

Funding Guidelines of the Foundation 'Future of the Carbon Market'

I. Preamble

The programmatic greenhouse gas mitigation approaches, form the focus of the activities of the Foundation 'Future of the Carbon Market' (the Foundation). This includes in particular the programmatic approach of the CDM, the "Programmes of Activities" (PoA), but can also apply for other forms of programmatic implementation of mitigation activities, provided that those comply with the Funding Guidelines. The essential consideration of the Foundation is that in the current development phase of the carbon market, programmatic approaches are strategically important for today's international climate-financing mechanisms and for those of the future. The Foundation would like to promote activities supporting the dissemination of the programmatic project approach. The promotion of individual initiatives is to help release further potential to reduce emissions with the aid of the market, to gather information and experience for future carbon market mechanisms and to enhance the ability of the host countries of the funding projects to engage in more extensive climate-protection policies.

The Foundation's country-based focus for CDM PoAs is to take into account the declared goal of the UNFCCC, namely to achieve a balanced regional spread of CDM projects. Projects in Least Developed Countries (LDCs) are particularly eligible for promotion.

The Foundation aims to cooperate with other financial donors and investors in order to leverage the promotional activities and to increase the advisory capacity for the host country. Cooperation can take place by means of a donation, as well as by direct funding of a project.

The Board decides on the allocation of the Foundation's available funds in accordance with the Funding Guidelines. There is no legal right to promotion.

II. Promotional objectives

The purpose of the Foundation is to promote climate protection in developing countries as a special form of development cooperation. In detail, the Foundation pursues its purpose in accordance with section 2 subs. 2 of the Statutes through the following activities in particular:

Start-up financing of programmatic emission-reduction projects in accordance with the Kyoto Protocol (Programmes of Activities, PoAs), as well as comparable programmatic

mechanisms under any follow-up agreements under the UNFCCC, or any other bilateral or multilateral agreements between third states and the European Union; the promoted projects must be located in developing countries;

Creating a greater awareness of and reducing prejudices against investing in programmatic emission-reduction projects in accordance with the Kyoto Protocol, with any follow-up agreements, or any other bilateral or multilateral agreements;

Advising governments of developing countries on the interlocking of national climate-protection policies with market-financed programmatic projects.

The promotional measures may serve to pursue individual goals of the Foundation or a combination of goals of the Foundation. The Foundation's promotion focuses on allocating start-up financing to particularly suitable programmatic approaches. Promotion by the Foundation under II.a) above takes generally place through an application submitted to the Foundation. Promotion under II.b) and II.c) above takes generally place on the initiative of the Foundation (e.g. lectures at conferences, organising seminars) or in a dialogue with the addressees of the Foundation's promotion.

III. Granting start-up financing

The Foundation grants repayable start-up financing for particularly suitable programmatic approaches. In case of certifiable projects, the start-up funding shall generally be repaid in form of emission certificates generated by the PoA, which shall be either transferred to the Foundation, or retired permanently. If a direct transfer of the verified emission reductions which are financed by the Foundation should not be possible, the project partner has to credibly guarantee that these emission reductions shall be retired and also in future not be certified, traded, transferred, or by any means used for compliance with national or international binding or voluntary emission mitigation commitments.

The funding decision of the Foundation shall be made on basis of the following promotion criteria:

1. The project shall generate emission reductions, in particular in accordance with the Kyoto Protocol or any follow-up agreements or any other bilateral or multilateral agreements in the field of climate protection,
2. The project is of strategic significance for the climate-protection policy of the host

- country and shall have positive impacts on development and climate,
3. The project shall have the potential to generate emission reductions on an average scale of at least 25,000 t CO_{2eq} per year,
 4. The project is environmentally sustainable and socially-compatible,
 5. The emission reductions generated by the project shall be verified and, if possible, also certified by an independent third party,
 6. Certifiable projects should be able to show realistic marketing prospects for the remaining emission certificates.
 7. The project partners should be able to successfully carry out the project on the basis of their own implementation skills. The Foundation will not assume any implementation tasks in the implementation of the project.

The project's prospects for success (including promotion by the Foundation) should be plausible and open to scrutiny at the time of the Foundation's decision on promotion. The long-term economic viability of the project is just as relevant as the political and institutional framework in the host country.

In special cases the start-up financing can also be used, amongst other purposes, for capacity building activities of the project organisation, as well as for establishing the programme, including pre-financing of costs for the CDM registration, or the compliance with comparable requirements for the generation of verified or certified emission reductions during the implementation of the project. In return, emission certificates also have to be transferred to the Foundation as re-payment, or monies repaid.

The maximum volume for start-up financing from the Foundation per PoA is not to exceed EUR 2 million.

a) Specific funding criteria for CDM PoAs:

- Start-up financing by the Foundation is as a rule contingent on the successful registration of the project with the UNFCCC.
- The project must meet the qualitative requirements of section 8 of the German Project Mechanisms Act (*Projekt-Mechanismen-Gesetz*).

b) Specific funding criteria for programmatic approaches beyond the CDM:

- The emission reductions generated by the project shall be verified and wherever possible also certified by an independent third party.
- The measure shall be integral part of national policy measures which have the primary goal of reducing greenhouse gas emissions.
- The measure shall either provide direct input for the international climate change negotiations under the UNFCCC, or produce reference cases for the future design of carbon markets by implementing market based emission reduction measures in developing countries.

Projects complying with one or several of the following attributes are particularly eligible for promotion:

- innovative project approach,
- projects with a considerable chance of being replicated in the host country or in other countries,
- pilot projects which are of strategic significance for the further development of the carbon market,
- use of pioneering approaches improving the regional spread of mitigation projects (e.g. new methods, standardised reference scenario),
- projects which are able to improve the living and working conditions of women in the host country and overall contribute towards sustainable development,
- inclusion in the national climate policy or sectoral policies of the host country,
- synergies with other political activities of the Federal Government in cooperation with developing countries on climate protection, and
- projects with considerable prospects of success on the basis of the governance structures for mitigation projects established in the host country.

IV. Procedures to grant start-up financing

In accordance with section 4 subs. 2 of the Statutes, the purposes of the Foundation are to be achieved as a matter of priority by the measures within the meaning of section 2 subs. 2 (lit. a) of the Statutes (start-up financing) until the end of the fifth year after recognition of the Foundation.

Persons interested in promotion within the meaning of section 2 subs. 2 (lit. a) of the Statutes can submit promotion applications to the Foundation. Corresponding application forms are provided on the Foundation's website. The promotion applications are examined by the Foundation on the basis of these Funding Guidelines. There is no legal entitlement for promotion to be granted.

V. Activities to comply with the purposes of the Foundation in accordance with section 2 subs. 2 (lit. (b) and (c))

Activities to increase the level of awareness of and to reduce prejudices against investing in programmatic emission-reduction projects, as well as advice to governments of developing countries on interlocking national climate-protection policies with market-funded programmatic projects, take place as a rule on the initiative of the Foundation or in a dialogue with the addressees of the promotion. Typical measures are as follows:

- designing a website with specialist information on programmatic approaches and on the activity of the Foundation,
- attending and giving lectures at specialist conferences,
- organising workshops and seminars,
- financing scientific studies
- publication of the experience collected in the context of the Foundation's work,
- drawing up information materials,
- networking with important stakeholders on carbon markets, and
- contacting specific government representatives in host countries.