



CLIMATE
POLICY
INITIATIVE

2012 ANNUAL REPORT

A MESSAGE FROM THE EXECUTIVE DIRECTOR



Around the world, nations are striving to use increasingly scarce resources more productively, meet energy security goals, and reach economic growth targets, all while reducing climate risk. These are complex and urgent challenges, and policy plays a critical role in addressing them.

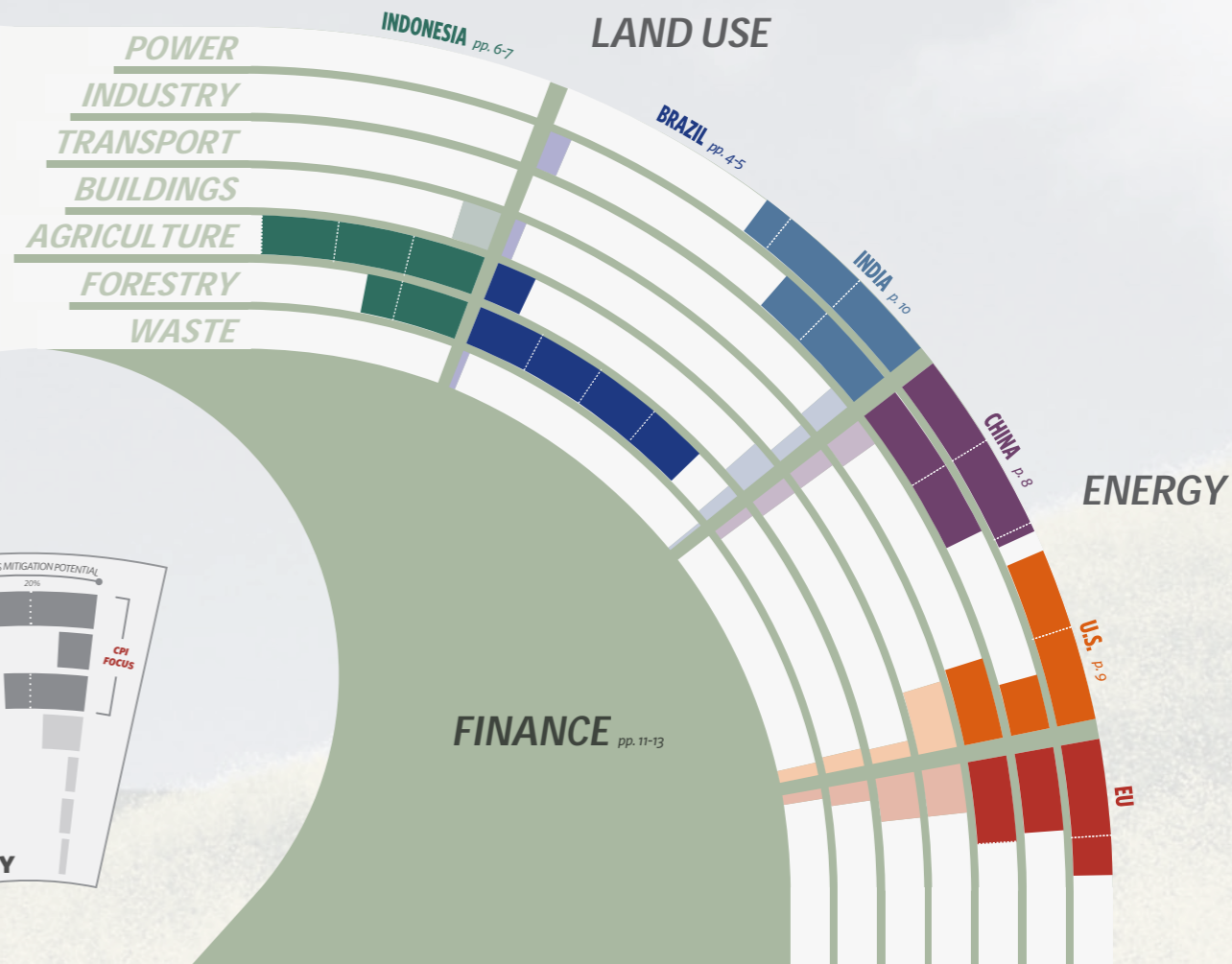
However, policies don't always work or don't work as well as they could. Policymakers often lack the information to make good decisions about which policies to put in place, or how to adjust them for maximum effectiveness. Further, the impact of all these policies and sum of existing investment are not enough to drive the low-carbon growth these nations need.

Since our inception in late 2009, Climate Policy Initiative has been working hard to answer pressing questions posed by decision makers through in-depth, objective analysis on some of the most significant energy and land use policies around the world.

This report shares a few highlights from our work in 2012 – work that has led to further opportunities to support the efforts of policymakers to achieve low-carbon growth. We're already tackling some of their most pressing questions in 2013 and we hope to be able to address others this year and beyond.

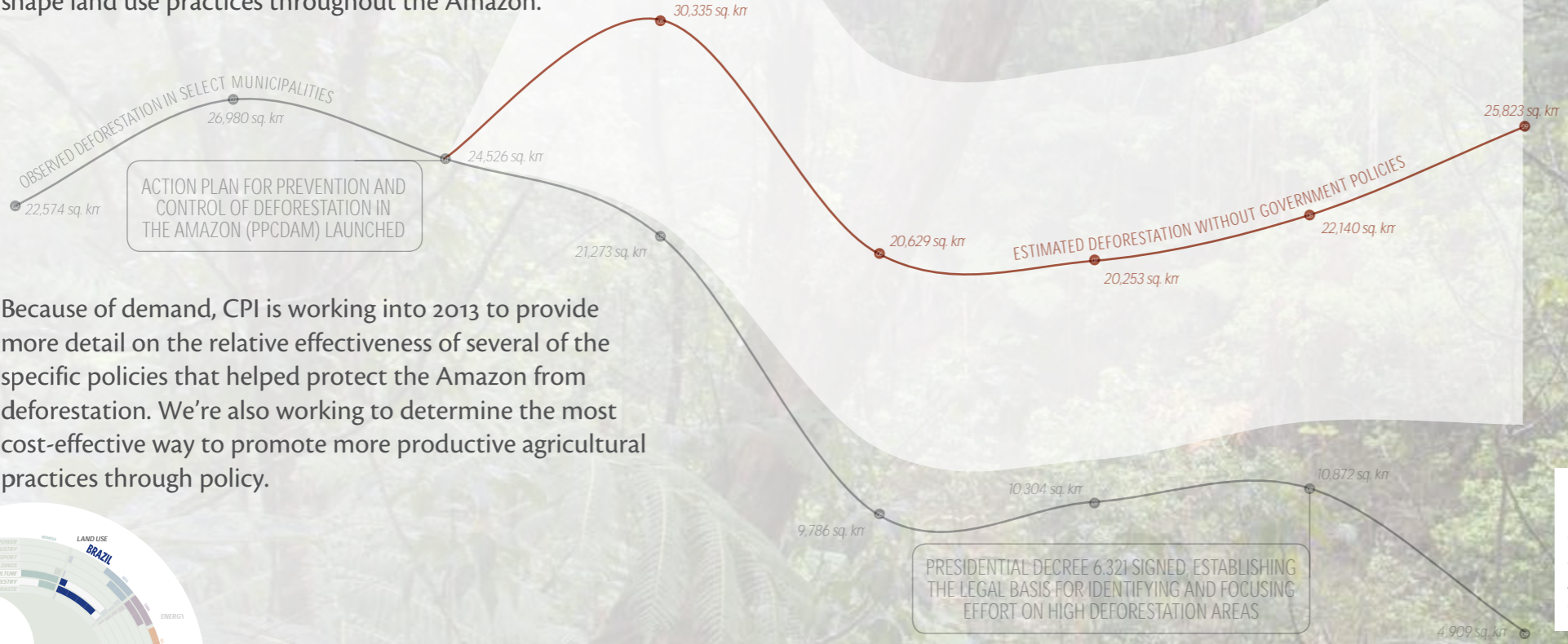
As we look to the future, we will continue to build partnerships that allow us to support decision makers in their important, urgent work to transition to a low-carbon economy.

THOMAS C. HELLER
EXECUTIVE DIRECTOR, CLIMATE POLICY INITIATIVE

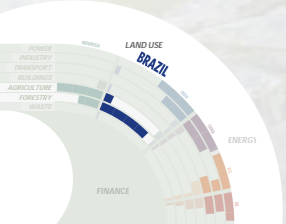


STRONGER FORESTS AND AGRICULTURE IN BRAZIL

Policymakers in Brazil seek to balance agricultural production with natural resource protection. In 2012, CPI analysis showed that approximately half of the deforestation slowdown in the Amazon in the 2005 through 2009 period could be attributed to Brazil's recent conservation policies and proved that government policies do in fact shape land use practices throughout the Amazon.



Because of demand, CPI is working into 2013 to provide more detail on the relative effectiveness of several of the specific policies that helped protect the Amazon from deforestation. We're also working to determine the most cost-effective way to promote more productive agricultural practices through policy.



Each year, Brazil's forestry policies are responsible for more carbon savings than all the renewable energy in Europe combined.

"Deforestation in the Brazilian Amazon has consistently been reduced in the past few years. The empirical, analytical, and modeling work done by CPI has proved that the right combination of environmental policy, performance based credit to farmers, and forest monitoring technologies used by the Brazilian Government, has been effective in curbing deforestation. The Ministry of Environment will continue the partnership with CPI on measuring the effectiveness of public policy on deforestation, climate change, and land use intensification."

Izabella Teixeira
BRAZILIAN ENVIRONMENT MINISTER

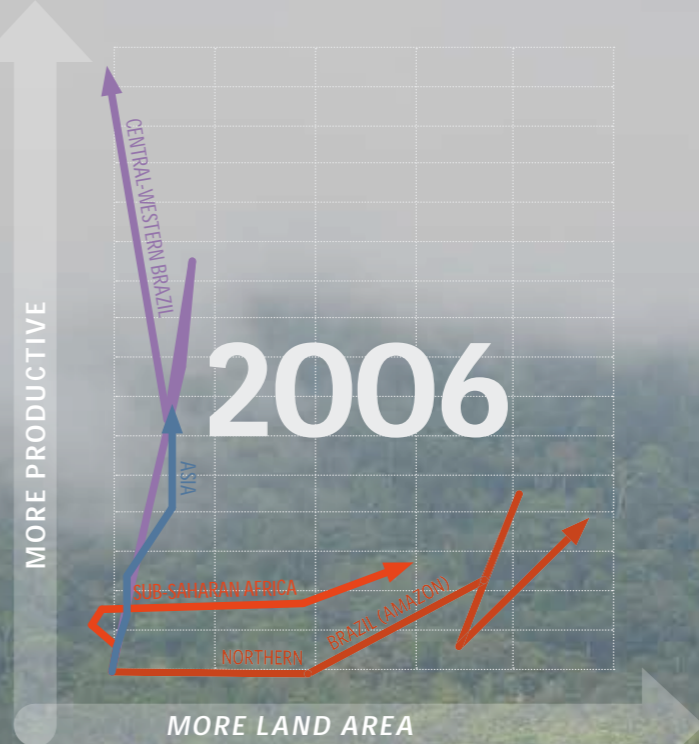
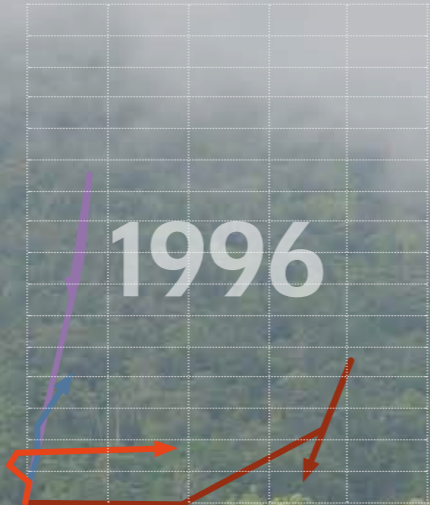
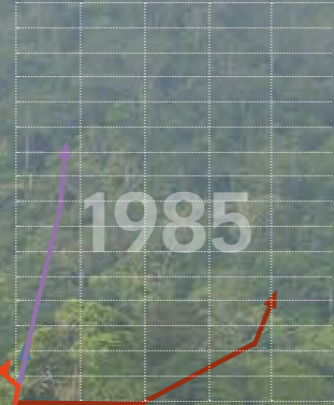
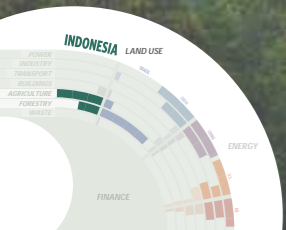


After years of clear-cutting and slash-and-burn agriculture ate into the rainforest, deforestation has fallen to the slowest pace since government officials began keeping track in 1988 [...] recent analysis by the Climate Policy Initiative found that at least half of the recent drop in deforestation was due to tougher government policy."

FERTILE GROUND FOR CONSERVATION AND GROWTH IN INDONESIA

Indonesia's challenge is to make the most of its abundant natural resources in a way that promotes prosperity while preserving important environmental services for future generations.

Last year, CPI provided advisory support to the Indonesian Government on the design of fund instruments to unlock increased investment in REDD+. At the same time, CPI secured a US 1.6 million grant from the Norwegian Government to support the Government of Central Kalimantan's efforts to develop a sustainable and highly productive oil palm sector as a foundation for a green economy. In 2013, CPI will formally launch this program with local partner University of Palangka Raya and backing from the Indonesian Ministry of Finance.



PRODUCTION AND PROTECTION IN BRAZIL AND INDONESIA

CPI has particular expertise in land use, and works with local partners in Brazil and Indonesia to conduct analysis in support of a production and protection approach. Such an approach helps nations achieve their green growth goals by maximizing the value extracted from land while protecting valuable environmental resources for future use.

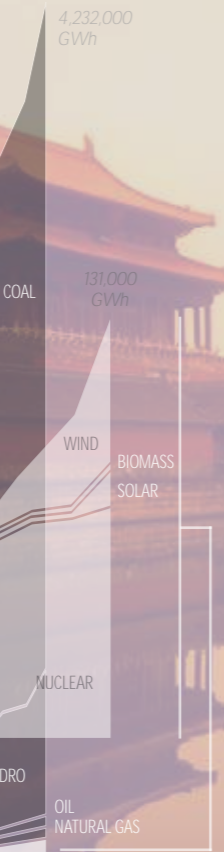
'CPI analytic support for work to design the new REDD+ Funding Instrument for Indonesia was pertinent and valuable. By working as an intrinsic part of the working group team, CPI was able to add considerable experience and value to the design of innovative disbursement mechanisms for an important source of climate finance.'

Agus Sari

HEAD OF THE FUNDING INSTRUMENT WORKING GROUP, SATGAS (SPECIAL TASK FORCE ON REDD+)

CHINA'S LOW-CARBON GROWTH CHALLENGE

The challenge China faces is how to adjust the character of its economic growth to reduce its greenhouse gas impact without undermining longer-term economic prospects. In 2012, CPI, in partnership with Tsinghua University, worked on the third volume of the Annual Review of Low-Carbon Development in China. Our work has attracted more and more attention in China and globally. We have also received ongoing support and help from key Chinese government authorities. Moving forward, CPI will focus on analysis of targeted policies.



"This report is the first one to describe China's low-carbon development in a systematic, comprehensive and profound way. It is indeed first-class work."

DAI Yande

VICE DIRECTOR, ENERGY RESEARCH INSTITUTE, NDRC

该报告是迄今为止国内第一个系统、全面、深刻反映中国低碳发展的报告，值得祝贺。该报告高度的概括、自然流畅的论述以及述中评、评中述的风格让人耳目一新，可谓国内一流，是很值得我们其他报告编写者借鉴和学习的。

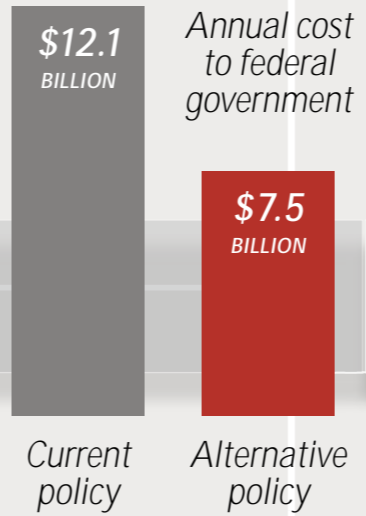
戴彦德 国家发展和改革委员会能源研究所副所长

Non-hydro, low-carbon electricity in China grew over 6-fold from 2000-2010, but that growth was less than 4% of conventional sources during the same period.

U.S. WIND AND SOLAR IN A BUDGET CONSTRAINED WORLD

Reducing the deficit has been top of mind for U.S. lawmakers, and the cost of federal renewable energy incentives has become a significant issue. In 2012 CPI showed that the federal government could sustain the same level of support for wind and solar energy while saving money – to the tune of roughly \$5 billion/year on wind alone.

Policymakers have given us strong positive feedback on this proposal and asked for further work into 2013 to identify more low-cost financing options for renewable energy.



SAVES \$4.5 BILLION

The Washington Post

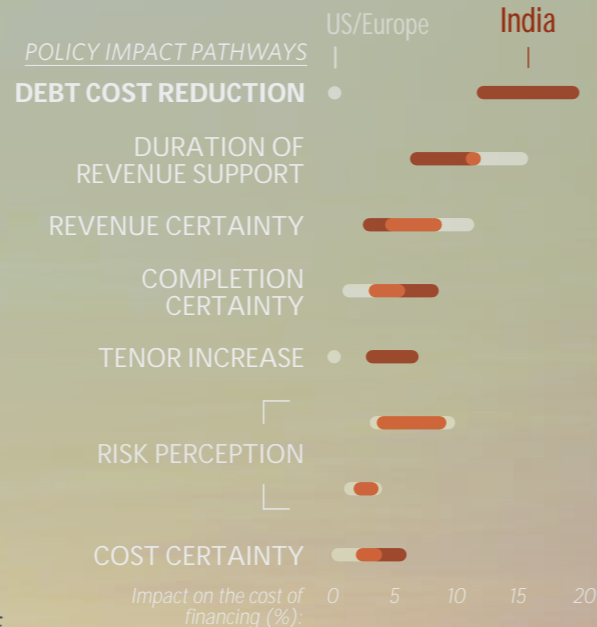
"The Climate Policy Initiative, meanwhile, reckons that the government could slash costs □ saving 40 percent of its money in the case of wind □ simply by financing subsidies differently, converting tax credits into taxable cash payments."

□Blowing in the wind□The Washington Post December 15, 2012

TACKLING INDIA'S FINANCING CHALLENGE

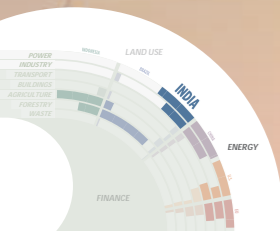
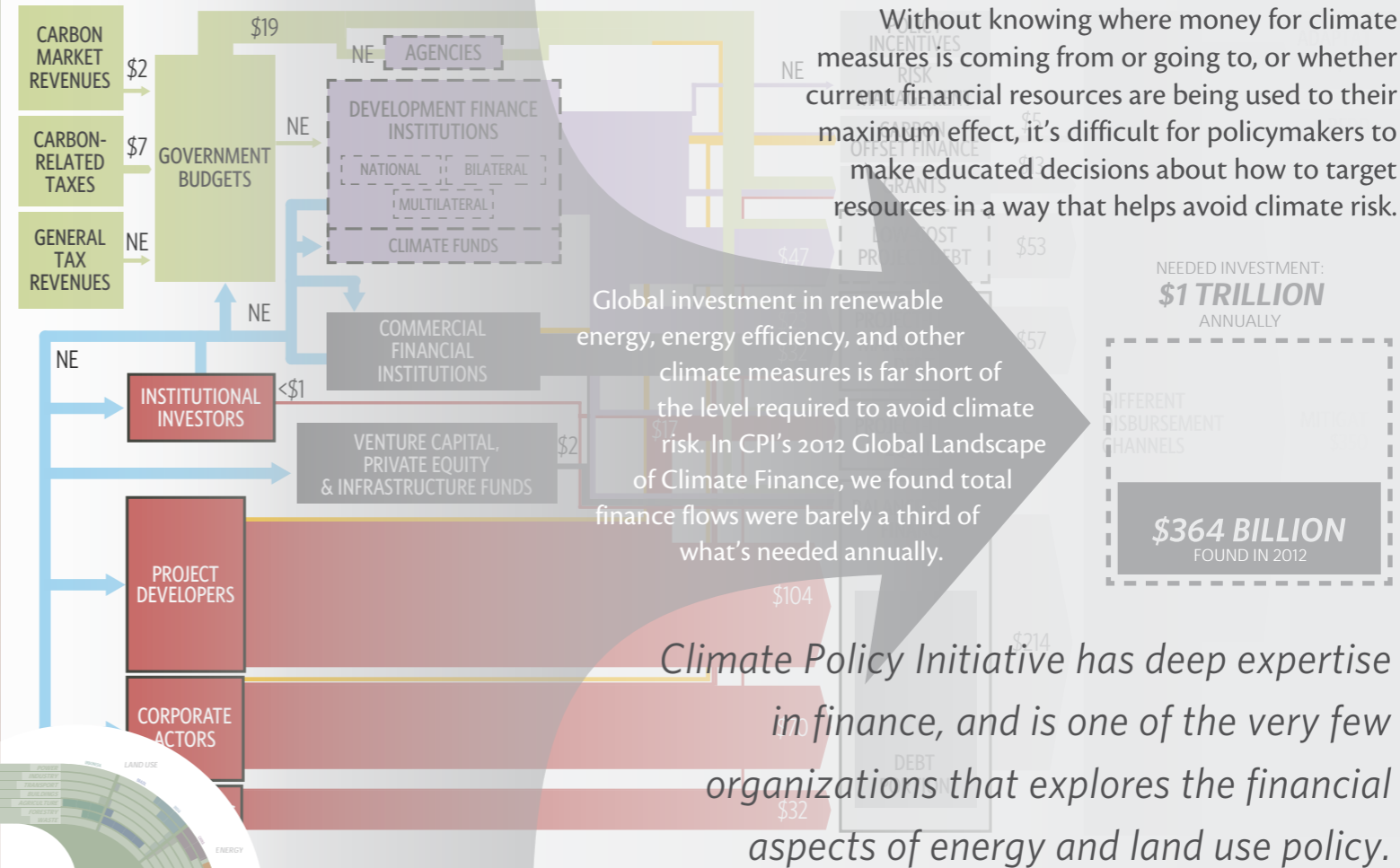
India has ambitious renewable energy goals, targeted policies, and abundant wind and solar resources. But in 2012, CPI and the Indian School of Business found that the cost and terms of debt available to finance renewable energy projects are a major problem, increasing the cost of financing renewable energy in India by up to a third compared to in the U.S. and Europe. Without a policy solution, this issue will present a significant barrier for meeting India's renewable energy goals.

With expertise in regions across the globe, CPI is particularly well equipped to help policymakers learn from their counterparts in other countries, and so, for India, we looked at a solution from a country with similar underlying issues. We discovered that in Brazil, the national development bank has provided low-cost debt to spur renewable energy projects. After a series of meetings with the Ministry of the Environment, the Reserve Bank of India, and other high-level government officials, CPI and the Indian School of Business are working to help the Indian government address this issue and meet India's wind and solar goals.



TRACKING CLIMATE FINANCE IN 2012

Without knowing where money for climate measures is coming from or going to, or whether current financial resources are being used to their maximum effect, it's difficult for policymakers to make educated decisions about how to target resources in a way that helps avoid climate risk.



BRINGING TOGETHER FINANCE DECISION MAKERS

The San Giorgio Group is a working group of key financial intermediaries and institutions actively engaged in green, low-emissions finance. CPI established the San Giorgio Group in a collaboration with the World Bank Group, CLP (China Light & Power), and the OECD (Organisation for Economic Co-operation and Development).

In 2012, CPI held the second annual meeting of this community, assembling public and private investors.

Establishing A Successful Green Climate Fund

In the Copenhagen Accord, developed countries pledged to collectively support developing countries' transitions to low-carbon futures with an annual USD 100 billion of 'new and additional' public and private finance by 2020. In the Cancún negotiations in 2010, countries established the Green Climate Fund to distribute a portion of the USD 100 billion. The Fund's Board has a critical task of optimizing the Fund's transformational potential by designing instruments that unlock more investment worldwide. CPI began to play an advisory role for the Fund in 2012, and will continue to work to support this important, international effort.

"We applaud this, we want to see more of it and we are very happy to be part of this process."

Rachel Kyte

VICE PRESIDENT
SUSTAINABLE DEVELOPMENT
NETWORK, WORLD BANK

"The San Giorgio Group is an innovative and inspiring place for policymakers to get insight on how to scale up climate finance, and in particular, on how to attract private finance."

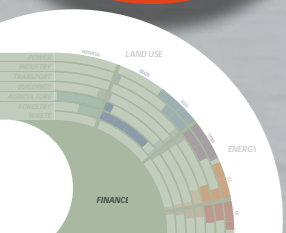
Dr. Karsten Sach

DEPUTY DIRECTOR GENERAL
EUROPEAN AND INTERNATIONAL
ENVIRONMENT POLICY, FEDERAL
MINISTRY FOR THE ENVIRONMENT,
NATURE CONSERVATION AND
NUCLEAR SAFETY, GERMANY

"I have admired the work of CPI – and especially The San Giorgio Group – for a number of years and I find the initiative very important. Their work is of a very high standard and not made anywhere else"

Torben Møger Pedersen

CEO
PENSIONDANMARK



UNIVERSITY PARTNERS



OUR CLIENTS AND PARTNERS

CALIFORNIA PUBLIC UTILITIES
COMMISSION

BANCO NACIONAL DE
DESENVOLVIMENTO ECONÔMICO E
SOCIAL
(BRAZILIAN NATIONAL DEVELOPMENT BANK)

BUSINESS AND FINANCE

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ASIAN DEVELOPMENT BANK
BANK OF AMERICA MERRILL LYNCH
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ENERGY INNOVATIONS, LLC
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HSBC
INSTITUTIONAL INVESTORS GROUP ON CLIMATE
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INTER-AMERICAN DEVELOPMENT BANK
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PENSIONDANMARK

WORLD BANK GROUP

ORGANISATION FOR ECONOMIC
CO-OPERATION AND
DEVELOPMENT

CLP HOLDINGS, LTD.
(CHINA LIGHT AND POWER)

UN ENVIRONMENT PROGRAM'S FINANCE
INITIATIVE
WORLD BANK
ZURICH RE

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AMERICAN COUNCIL ON RENEWABLE ENERGY
(ACORE)
BIPARTISAN POLICY CENTER (BPC)
CENTER FOR AMERICAN PROGRESS (CAP)
CERES
CLEAN ENERGY STATES ALLIANCE (CESA)
CLIMATE BONDS INITIATIVE
CLIMATE LAND USE ALLIANCE (CLUA)

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NATIONAL DEVELOPMENT AND REFORM
COMMISSION, GOVERNMENT OF CHINA

MINISTÉRIO DO MEIO AMBIENTE
(MINISTRY OF THE ENVIRONMENT, BRAZIL)

CLIMATE NEXUS
DAEMETER CONSULTING, INDONESIA
DIW BERLIN
ENERGY FOUNDATION
ENERGY RESEARCH INSTITUTE
EUROPEAN CLIMATE FOUNDATION
EUROPEAN COUNCIL FOR AN ENERGY EFFICIENT
ECONOMY (ECEEE)
FONDAZIONE ENI ENRICO MATTEI (FEEM; HOSTING
INSTITUTION ONLY)
FRAUNHOFER- INSTITUT FÜR SYSTEM- UND
INNOVATIONSFORSCHUNG (ISI)
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CONFERENCE (IEPEC)
SHAKTI, INDIA

UN ENVIRONMENT PROGRAM'S FINANCE INITIATIVE
THE NATURE CONSERVANCY
WORLD ENERGY FORUM (WEF)
WORLD RESOURCES INSTITUTE

EDUCATION

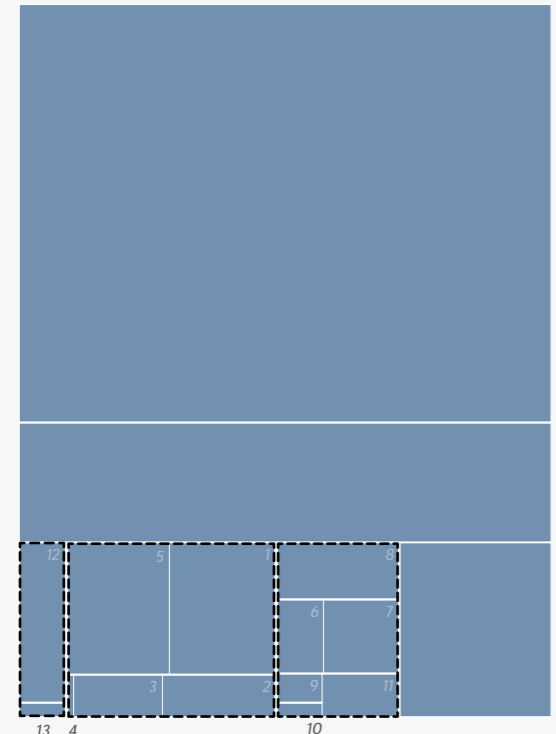
LAWRENCE BERKELEY NATIONAL LABORATORY
NATIONAL RENEWABLE ENERGY LABORATORY (NREL)
SCHOOL OF PUBLIC POLICY, TSINGHUA UNIVERSITY
LABORATORY OF LOW CARBON AND ENERGY,
TSINGHUA UNIVERSITY
WORKGROUP FOR INFRASTRUCTURE POLICY, TU
BERLIN
CENTRAL EUROPEAN UNIVERSITY

GOVERNMENT

AGENCE FRANCAIS & DEVELOPPEMENT (AFD), FRANCE
AUSAID, AUSTRALIA
BRAZILIAN ENTERPRISE OF AGRICULTURAL RESEARCH
(EMPRESA BRASILEIRA DE PESQUISA AGROPECUÁRIA,
EMBRAPA)
BRAZILIAN INSTITUTE OF THE ENVIRONMENT AND
NATURAL RENEWABLE RESOURCES (INSTITUTO
BRASILEIRO DO MEIO AMBIENTE E DOS RECURSOS 9.
NATURAIS RENOVÁVEIS, IBAMA)
NATIONAL INSTITUTE OF SPACE RESEARCH, BRAZIL
(INSTITUTO NACIONAL DE PESQUISAS ESPACIAIS,
INPE)
BUNDESNETZAGENTUR- FEDERAL NETWORK AGENCY
CALIFORNIA AIR RESOURCES BOARD (CARB)
CAPITAL MARKETS CLIMATE INITIATIVE, UK
DEPARTMENT OF CLIMATE CHANGE, CHINA
EUROPEAN COMMISSION, DG CLIMA
EUROPEAN COMMISSION, DG ENERGY
FEDERAL MINISTRY FOR THE ENVIRONMENT, NATURE
CONSERVATION AND NUCLEAR SAFETY (BMU),
GERMANY
GERMAN FEDERAL MINISTRY FOR THE ENVIRONMENT
GERMAN TRANSMISSION SYSTEM OPERATORS (50
HERTZ TRANSMISSION, TENNET DEUTSCHLAND,
AMPRION, TRANSNET BADEN-WÜRTTEMBERG)
INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY
INSTITUTE OF APPLIED ECONOMIC RESEARCH, BRAZIL
(INSTITUTO DE PESQUISA ECONÔMICA APLICADA,
IPEA)
MINISTRY OF NEW AND RENEWABLE ENERGY, INDIA
MINISTRY OF AGRICULTURE AND SUPPLY, BRAZIL
(MINISTÉRIO DA AGRICULTURA, PECUÁRIA E
ABASTECIMENTO, MAPA)
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MINISTRY OF ENVIRONMENTAL PROTECTION, CHINA
PLANNING COMMISSION, INDIA
SECRETARIAT OF STRATEGIC MATTERS, BRAZIL
(SECRETARIA DE ASSUNTOS ESTRATÉGICOS, SAE)
U.S. DEPARTMENT OF ENERGY, OFFICE OF CLIMATE
CHANGE POLICY AND TECHNOLOGY
U.S. DEPARTMENT OF ENERGY, OFFICE OF POLICY AND
INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF STATE, OFFICE OF CLIMATE
CHANGE
U.S. DEPARTMENT OF TREASURY

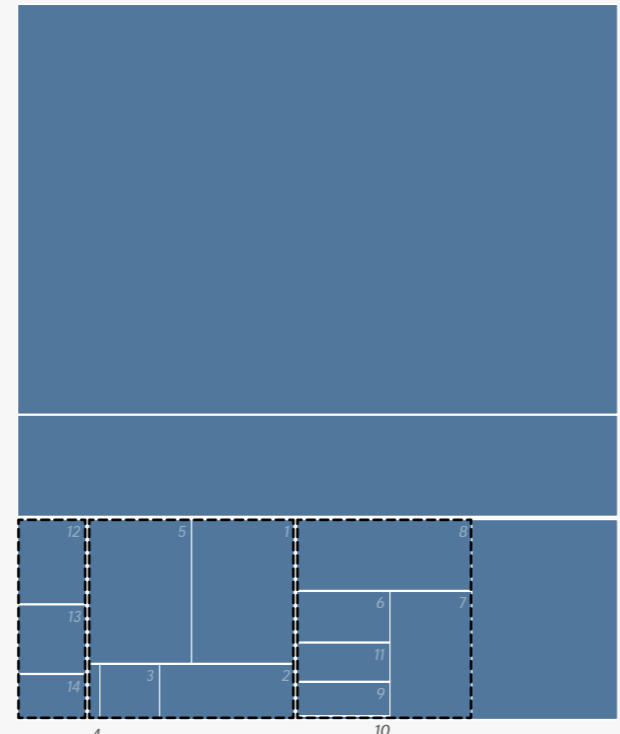
STATEMENT OF ACTIVITIES

2011 Gross expenses: \$7,232,828



Other 2%
Travel & Meetings 10%
IT, Operations, & Communications 6%

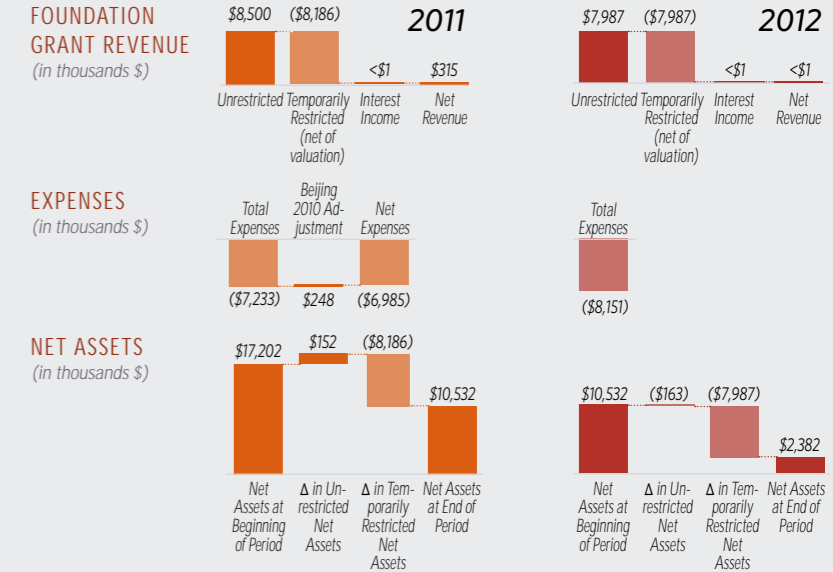
2012 Gross expenses: \$8,150,608



Other 3%
Travel & Meetings 10%
IT, Operations, & Communications 8%

	2011	2012
STAFF EXPENSES	\$4,249,328	\$4,691,682
PROFESSIONAL SERVICES	\$1,207,295	\$1,163,666
RENT	\$516,191	\$564,478
TRAVEL & MEETINGS		
1 EXTERNAL EVENTS	\$271,114	\$292,227
2 INTERNAL EVENTS	\$90,536	\$143,208
3 OTHER	\$70,190	\$63,365
4 WORK ABROAD	\$4,352	\$10,987
5 CPI-HOSTED SEMINARS	\$259,009	\$284,879
IT, OPERATIONS, & COMMUNICATIONS		
6 SERVICES EXPENSE	\$65,243	\$90,781
7 OVERHEAD	\$107,311	\$202,533
8 OFFICE & TELECOM	\$133,352	\$243,138
9 INFORMATION TECHNOLOGY	\$24,547	\$63,078
10 PUBLICATION	\$11,252	\$1,893
11 SUBSCRIPTIONS & DATABASES	\$64,606	\$68,271
OTHER		
12 CAPITAL EXPENDITURES - AFFILIATES	\$145,298	\$114,230
13 DEPRECIATION & UNREALIZED GAIN/LOSS	\$13,204	\$93,047
14 LOSS ON DISPOSAL OF FIXED ASSETS		\$59,141

CHANGES IN NET ASSETS



	2011	2012
FOUNDATION GRANT REVENUE		
UNRESTRICTED	\$8,500,000	\$7,987,000
TEMPORARILY RESTRICTED (NET OF VALUATION)	-\$8,185,600	-\$7,987,000
INTEREST INCOME	\$695	\$189
EXPENSES		
TOTAL EXPENSES	\$7,232,828	\$8,150,608
BEIJING 2010 ADJUSTMENT	-\$247,564	
NET ASSETS		
NET ASSETS AT BEGINNING OF PERIOD	\$17,202,129	\$10,531,962
CHANGE IN UNRESTRICTED NET ASSETS	\$1,515,431	-\$163,419
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-\$8,185,600	-\$7,987,000
NET ASSETS AT END OF PERIOD	\$10,531,962	\$2,381,551



BOARD

CPI is directly governed by its Board of Directors. The Board of Directors meets on a quarterly basis to set the organization's annual and long-term strategic direction, to approve its annual budget, and to provide guidance on organizational development and effectiveness. The Board of Directors is comprised of four members: Thomas C. Heller, CPI; Paul Brest, the William and Flora Hewlett Foundation; Orville Schell, the Asia Society; and Stewart J. Paperin, the Open Society Foundations.

FUNDING

CPI is supported in part by a grant from the Open Society Foundations.

CORPORATE FORM

CPI is incorporated in Delaware as a 501(c)(3) private operating foundation.

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