

Bill Gates-funded Peony Capital invests \$136 mln in two CDM programs in China

Shanghai. September 6. INTERFAX-CHINA - Peony Capital Ltd., the Beijing-based investment vehicle of a carbon trading fund backed by the Bill and Melinda Gates Foundation, has invested EUR 100 million (\$136.15 million) in two fuel switching projects with China's biggest power generator in return for carbon credits, domestic media reported today.

Peony Capital, established in March 2007, has a potential budget of up to EUR 400 million (\$544.58 million) intended for investment in China. The company has obtained approval from the Chinese government to invest in two clean development mechanism (CDM) projects, in cooperation with Huaneng Group, in Shanghai and Nanjing, Shanghai-based Business Weekly reported.

The Bill and Melinda Gates Foundation Trust provided the EUR 100 million (\$136.15 million) as seed capital for the fund. A further EUR 300 million (\$408.49 million) needs to be obtained from investors in Australia, the United States, Europe and Asia.

The company, which aims to achieve attractive returns by making equity investments in sustainable development projects and then trading the carbon credits on the global market, has plans to buy as much as 10 million tons worth of carbon emission reduction (CER) credits by 2012. The company said it is also committed to buying credits from another wind farm, but did not reveal additional details about that deal.

Under the 2005 Kyoto Protocol, companies in signatory countries may offset their greenhouse gas emissions by funding CDM projects in developing countries such as China and India to obtain CER credits. Such credits, which represent carbon prevented from being released, can also be traded on the global market.

Global emissions trading tripled last year to \$30.1 billion, with the European Union accounting for 81 percent of the total trade, according to World Bank figures. Trading volume is expected to double this year and double again in 2008. Market insiders expect the world credit market to grow to \$250 billion by 2010.

The Seattle-based Bill and Melinda Gates Foundation was established by the Microsoft founder and his wife in 1994 to fund public-benefit programs throughout the world. At the end of June of this year, the foundation had a total endowment of \$34.6 billion.

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