



CLIMATE FOCUS

JI and CDM in Practice: Projects and Market Developments

Charlotte Streck, Climate Focus
Mallensons Hong Kong
31 October 2006



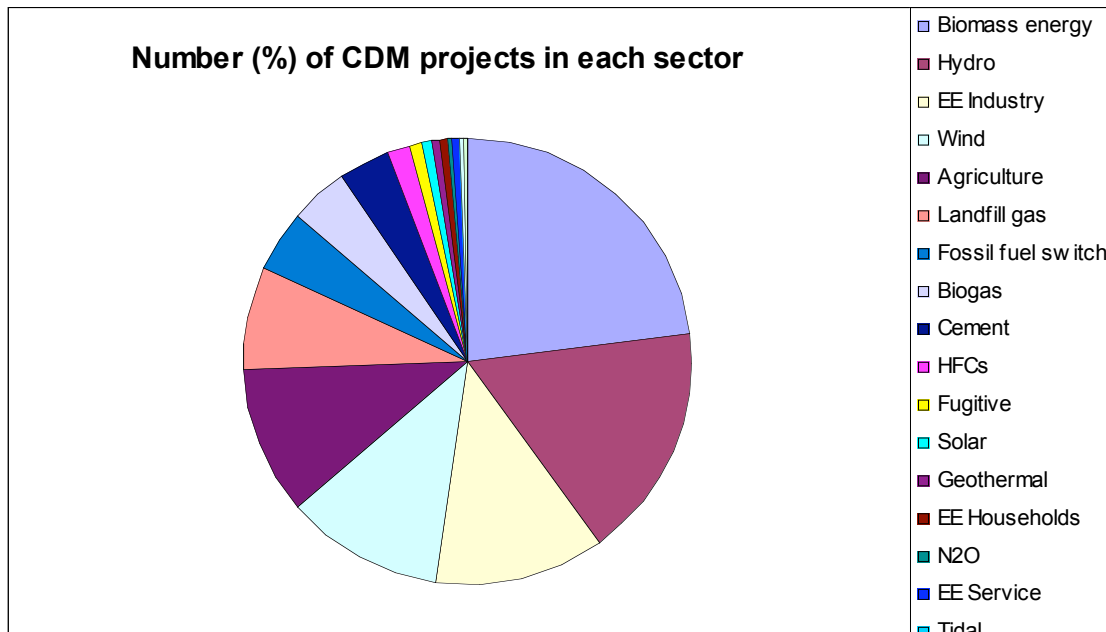
CLIMATE FOCUS

Market Overview – CDM & JI Pipeline

Stage	Number of projects
CDM projects issuing CERs	7 – 2.321.324 CERs
Registered CDM projects	100
CDM projects requesting registration	70
CDM projects being validated	325 455 million CERS
JI projects reported	88 9.8 million ERUs

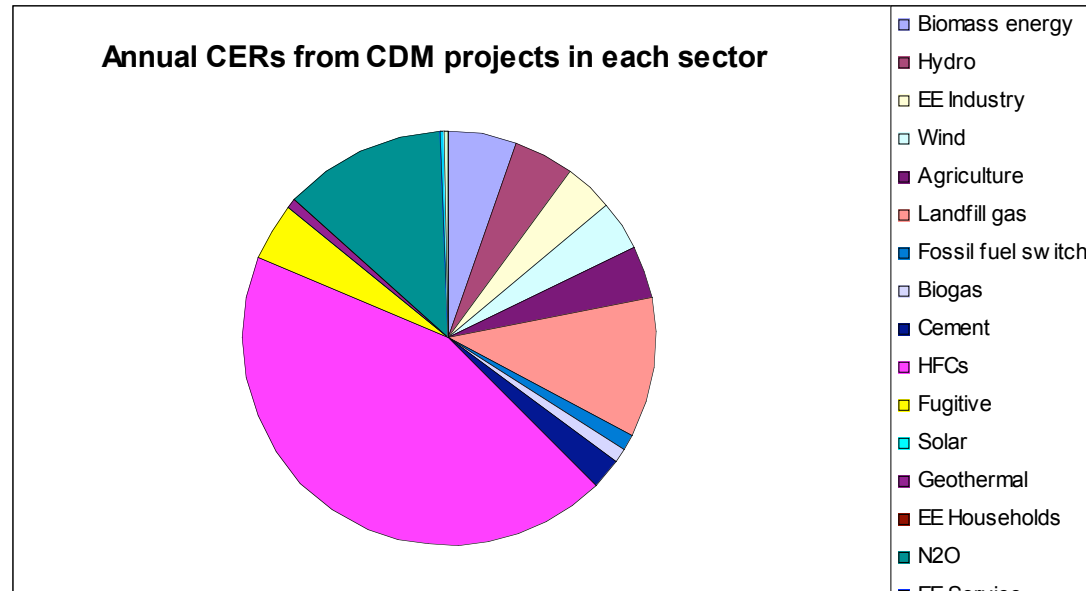


Main Project Classes



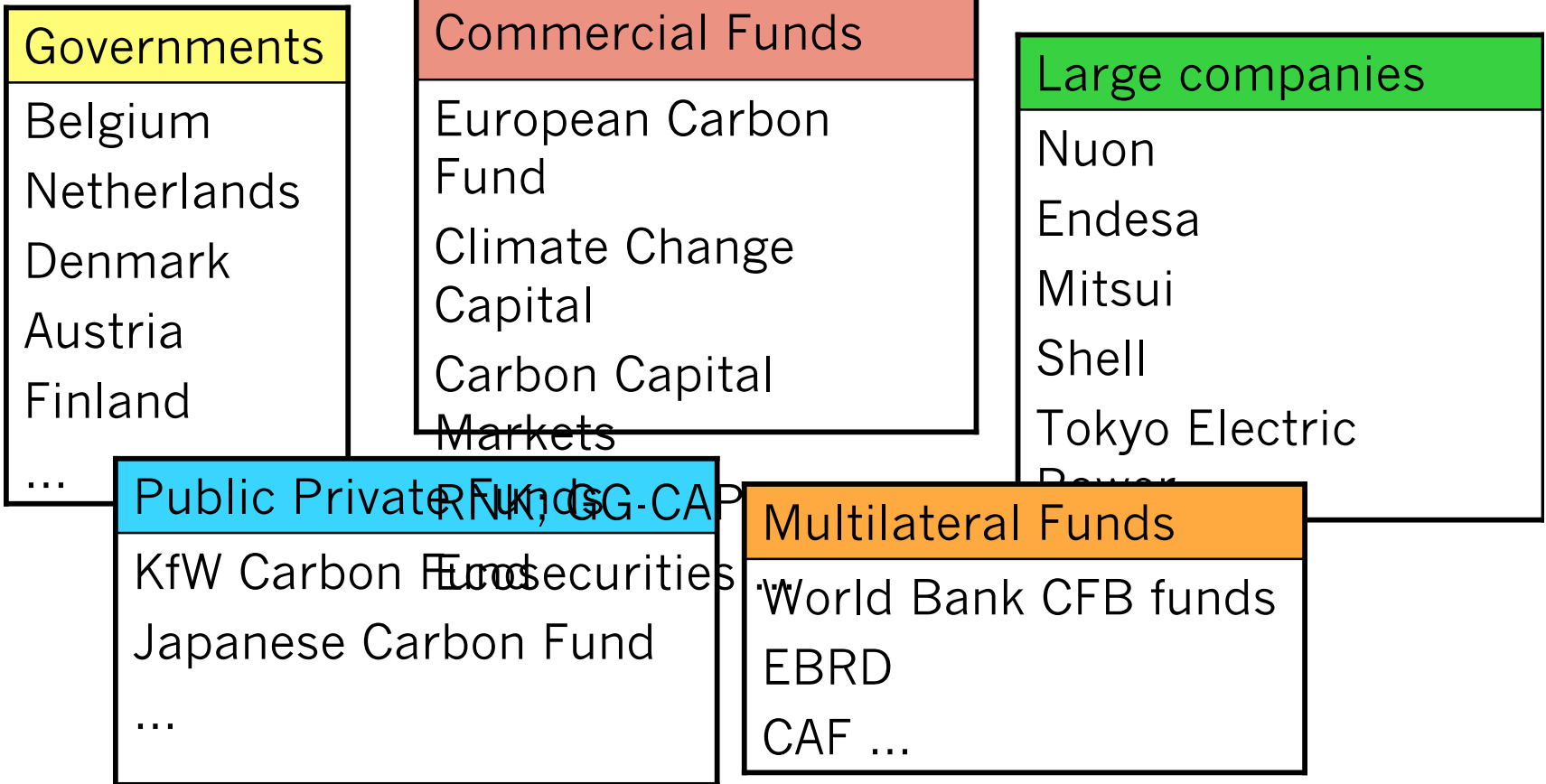


CERs According to Sectors



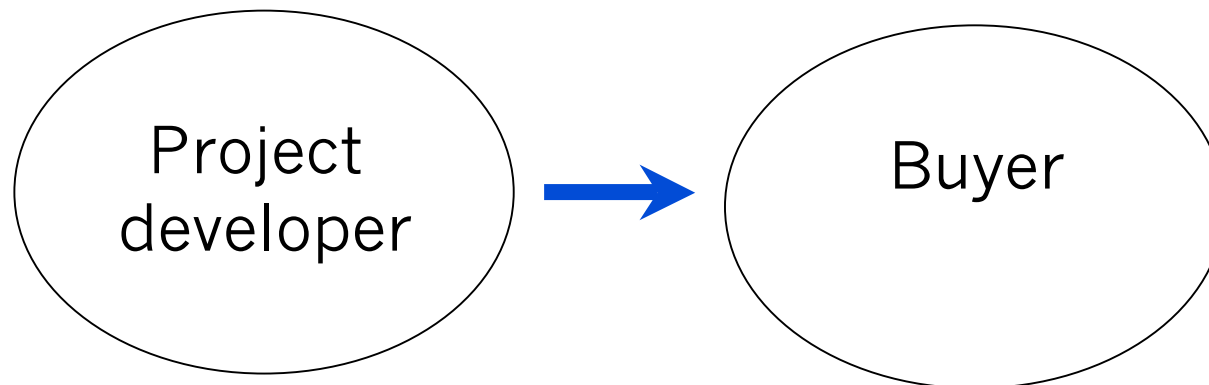


Buyers





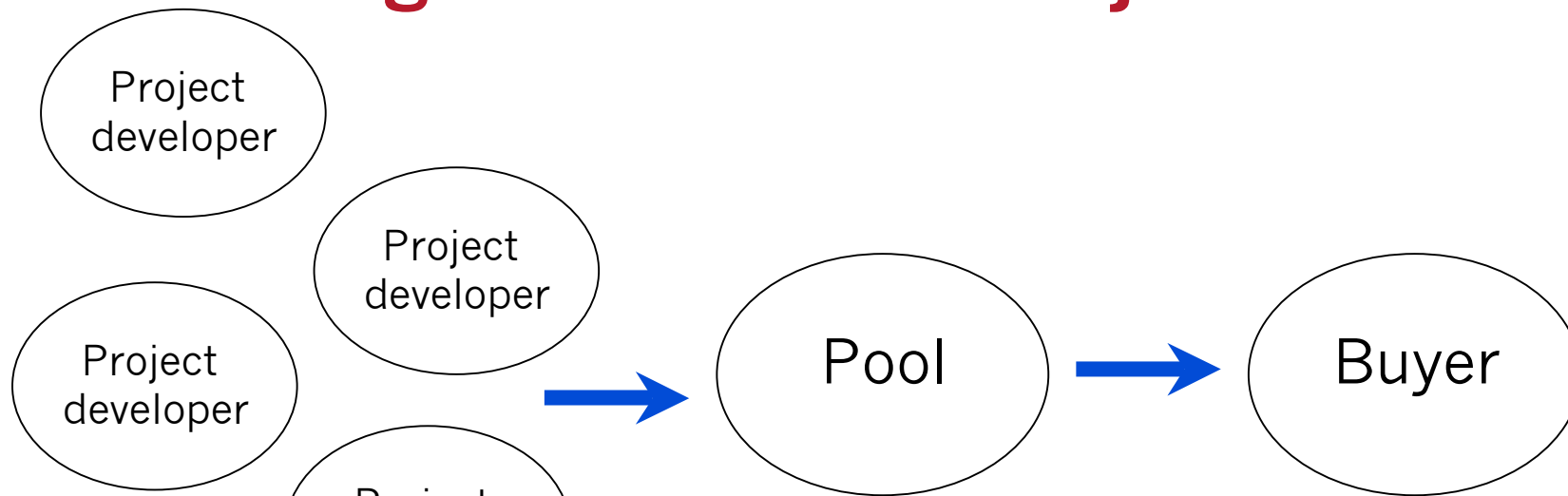
Primary Market: CDM and JI Projects



- > 95 % of current CDM and JI market
- buying upfront of emission reductions that still have to be generated
- the contract deals with the project
- highly diverse
- no standardisation possible
- price linked to project risk
- delivery directly through forwarding to the Buyer's account



Secondary Market: Pooling of Credits or Projects

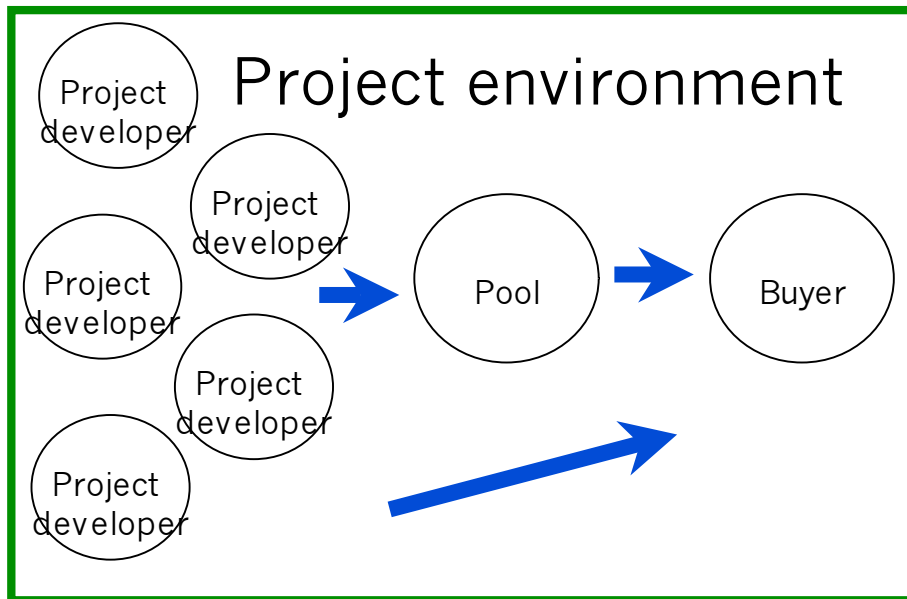


- pools of carbon credits
- project risk partly eliminated; counterparty risk is most important
- price is more linked to EUA prices
- (will be) more standardised

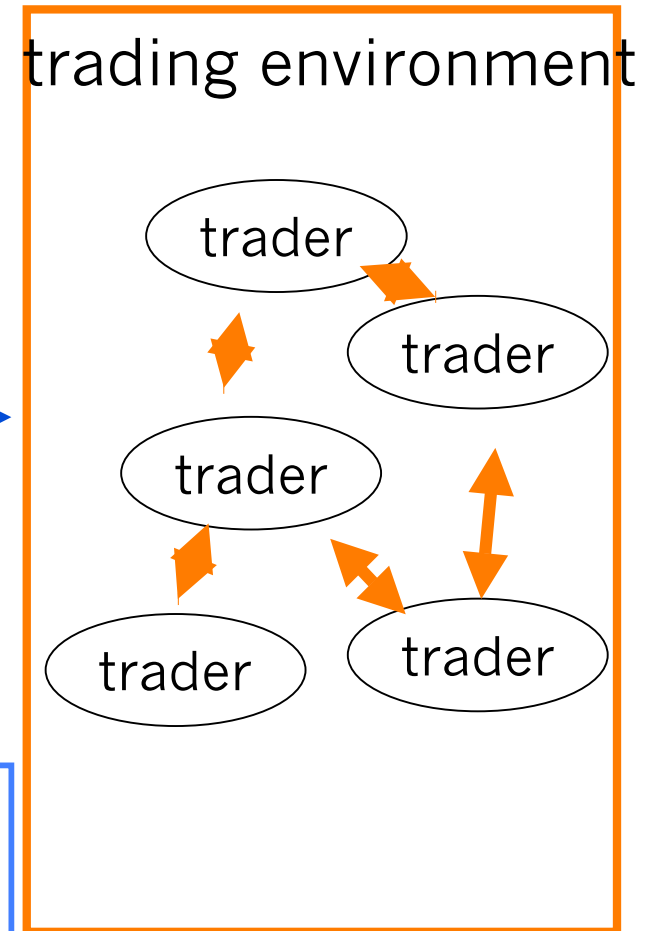


CLIMATE FOCUS

Spot Market



Carbon credits



- Trading of issued CERs and ERUs
- trader → trader
- price linked to EU ETS
- will be highly standardised



CERs and ERUs in the EU ETS

- CERs/ERUs carry significant risk in their creation which depend from the underlying project, the counterparty and the host country. But once these credits have hit the EU registries they show advantages over EUAs:
 - CERs can be used for compliance in the first allocation period (now!)
 - CERs/ERUs can be banked
 - CERs and ERUs can be sold to entities outside of the EU ETS

But: limits at the installation level in the use of CERs/ERUs from 2008. Transfers may be restricted by MSs.



Price Development of Current (Primary) Market

- Before 1/1/2005:
 - EUR 3 – 5 per CER/ERU
 - set by early buyers as a benchmark
 - Buyers market
- From 1/1/2005
 - increasing to EUR 5 – 14 per CER/ERU
 - Indexed prices
 - EU Allowance price is benchmark
 - Sellers market



What factors will determine CER/ERU prices?

- Development of the energy markets / EU Allowance prices
- Sleeping beauties
 - China
 - Russia & Ukraine
 - Coal Mine Methane
 - N₂O reduction at nitric and adipic acid plants
- New categories:
 - Green Investment Schemes / AAU trade
 - Credits from Forestry
 - CO₂ capture and storage
- Development and trust in the market → increase of supply
- Policies:
 - European allocation plans 2008-12
 - success in compliance with current targets and policies
 - post 2012 policies
 - inclusion of transport sectors



CLIMATE FOCUS

More info

Contact us:

Charlotte Streck

e-mail c.streck@climatefocus.com

Phone +31 10 217 59 94

Web-site www.climatefocus.com