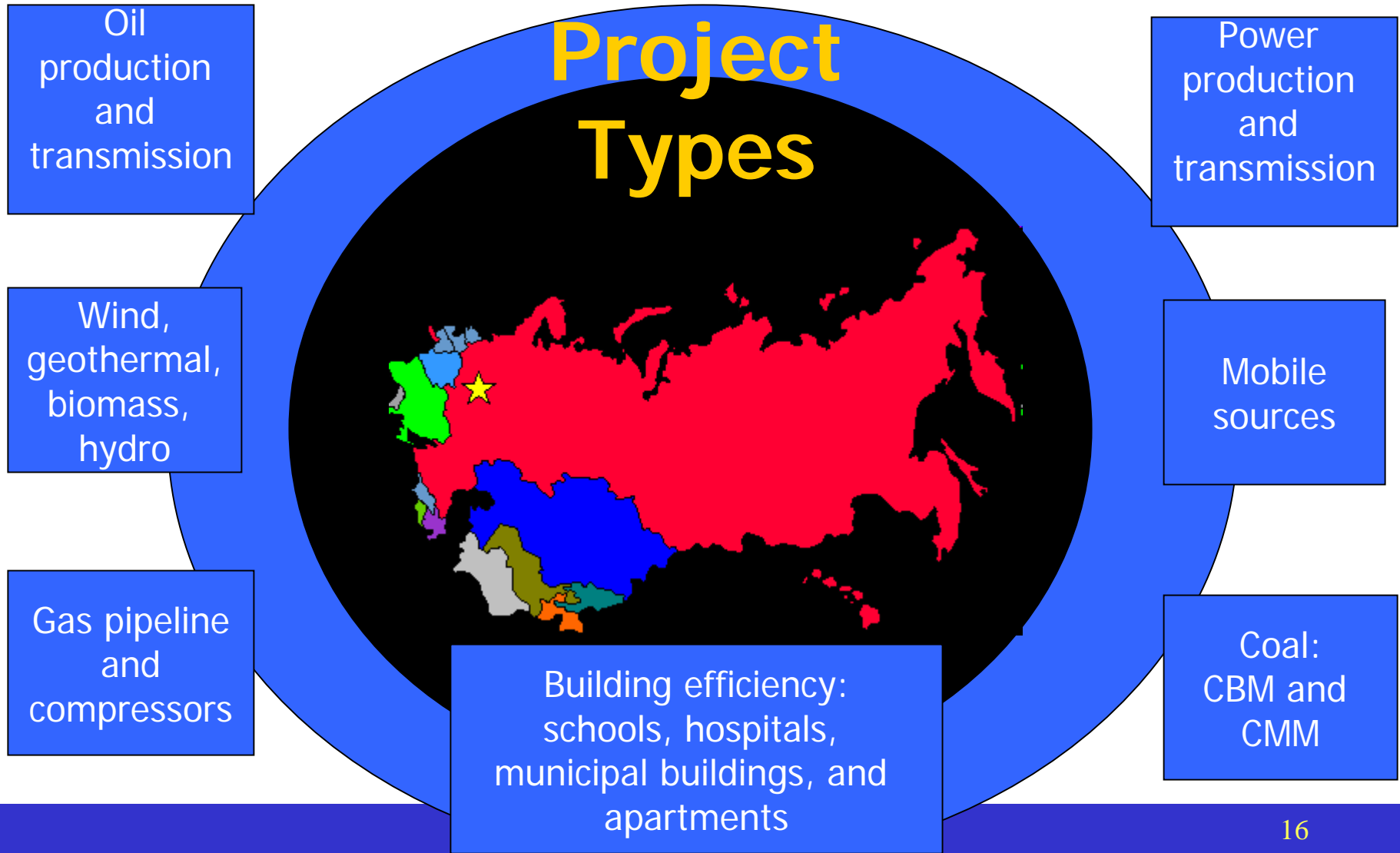
Fifth, go where your technology strength lies.



**A target-rich business environment for energy efficiency and renewable Energy.**

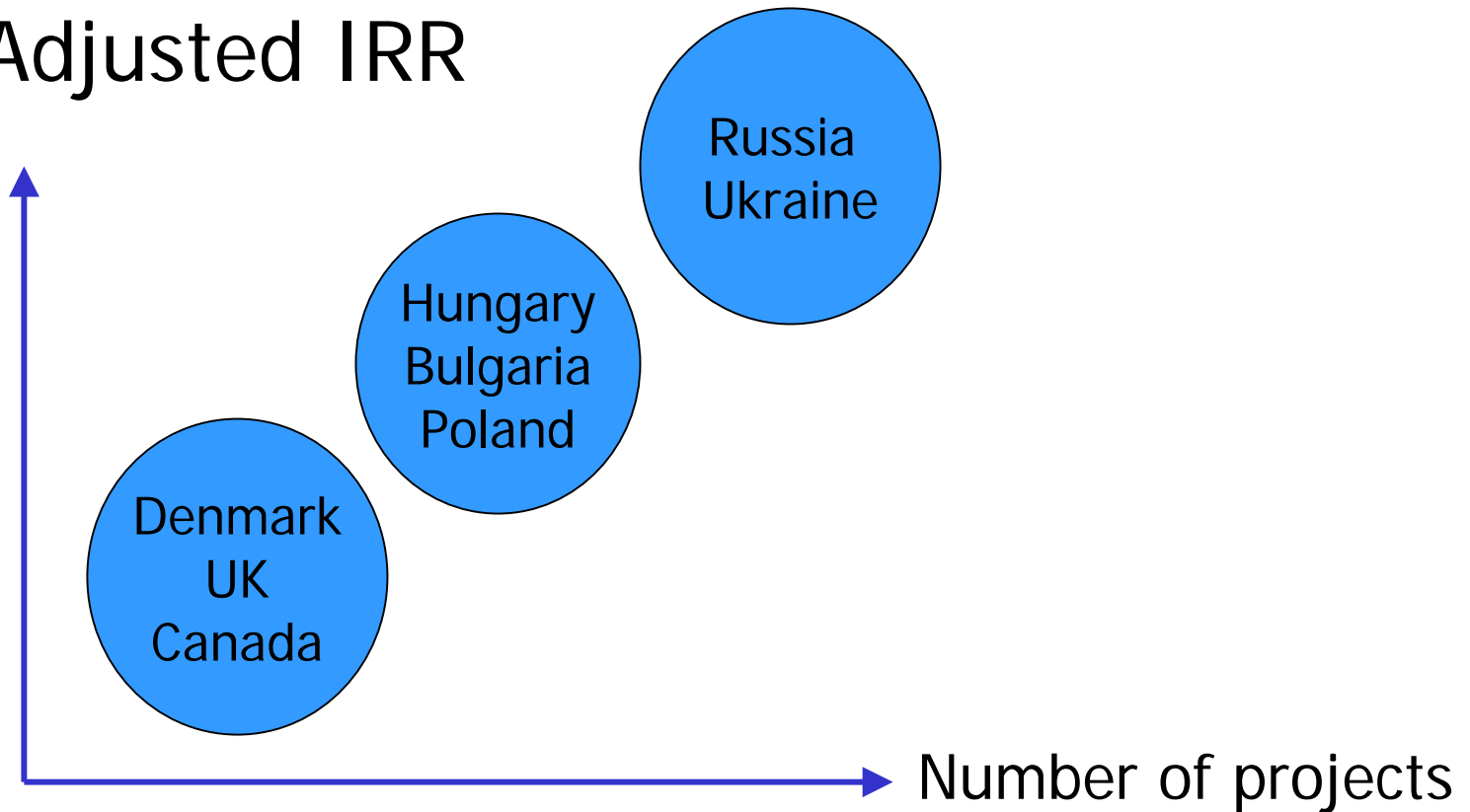
**So say the IEA, UN ECE, US DOE, and EU**

# How Do These Pieces Fit Together?



# Why Our Focus on This Region? This is Where are the Good Projects

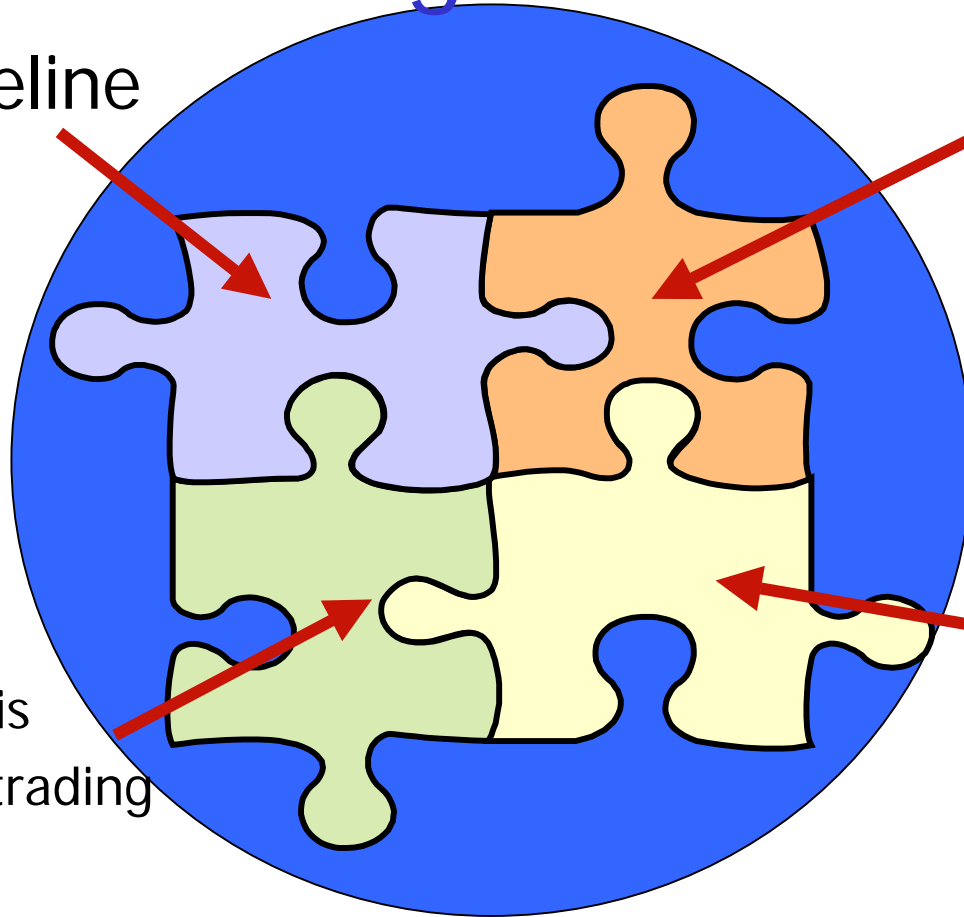
Risk Adjusted IRR



# How Do These Pieces Fit Together?

project pipeline

insurance



engineering  
financial analysis  
environmental trading

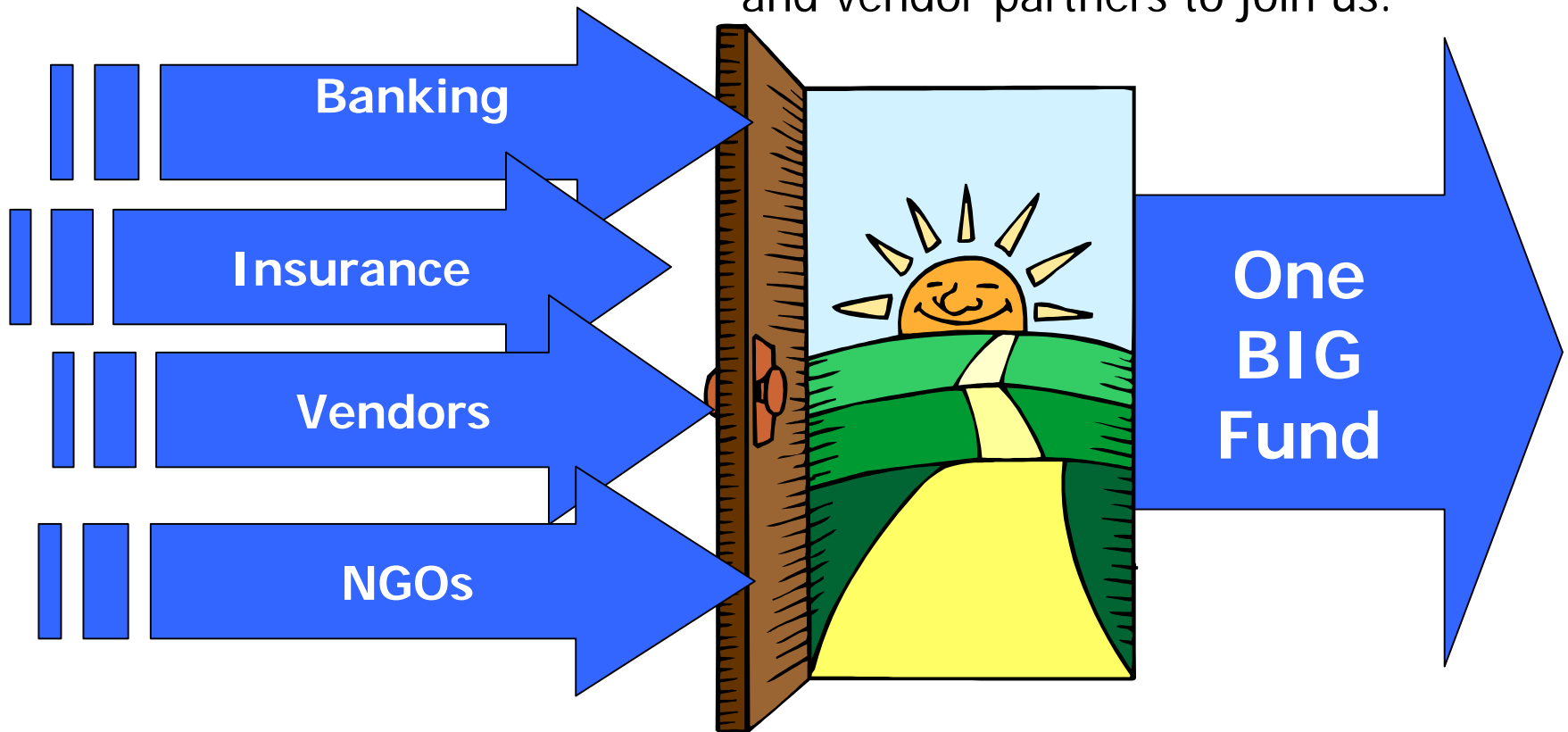
banking

# Next Steps

- Continue working with industry groups, regulators, banks, and insurance companies to assist Russians and Ukrainians develop JI projects and GIS
- Continue developing the pipeline of projects
- Continue working with vendors of equipment
- Complete more transactions with or without insurance
- Integrate UN ECE interests

# Next Steps

Our door is open!  
We invite other banking, insurance, NGO  
and vendor partners to join us.



# Any Questions or Comments?

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