



## Agenda

1. An opportunity: The market for 'green' investments
2. The PwC study: Conservation with a positive return on investment?
3. The Business Plan: Success factors and company structure
4. Conclusion

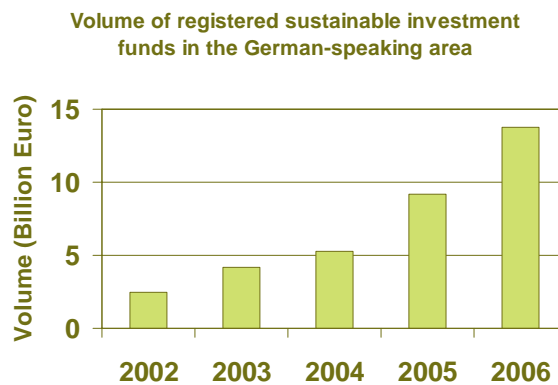
# An opportunity: The market for 'green' investments

# 1

## The Opportunity: Development of the Market for Sustainable Investments

The demand for "green" investments is immense:  
Since 2002, the volume of registered sustainable investment funds in the German-speaking area has risen more than five-fold and reached almost 14 billion Euros in 2006

The potential for conservation funds has not been tapped yet!



Source: Sustainable Business Institute of the European Business School e.V.

# The PwC study: Conservation with a positive return on investment?

# 2

The PwC-study: Case studies

## Ecotourism – Case studies in Namibia and Costa Rica



NamibRand Safaris (Pty) Ltd., Windhuk, Namibia:

- Largest privately-owned nature reserve in Southern Africa (approx. 185,000 hectares)
- 3 lodges with 36 beds
- High-quality, high-price tourist destination
- Contribution to the restoration of the original wilderness



Lapa Rios S.A., Puerto Jiménez, Costa Rica:

- Private nature reserve (approx. 1,000 hectares)
- 16 Lodges with 64 beds built from renewable resources
- High-quality, high-price tourist destination
- Conservation of primary tropical forest and fauna

The PwC-study: Case studies

## Sustainable forestry – Case study in Brasil



Precious Woods do Pará S.A., Belém, Brasil:

- Precious Woods is a leading company in the sustainable management and use of tropical forests. Based in Switzerland, the company has subsidiaries in Brazil, Costa Rica, Nicaragua, Holland and Switzerland.
- Case study in Pará, Brazil: Sustainable Management of Existing Forests (approx. 180,000 hectares) according to the guidelines of the Forest Stewardship Council (FSC) in a sustainable and low-impact manner, thereby ensuring its long-term preservation. The timber is processed locally in its own sawmills.
- The FSC label attests that in the opinion of independent inspectors, the forests are well managed on a sustainable basis in accordance with strict environmental, social and economic criteria.



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The PwC-study: Case studies

## Sustainable forestry – Potential Earnings from CO<sub>2</sub> emission rights



Carbon and Energy:

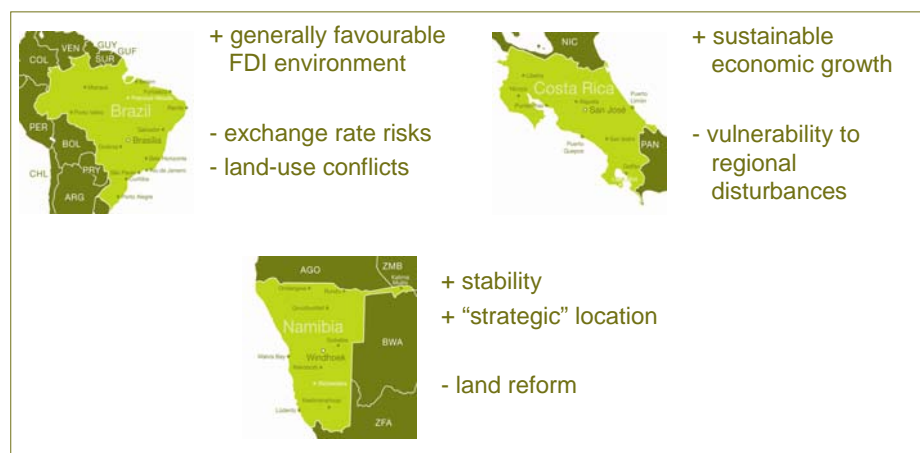
- The use of waste wood to produce energy and the registration and sale of carbon emission rights as an integral parts of the business case for sustainable forestry
- Restrictions to forestry “sink projects” in Europe and under the Kyoto Protocol
- Potential to sell emission reductions to companies and organisations that want to offset their emissions voluntarily (i.e. the World Bank, World Economic Forum)
- Potential to sell emission reductions from renewable energy (replacing the consumption of fossil-fuels)

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### The PwC-study: Comparison of country risks and general conditions

The general conditions in the different countries can be deemed relatively stable; in addition, foreign direct investments can be insured via state guarantee programmes



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### The PwC-study: Opportunities and threats in both sectors

Growing demand for sustainable products and services is expected in both sectors, but regional differences have to be considered

Ecotourism	Forestry
<b>Opportunities</b> + <ul style="list-style-type: none"> <li>• Tourism is one of the most important and most dynamic sectors of the global economy</li> <li>• Importance of ecotourism is growing</li> </ul>	<b>Opportunities</b> + <ul style="list-style-type: none"> <li>• Excess demand for certified tropical timber</li> <li>• Diversified portfolio through natural forest management</li> <li>• Revenues from CO<sub>2</sub>-emissions rights</li> </ul>
<b>Threats</b> - <ul style="list-style-type: none"> <li>• Security situation</li> <li>• Land reforms</li> <li>• Diseases</li> </ul>	<b>Threats</b> - <ul style="list-style-type: none"> <li>• Illegal logging</li> <li>• Political conditions</li> <li>• Land-use rights</li> </ul>
	<b>Opportunities/Threats</b> +/- <ul style="list-style-type: none"> <li>• Currency fluctuations</li> <li>• Assumed growth rates of the trees</li> </ul>

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The PwC-study: Analysis of economic feasibility of projects

Analysis of the project case studies shows that investments in conservation measures can yield a satisfactory return on investment

Initial situation of project portfolio

- 100% equity financing
- Investment of approx. 14.5 million Euros
- Utilised area totalling 217,000 hectares

Ecotourism

- Key driver for profitability: average utilisation and price

Forestry

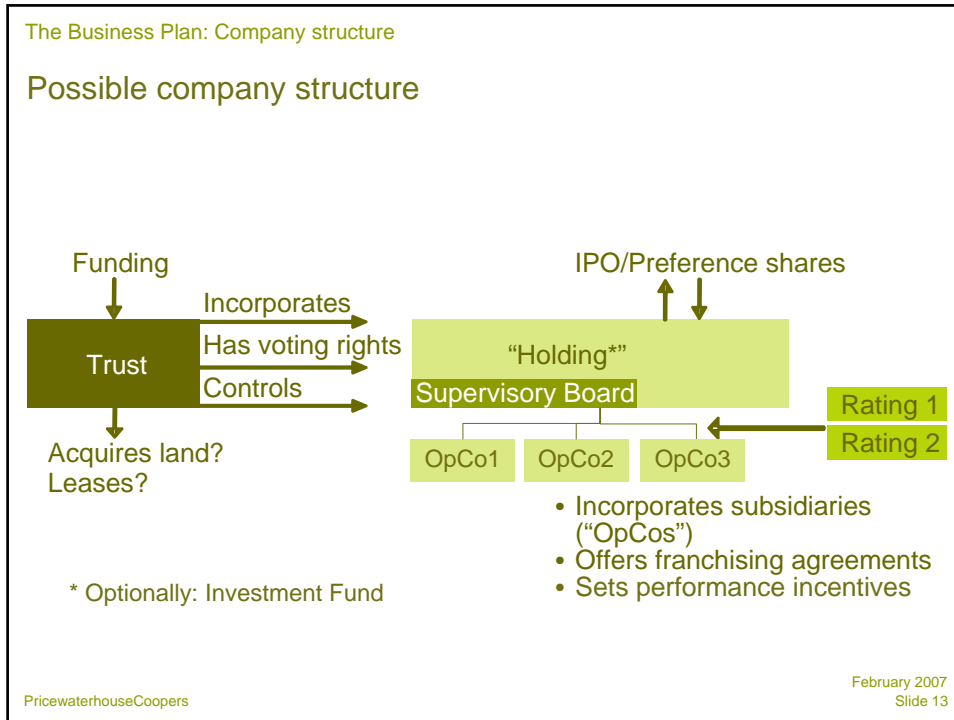
- Key driver for profitability: harvest rates, sales price, land leases
- potential revenues from sale of CO<sub>2</sub>-emission rights

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The Business Plan: Success factors and company structure

3



The Business Plan: Key success factors in both sectors

A good location, secure land-use rights and sector-specific know-how were identified as the primary success factors across the case studies

Ecotourism	Forestry
<ul style="list-style-type: none"> <li>• Attractiveness and accessibility as a tourist destination</li> <li>• Minimum size</li> <li>• Long-term security of land-use rights</li> <li>• Exclusivity of access- and land-use rights</li> <li>• Provision of high-quality tourist services</li> <li>• Know-how in tourism and hospitality industry</li> </ul>	<ul style="list-style-type: none"> <li>• Choice of the right site (re climate, infrastructure, proximity to main distribution channels)</li> <li>• FSC-certification</li> <li>• Cooperation with forest research institutions</li> <li>• Lease-hold payments fixed as a percentage of revenues</li> <li>• Flexibility to adjust to changes in demand through an integrated value chain</li> </ul>

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Conclusion

**Capital markets can make a valuable contribution to the financing of conservation!**

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Thank you for your attention!

PricewaterhouseCoopers AG WPG  
Potsdamer Platz 11  
D-10785 Berlin

Alfred Höhn  
Partner Government, Infrastructure and  
Privatisation  
alfred.hoehn@de.pwc.com  
Tel.: +49 / 30 / 2636 1270  
Fax.: +49 / 30 / 2636 1221

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