

**Collaboration agreement between
The Network of Regional Governments for
Sustainable Development and CDC Climat**

Memorandum of Understanding



Network of Regional Governments
for Sustainable Development

August

2011

Memorandum of Understanding between nrg4SD and CDC Climat

This Memorandum of Understanding on Cooperation (hereinafter referred to as the “MOU”) is entered into by and between:

The Network of Regional Governments for Sustainable Development, nrg4SD, a non-profit organisation, governed by the Statutes of the Network and Title III of the Belgian Law of 27 June 1991 concerning non-profit associations, international non-profit associations and foundations and with its seat in Koning Albert II-laan 20, 1000 Brussels, Belgium.

Hereafter referred to as “**nrg4SD**” or the “**Network**,

And

CDC Climat SA, a *société anonyme*, incorporated under the laws of France under n° RCS Paris B 520 399 478, having its registered office at 47 rue de la Victoire, 75010 Paris, duly represented by Pierre Ducret (“**CDC Climat**”);

Hereafter jointly referred to as the “**Parties**”, and individually as a “**Party**”.

WHEREAS:

- A. **nrg4SD** is an organisation representing subnational governments and associations of subnational governments at the international level, with the following objectives:
- Promoting sustainable development at the level of subnational government around the Globe;
 - Acting as the voice and representative of subnational governments at global level in the field of sustainable development as the only international network representing solely subnational governments with worldwide presence today;
 - Seeking a wider recognition at international level of the importance of the commitment of subnational governments towards sustainable development;
 - Contributing to the elaboration and implementation of responsible and ambitious policies and tools with a territorial dimension adapted to the subnational level, as well as to the establishment of adequate resources;
 - Encouraging the understanding, partnerships, projects and expertise exchange among its members, and also between them and other major international stakeholders.

Under its current work programme, nrg4SD focuses on 3 main thematic areas – climate change, biodiversity, water resources and sanitation – and the cross-cutting theme of sustainable development.

- B. **CDC Climat** is a 100% subsidiary of Caisse des Dépôts dedicated to the fight against Climate Change which develops its strategy in three areas :

Climate Market Services: CDC Climat, along with its partners, offers services and tools essential to the deployment of climate policies, notably for cap and trade systems: registries, exchange and portfolio management systems, MRV tools, services for carbon exchanges... These services provide a high level of security and reliability for carbon market actors and public authorities. On a wider scale, CDC Climat invests in services facilitating the transition to a low carbon economy. It holds a 40% stake in BlueNext, the carbon and environmental assets stock exchange, it is a shareholder in Metnext, services provider designing meteorological indexes.

■ **Investment in Carbon Assets:** CDC Climat invests in carbon assets generated by environmental projects that are part of the Kyoto project mechanisms.

CDC Climat invests only in carbon assets generated by projects with a demonstrated environmental, social and economic interest: renewable energy, energy efficiency, small hydro, waste recycling, forests and biomass projects.

CDC Climat invested in four innovative funds:

- European Carbon Fund, one of the first funds launched to invest in these assets, with private investors,
- Post 2012, an innovative fund launched with other European public investors (EIB, KfW, ...) to support the development of new projects that will generate assets after the first Kyoto commitment period,
- Fond Capital Carbone Maroc, the first carbon fund ever managed by an African manager,
- FCPF launched by the World Bank to promote the new REDD+ mechanisms design for forest projects.

CDC Climat also set-up CDC Climat Asset Management, a dedicated carbon assets manager. In June 2011, Proparco, a subsidiary of Agence Française du Développement, took a 25% share in CDC Climat Asset Management.

CDC Climat focuses in priority on geographical areas in which few projects have been implemented to date, such as the Mediterranean area, Africa, Europe, France.

In France, CDC Climat invested directly into carbon credits generated by low carbon projects.

CDC Climat is also willing to help subnational governments to devise and set up new innovative financial instrument they need to finance their programs to fight against climate change.

CDC Climat aims to contribute to the reduction of carbon and GHG emissions by 60 Mt for 2014.

■ **Research in the economics of Climate Change:**

CDC Climat's research team produces independent and neutral analysis for public authorities, market players and the public at large. Its research programs are specialised in European policy and EU ETS, international carbon markets, sub national governments and finally, carbon offsets, agriculture and forestry.

- C. The global fight against climate change is facing a new very important challenge with a major evolution of the overall infrastructures to mitigate the world emissions and finance the needed actions. The first commitment period of the Kyoto protocol is coming to an end and the European Union emission trading scheme will enter into its 3rd phase with different rules. With the increasing pressure of these major deadlines, international negotiations have entered a very important period with very structuring decisions to be taken on the frameworks and the means to tackle Climate Change.

Now therefore, the Parties agree as follows:

Article 1. Objectives of the cooperation.

The cooperation is intended to leverage the means of both nrg4SD and CDC Climate by a close cooperation between the Parties that will help them to better understand the context of the Climate Change international negotiations, the international, national and regional frameworks that help to address this issue, and thus to help subnational governments to be able to play a role as efficient as possible.

nrg4SD is willing to develop a better understanding of the carbon financial mechanisms in order to create technical capacity in subnational governments/regional governments on existing carbon finance works, and to enable subnational governments/regional governments to set up their own regional carbon finance tools. nrg4SD is also willing to elaborate nrg4SD lobby strategies at EU and UN level pursuant carbon finance tools adapted to the needs of the subnational/regional level.

CDC Climat is willing to help subnational government to set up new local financial instruments aimed to tackle climate change. It started to develop the concept of local carbon funds aimed at financing low carbon projects under the initiative of subnational governments. It therefore advocates the necessity to keep the existing projects mechanisms, known at CDM and JI, in the overall international legal climate architecture, to improve these mechanisms while developing future mechanisms. It is willing to rely on nrg4SD to emphasize this need and advocate it in international negotiations. It also intends to demonstrate through real concrete pilot initiatives developed with some nrg4SD members all the interest of such a subnational approach. In the medium term, CDC Climat has a keen interest in investing in regional climate funds developed through the initiative of subnational governments.

Article 2. Scope of the cooperation.

The scope of this cooperation encompasses all kind of works that the Parties can do in common to reach the objectives above listed. It includes exchanging information, legal texts and informal texts, studies or any documents related to climate change, developing a common understanding of the various parties' positions, developing common positions and, when necessary, developing joint communication actions.

The scope of the cooperation does not include specific financial means as such. When necessary additional cooperation on specific subjects will be addressed through separate agreements.

Article 3. Implementation of the cooperation.

The implementation of the cooperation will involve:

- exchange of information regarding the carbon markets,
- participations to bilateral meetings, meetings with other organisations, international events or negotiations,
- writing common position papers.

CDC Climat will bring its expertise in the carbon markets, its experience of carbon funds structuring and direct investment in low carbon projects, based on its JI experience in the French territories.

nrg4SD will bring its knowledge of Subnational Governments networks and its capacity to be involved in the international negotiations on Climate Change as a recognised party.

In 2011, the following specific actions are agreed:

- first meeting on the basics of Carbon finance in Brussels (march),
- second meeting on Carbon Finance and joint participations to the international negotiations in Bonn (June),
- nrg4SD welcomes CDC Climat to its General Assembly in Québec (August),
- nrg4SD invites CDC Climat to its meeting with other subnational government network in Lyon (October), nrg4SD and CDC Climat attend together the international negotiations in Durban (December). CDC Climat will be invited to speak in a side event nrg4SD is intending to set up.

Article 4. Term and termination.

This MOU shall become effective on the date hereof for an indefinite term.

This MOU will remain in effect unless terminated by either Party upon thirty (30) days prior written notice to the other Party.

Article 5. Non-binding nature.

This MOU only states the intention and understanding of the Parties to cooperate in good faith. This MOU neither expresses nor implies and legally binding obligation or commitment of either Party.

Article 6. Miscellaneous provisions.

This MOU shall be governed by, and construed in accordance with French law.

Disputes arising out of or in connection with this MOU will be submitted to the commercial courts of Paris.

Each Party agrees to keep confidential this MOU (including any negotiation between the Parties concerning or related to this MOU), its terms and conditions as well as any and all other information which have been or will be delivered or disclosed (whether orally or in writing) by the other Party in connection with this MOU and its performance (the "Confidential Information") with a level of care and attention which is not less than that used to protect confidential information and documentation relating to such Party. Each Party agrees not to disclose the Confidential Information to any third party without the previous written consent of the other Party, except and only to the extent (a) required by any applicable law or regulation or by any authority of competent jurisdiction, (b) such information has become public through no fault of the Party who receives it, (c) such information has already been communicated to the Party who receives it in circumstances not importing a confidentiality obligation.

This MOU may not be waived, changed, modified or discharged orally, but only by an agreement in writing signed by the Party against whom enforcement of any such waiver, change, modification or discharge is sought.

This MOU contains the entire agreement and understanding of the Parties, in relation to the transactions hereby contemplated, at the date of this MOU and supersedes any and all prior agreements or arrangements, whether written or oral, that may exist between the Parties with respect to the matters contemplated therein.

This MOU has been drawn in two (2) copies in English. Each of the Parties will receive one original copy signed by both Parties.

Each Party shall pay its own costs and expenses (including inter alia fees and disbursements of any external legal or financial advisers and accountants) incurred in connection with the preparation, negotiation, execution and implementation of this MOU.

The provisions set forth in this Article 6 shall survive the termination of this MOU for a period of [2 (two) years] thereafter.

If any provisions of this MOU shall be held to be illegal, invalid or unenforceable, in whole or in part, then such provision shall (so far as it is illegal, invalid or unenforceable) be given no

effect and shall be deemed not to be included in this MOU, but without invalidating any of the remaining provisions of this MOU. In any such event the Parties shall negotiate in good faith and agree those amendments to this MOU which are consequently necessary to replace the illegal, invalid or unenforceable provision with terms having as near as possible the same commercial effect with a view to maintaining unaltered the Parties' mutual interests as currently protected under this MOU and in any case preserving a balance between their respective rights and obligations in enabling them to fully perform their obligations as contemplated hereunder.

Notices under this MOU shall be in writing and shall be deemed validly given if delivered by facsimile (supported by positive transmission report), post (recorded delivery, with proof of posting) or email (with read receipt) to the under mentioned individual and shall be deemed to be delivered upon the date of dispatch.

Notices to be given to **nrg4SD** shall be addressed to:

The Network of Regional Governments for Sustainable Development

Koning Albert II-laan 20, 1000 Brussels, Belgium

For the attention of: The Secretary General of nrg4SD

Telephone No.: +32 (0) 2 553 70 69

Email: nrg4sd@nrg4sd.org

Notices to be given to CDC Climat shall be addressed to:

CDC Climat

47, rue de la Victoire 75009 Paris

For the attention of: Emmanuel Legrand, deputy director Investment

Telephone No.: +33 (1) 58 50 82 92

Email: emmanuel.legrand@cdcclimat.com

Signed in two (2) originals in the English language.

For The Network of Regional Governments for Sustainable Development

Mr. Lluís Recoder i Miralles

Minister for Territory & Sustainability, Government of Catalonia

Northern Co-Chair of nrg4SD - On behalf of all nrg4SD co-chairs

For CDC Climat

Mr. Pierre Ducret

Chief Executive officer
