

# Global Peatland Fund

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## Introduction Sustainable Investment Opportunity

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- The Global Peatland Fund has been established to help prevent further destruction of peatlands by implementing projects to protect and restore peatlands which will generate Voluntary Emission Rights.
- Peatlands cover approximately 27 million hectares in South-East Asia and are assumed to store at least 42,000 million tonnes of soil carbon. This carbon is released into the atmosphere when peatlands are drained for cultivation and forests are logged. In South-East Asia, 12 million hectares of peatlands are currently deforested and mostly drained. The people living in these peatland areas typically live in extreme poverty and have limited opportunities for further economic development.
- The total carbon emission from peatlands equals almost 8% of global emissions from fossil fuel burning. Over 90% of these emissions originate from Indonesia, which puts the country in third place (after the USA and China) in the global CO<sub>2</sub> emission ranking. Emissions will increase further in coming decades unless current land management practices and peatland development plans are changed.
- Peatland destruction is occurring on a very small percentage of the global land available, but releases a significant amount of CO<sub>2</sub> into the atmosphere. This creates the potential to reduce a significant source of CO<sub>2</sub> emissions through targeted restoration and protection of peatland. For this purpose, Wetlands International and BioX Group have established the Global Peatland Fund ('the Fund').
- The vision of the Global Peatland Fund is to support projects that protect and restore peatlands and promote sustainable development, in Indonesia and potentially other development countries. The Fund will promote cooperation and partnerships between international investors, local governments and communities, NGOs and international institutions to achieve its objectives.

## Strong Partnership

**Wetlands International and the BioX Group share the common objective of wanting to halt and reverse the trend of peatland destruction around the world.**

- Wetlands International and BioX Group share the common objective of wanting to halt, and where possible reverse, the trend of peatland destruction and at the same time provide development opportunities for local communities, by establishing and operating the Global Peatland Fund.
- Wetlands International (“Wetlands”) is the only global, non-profit, organization dedicated to the protection and restoration of peatlands. Wetlands International is a membership organization that currently includes 32 national governments and 11 NGOs among its members. Its head office is in the Netherlands and the organization has 15 country offices worldwide.
- BioX Group B.V. (“BioX”) is an integrated renewable energy company with activities ranging from sustainable biomass production, development of carbon projects, biofuels trading to the development of biofuels power plants with an estimated turnover in FY2006 of EUR 128 million. Through its fully owned subsidiary BioX Carbon, it has extensive experience in CO2 emission reduction and emission trading projects. It has an extensive network with offices in Kuala Lumpur, Singapore and Jakarta, and is one of the largest Clean Development Mechanism developers in the Southeast Asian region;
- Wetlands International’s existing peatland restoration project in Kalimantan will serve as an unique existing geographical focal point on the borders of which other restoration projects can be developed. This will allow an efficient and limited risk implementation of the Fund’s first projects, both from a technical point of view and from a local stakeholder perspective. In the framework of the existing project, close relations have been developed with relevant authorities as well as local communities.

## Goals of the Fund

**The Global Peatland Fund will invest in peatland restoration and conservation projects, with a return generated from the sale of emission rights.**

- The Fund will invest in peatland restoration and conservation projects. These projects will generate large volumes of Voluntary Emission Reductions and emission removals (“VERs”) by avoiding carbon emissions, at comparatively low costs. The sale of VERs will generate a good return for the investors while the remaining profits of the Fund’s operations, in line with the broader goals of the Fund, will be invested into community development projects.
- The geographical focus of the Global Peatland Fund will initially be on Kalimantan (the Indonesian part of Borneo) and Sumatra, where Wetlands International has successfully carried out community-based peatland conservation and restoration projects in cooperation with local governments.
- The target is to restore and protect approximately 500,000 hectares of peatlands by 2012. To realize this ambition, the Fund is seeking initial funding of at least EUR 10 mln for its first 50,000 hectares of development, from one or more investors who receive a maximum return of 15% (either through cash payments or off-take of VERs).
- The VERs generated by the Fund represent a high level of sustainability to investing companies. Not only do these VERs guarantee greenhouse gas emission reduction, they also significantly contribute to socio-economic development in some of the poorest regions in the world, as well as the conservation of globally important biodiversity.

## Investment Strategy of the Fund

**The Fund will invest in Peatland projects selected on a number of quality control criteria, with which agreements for guaranteed purchase of VERs will be made**

- The Fund will invest in the following types of peatland projects:
  - a. re-flooding previously drained peat forests and deforested peatlands by building dams in the drainage canals;
  - b. reforestation of deforested peatlands using native species;
  - c. protection of remaining peat forests from deforestation;
  - d. fire management plans to prevent and control peat fires.
- The fund will invest in peatland projects which will be selected on the basis of a number of eligibility and quality control criteria adopted by the Fund. The Fund will retain control and influence over the projects until advance payments have been repaid.
- The Fund will purchase VERs from the peatland projects through Voluntary Emission Reduction Purchase Agreements (“VERPA”). These will be entered into at an early stage of the project development and include advance payments for peatland project development and the provision of technical advice. 100% of the VERs generated by the peatland projects will be delivered to the Fund until the advance payments have been recovered, and the Fund may also purchase additional VERs generated by the projects.
- Sustainable development projects will be financed through grants or micro-credits linked to peatland projects. The Fund will allocate a portion of its resources to development projects as soon as it starts its operations. The amount allocated to development projects shall increase after the investors in the Fund have received the minimum return on their investments.

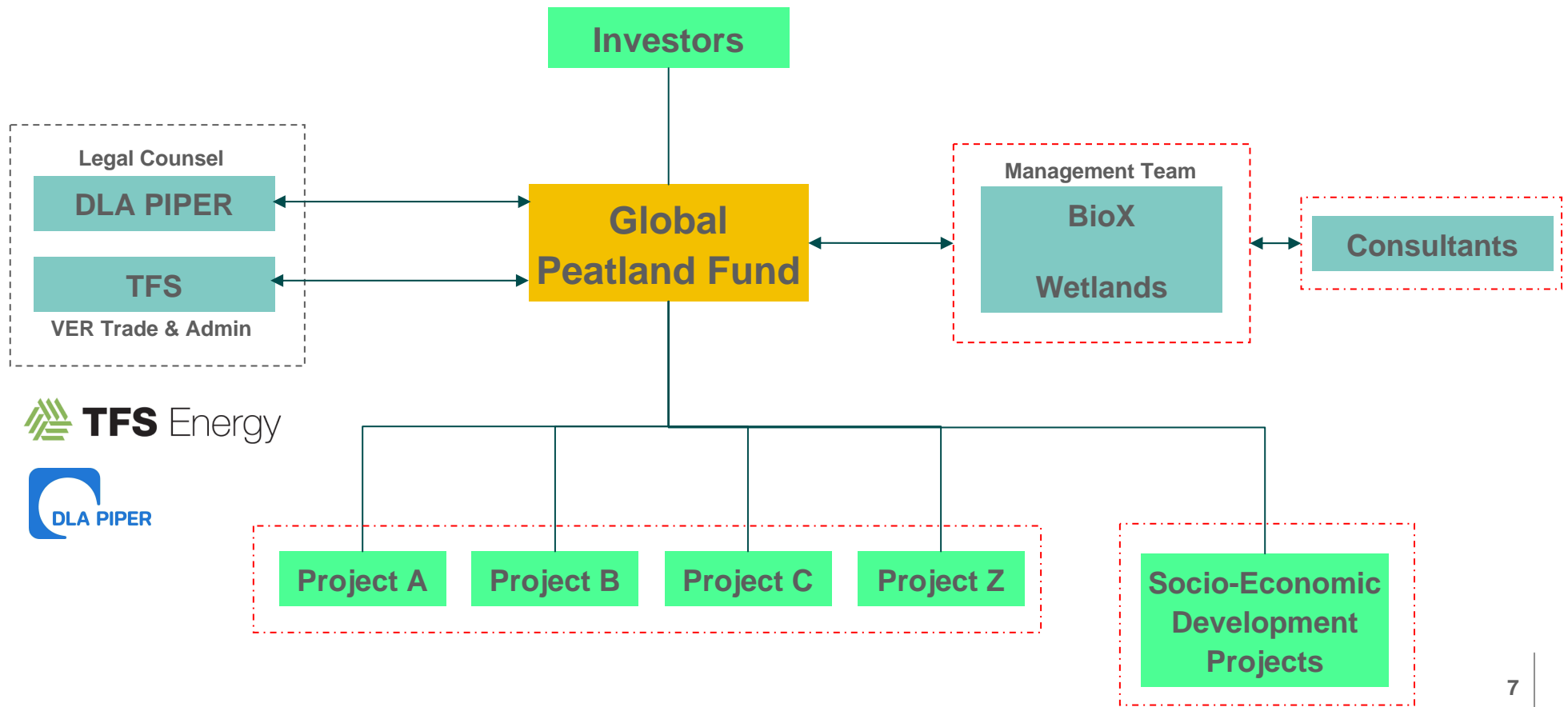
## High Quality Voluntary Emission Rights

**The quality of the Voluntary Emission Rights generated by the peatland restoration and preservation projects will be guaranteed by external accredited auditors.**

- The Fund's strategy is expected to create a pool of high quality peatland projects which will provide secure supply of VERs for the Fund. Risks associated with advance payments will be managed by a portfolio approach as well as project specific risk management strategies such as the Fund providing technical assistance and monitoring the projects.
- The credibility of VERs purchased by the Fund will be ensured by strict quality control of the peatland projects, meaning that VERs must be real, measurable, sustainable and long term. As there is no internationally accepted standardization of voluntary emission reductions, the quality of the Fund's VERs will be guaranteed by involving peatland experts, NGOs and other stakeholders in specifying standards, and through external accredited auditors. The advantage of the Fund's VERs over other types of projects is that large CO<sub>2</sub> emission reductions are achieved at relatively low costs, so that the VERs can be quantified conservatively, and that they will be linked to sustainable development and biodiversity conservation.
- Current data from the existing Wetlands International project in Kalimantan illustrate the potential of peatland restoration for climate change mitigation: the project, entailing a peatland area of approx. 50,000 ha achieved a net CO<sub>2</sub> reduction of over 2 mln tons of annual CO<sub>2</sub> emissions against an investment of approximately EUR 1.5 mln.

## Fund Management

- The Fund will be managed by a professional management team (i.e. the Fund Manager), comprising of experts from Wetlands International and BioX assisted by other experts. In order to ensure the credibility and broad acceptance, the Fund will be supported by an Advisory Committee made of reputable peatland experts, NGOs, UN Conventions and government. Lead investors will be part of the Participants' Committee.



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