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Press release

Velcan Energy, producer of carbon credits* arising from renewable energy, announces that it has started up its first biogas industrial installations in India. These plants - known as methane biogas plants – produce methane from cattle waste matter and began operations on 7 January.

In so doing, Velcan Energy is the first French company to win approval for a project developed in India, in the framework of the Clean Development Mechanism (CDM - Kyoto Protocol).

On 11 December last, Velcan Energy became the first French company to obtain certification from the Indian State and the approval of the Executive Committee of the UNO (based in Bonn), for a carbon credits CDM project in India.

This project consists of the construction and installation of 5,500 methane biogas plants (digesters) of cattle waste in the State of Karnataka (south-western India). 5,500 biogas plants will be installed, in the first half of 2006, in individual homes spread over 450 villages.

These units produce methane for domestic use (heating and cooking).

Over the whole year, the production of carbon credits will be 19,500 tonnes in equivalent CO² emissions. The value of one tonne of CO² has been priced at 27 € since 30 January on the French market of Powernext Carbon. Velcan Energy is the 11th member of Powernext Carbon since July 2005.

Velcan Energy's methanisation project is one of the 50 projects, selected on 10 December 2005, by the CDM Executive Committee of the UNO.

Velcan Energy began the construction of biogas units in December 2005. The first units have been operational since January 2006. At the end of June, 5,500 families will be fully autonomous and will no longer have to use either kerosene (harmful to health) or wood (one of the main reasons for deforestation).

Velcan Energy has invested 1.1 million €, and, given the fiscal measures put in place by the Indian government in favour of renewable energy, this programme should be exonerated from corporation tax. Thus, on the basis of a repurchase price of 27 € per tonne of carbon credits and financing arrangements without any bank indebtedness, the rate of return on investment for the operation comes out at 24% over 7 years.

Carbon credits produced here will be resold, as foreseen in the Kyoto Protocol since February 2005, to States and industrial concerns that have to react to constraints in terms of a reduction in greenhouse gas (GHG) emissions.

Since 2005, and again since 1 January 2006, 1,127 sites in France and 12,000 in Europe are required to reduce their CO² emissions.

The CO² quotas constrain the States that signed up to the Kyoto Protocol to acquire carbon credits in order to be able to maintain a certain level of production and avoid paying heavy fines in the event of any non-fulfilment of their obligations.

The first phase of the Kyoto Protocol set, as an objective, a reduction of 5.2% in GHG emissions by 2010 (1990 being the reference year).

The average annual cost per French industrial site has been put at between 1 to 5 million euros. To which can be added a certain factor, already identified as a future shortage of carbon credits.

The buyers of carbon credits are:

- governments of industrialised countries who wish to acquire them before an anticipated hike in prices
- companies that are subject to reductions in CO² emissions on a national level
- financial investors
- and finally, voluntary players, without any reduction obligation, but who are seeking a carbon balance corresponding to their emissions.

Velcan Energy is currently negotiating the resale of carbon credits on the CO² markets.

Velcan Energy is established in India through its subsidiary Velcan Energy India Pvt Ltd (a team of 20 people specialising in carbon and industrial credits from the renewable energy sector) and in Brazil through its subsidiary Velcan Desenvolvimento Energetico do Brasil LTDA.

* Carbon credits: CO² emission credits

CONTACTS

Velcan Energy
Jean-Luc Rivoire
Chairman
01 42 68 51 07

Actus
Press Relations
Chantal Farant
01 53 67 35 86

Velcan Energy

75, bd Haussmann – 75008 Paris, France - www.velcan.fr
Kempapura Road, Hebbal, Bangalore – 560 024 Karnataka, INDIA

Velcan Energy is a producer and trader in carbon credits
Velcan Energy is listed on the Paris Stock Exchange (Euronext MLVEL)