

New carbon fund eyes California compliance market

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An investment firm said Thursday it is ready to launch a fund that invests in US carbon projects. New York-based EKO Asset Management Partners announced that it had completed the first close of its EKO Green Carbon Fund, which it called the first fund to focus specifically on land-based carbon assets for the US market. It will invest in carbon credits generated from forestry, agriculture and avoided deforestation projects that can be used to comply with North American carbon markets.

The fund will be launched despite the fact that prospects for a federal carbon market have been dimmed in the near term. A bill to create a US cap-and-trade system passed the House in 2009, but died in the Senate last year. Support for a similar bill is even less likely in the current Congress.

California dreaming

Despite this, EKO is targeting its fund toward the California compliance market, partner and co-founder Ricardo Bayon said. “While it is true that federal action to regulate carbon emissions is unlikely to be passed into law in the near future, we are nevertheless seeing important innovations and initiatives taking place at the state level and in regional partnerships,” Bayon said. He added that California, in particular, “is laying the foundation for what we believe will become a large and robust North American carbon market.” Regulators in the US’ most populous state and the eighth largest economy in the world approved the final rules for its economy-wide carbon trading programme last month. By 2016, the 400 million tonne market is expected to be worth \$10 billion, according to research analysts at Point Carbon, a Thomson Reuters company.

Portfolio

The majority of the fund’s portfolio will consist of Climate Action Reserve offset credits generated from projects that have been endorsed by California regulators. Bayon told Point Carbon News that it will invest in credits from other offset programmes that may eventually be approved by California, such as the Voluntary Carbon Standard, American Carbon Registry and a future global deforestation programme (Redd). The firm initially announced last January that it had been ready for the first close of the carbon fund, which was expected to total around \$8-10 million.

But EKO decided to postpone the fund’s launch until after California voters weighed in last November on Proposition 23, a referendum attempting to kill the state’s proposed carbon market. Bayon said he could not yet comment on the size of the fund, and that the asset manager is working on a second close now. “The size of the final close could change if we see things moving faster than expected in California,” he told Point Carbon News.

In addition to the first close of the fund, EKO also announced that it has made its first investment in funding a forest conservation and management project in Arkansas. The project will generate credits eligible for use in California.

“While others have left the US carbon markets for dead we have continued to invest time and energy in building relationships with the managers of carbon projects across the US,” Bayon said.

“Now that the carbon market in California looks set to really take hold, we believe those investments will pay off.”

By Valerie Volcovici – Washington DC