



Insuring Forest Carbon





Swiss Re is a global financial services firm with a long history of success

Swiss Re is...

- ... a financial services firm with 144 years of experience
- ... the world's leading and most diversified reinsurer
- ... a proven expert in risk and capital management
- ... a pioneer and leader in capital market solutions



Quick facts (31/12/2007)

- Revenues CHF 42.8 billion
- Net income CHF 4.2 billion
- Total investments CHF 228 billion
- Rated AA- by S&P, Aa2 by Moody's
- 11,000+ employees
- 90 offices in 25 countries
- Headquarters in Zurich, Switzerland

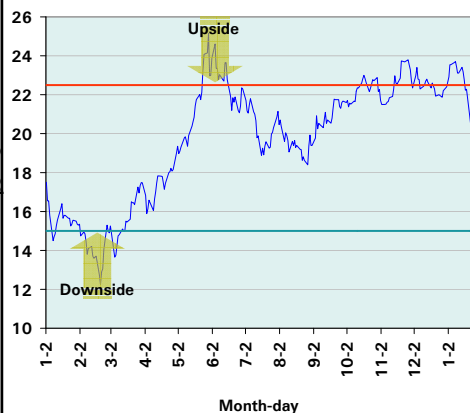
Recent awards

- Best global reinsurer
- Top-10 "Green Giant" (Fortune Magazine, 2007)
- Top-50 "Low Carbon Pioneers" (CNBC, 2007)
- Insurance Borrower of the Year (Euromoney, 2007)
- #1 Capital Raising of the Year (Reactions, 2006)



Swiss Re Combines Expertise of Key Areas

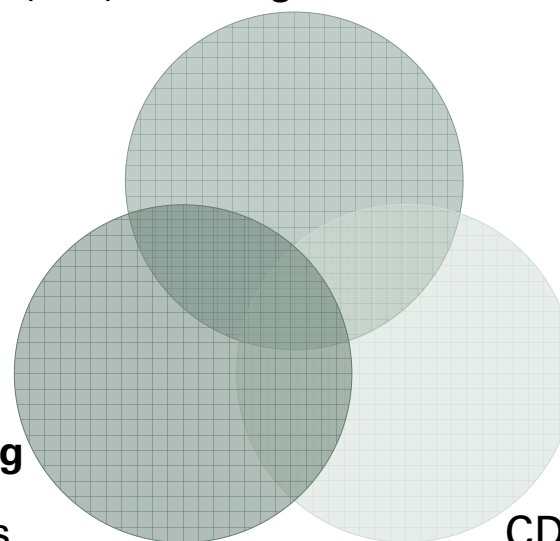
Price Development EUA - EU ETS Phase II



Forest Insurance
(Re-) insuring forest assets

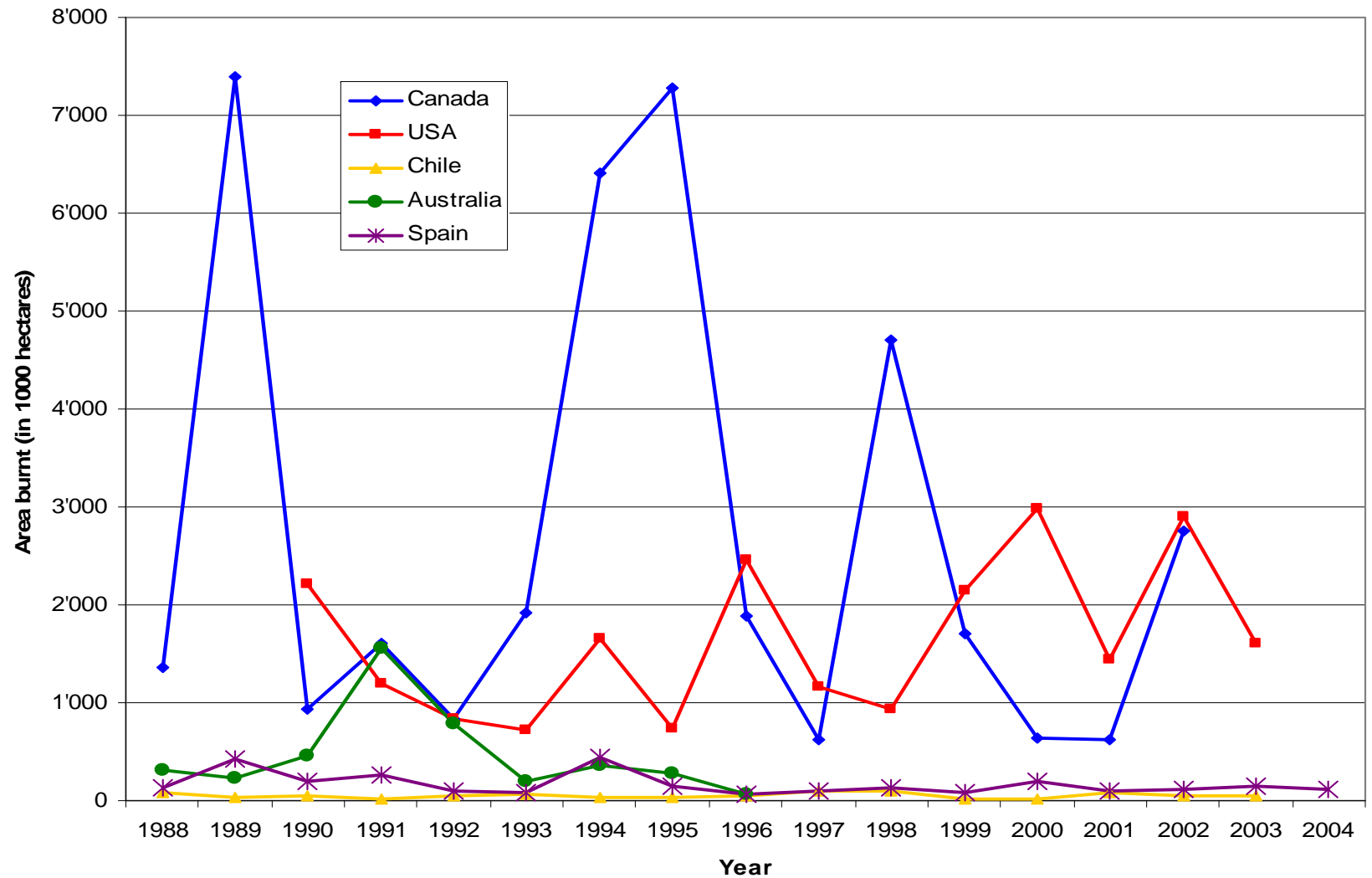
Emissions Trading
EUAs, CERs, ERUs,
VERs

Carbon insurance
CDM project insurance,
structured products



Many reasons that can turn forest from sink to source

Forest area burnt





Which perils can a (re-) insurance cover?

Covered in Swiss Re's standard forest (re-) insurance

- Fire, wind
- Hail, pest & disease, snow, ice, flood

Conventional Forest

Additional perils that CDM project developers ask cover for:

- Insurance of Kyoto-cycle: Methodology, Registration, Issuance
- Hedging of carbon market risks: futures, options, structured products

Kyoto Cycle

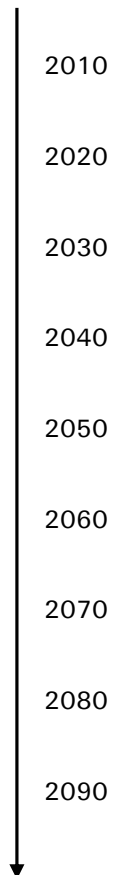
Additional perils that A/R or REDD project developers ask cover for:

- Government does not honour legal contracts any more
- Change in regulation, Expropriation
- Migrants come in and use land, riots, social unrest

Political



Permanence and Timeline



- Permanence of sinks requires forest systems and carbon storage to remain intact over decades
- Forest insurance contracts are usually renewed annually, slightly longer time periods are possible
- The regular renewal of insurance cover might become part of the long term operation of A/R or REDD projects
- Government or Public Private Partnership probably best placed to take over very long term liabilities



Preliminary Conclusions

- Insurance can remove many of the key uncertainties for project developers, operators and investors
E.g. reduce the size of buffers
- Main limits of insurance solutions lie in challenges to cover long term liabilities and in difficulty to insure political risks
- Insurance can play a very important role in the risk transfer for A/R or REDD projects, but is probably not the silver bullet to solve permanence issues
- Insurance of forest carbon may best be implemented in a joint effort of insurer, project developers and governments

Swiss Re is working with project developers to explore risk transfer solutions for forest carbon



Thank you!

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