



International Carbon Market Status

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CDM Project Statistics

Registered Projects

- 2307 registered projects in 51 countries (as at July 2010)
 - 910 projects in China
 - 520 projects in India
 - 174 projects in Brazil
- Registered projects expected to generate >374 million CERs p.a. and >1.8 billion CERS by the end of 2012
- ≈1900 CDM projects in project pipeline, 31 of these awaiting registration

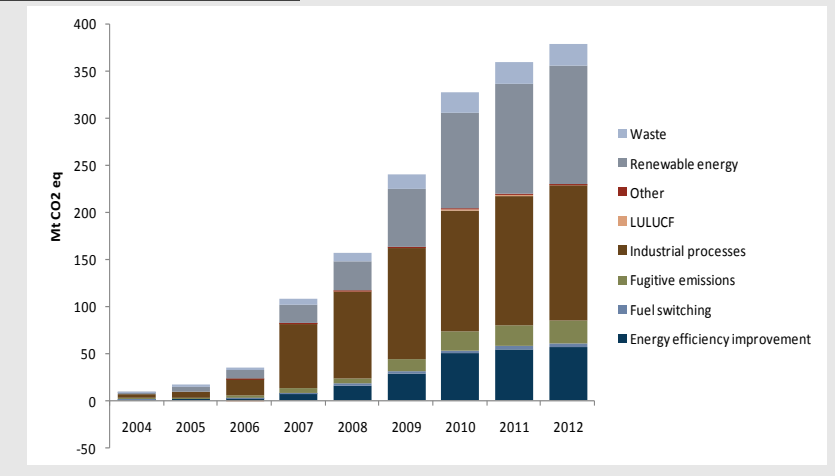
Source: <http://www.unfccc.int/cdm/statistics/>

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CDM Project Statistics

Forecast CERs Through 2012

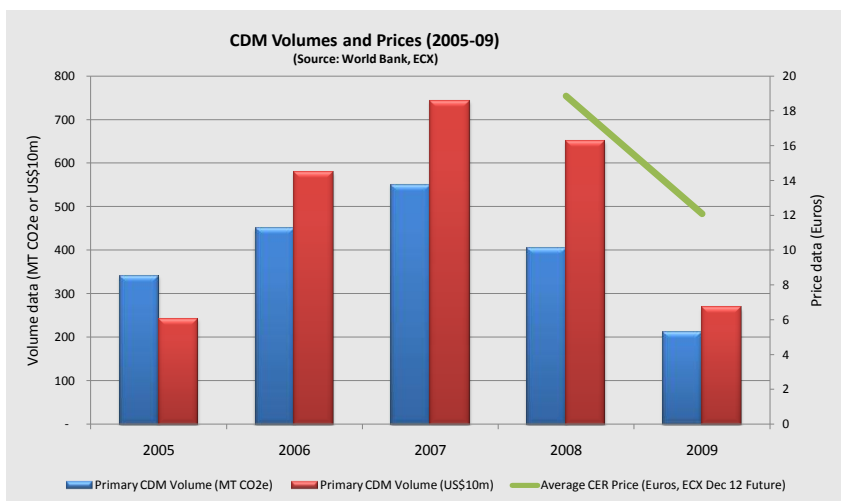


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CDM Review

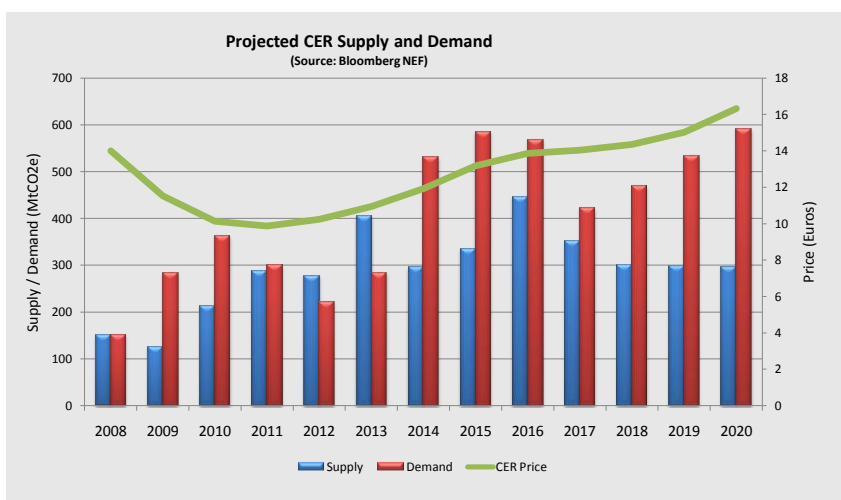
Current Issues

- Critical bottlenecks at validation, registration and issuance
 - Availability of skilled resources at both steps
 - Consistency of decision making
 - Policy and procedural changes
- Program of extensive administrative reform
- Quality and quantity restrictions
 - Projects with limited sustainability benefits – industrial gas destruction projects
 - Limit on volumes imported from particular countries, limiting CDM to LDCs, use of multipliers
- Demand/supply balance
 - New evolutions – pCDM, CCS, REDD, sectoral crediting
 - Recent rejection by the CDM EB of 22 Chinese wind and hydro projects, potentially putting 21% of the current CDM pipeline at validation at risk
 - Ongoing demand from EU and other jurisdictions uncertain

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CDM Project Demand and Supply Data



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Key Policy Positions

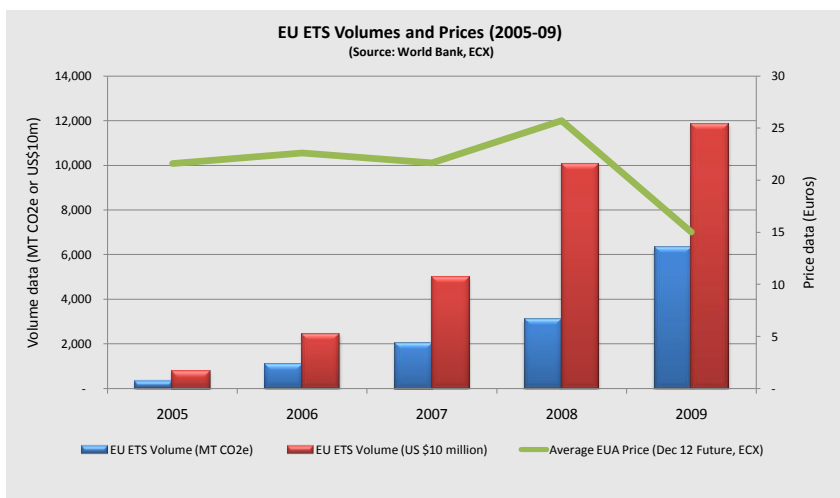
Europe

- Phase III of EU ETS runs from 2013 to 2020.
- 20% or 30% reduction in greenhouse gas emissions below 1990 levels depending upon political outcomes.
- Increased level of auctioning:
 - 100% auctioning for the power sector
 - 30% auctioning in 2012 rising to 100% in 2020 for the non power sectors
- Some increase in sectors and greenhouse gas included over Phase II, e.g. petrochemicals, ammonia, aluminium sector and aviation
- Operators can use CDM and JI credits for up to 50% of the EU wide reductions over the 2008-2020 period. For existing installations this equates to 1.6 billion credits over this period
- Ongoing discussion regarding the possibility of CDM quality and quantity restrictions

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CDM Project Statistics



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Key Policy Positions

China

- In January 2010 China announced that it would reduce the economy's carbon intensity by 40–45% by 2020 under the Copenhagen Accord.
- Although analysis shows this will only require minimum deviation from business as usual activity, it is the first time it has internationally pledged reduction targets.
- Massive growth in renewable energy since introduction of Renewable Energy Law in 2005:
 - In 2009 total renewable power capacity reached 226GW, over a quarter of total installed capacity of 860GW
 - In 2009 alone 13.8GW of wind, 22GW of hydro, 0.4GW of biomass and 160MW of grid connected PV capacity added
- In July 2010 China also announced it would introduce domestic emissions trading during 2011–2015 to help meet this mitigation target.
- In August it was reported that over 2,000 old, energy intensive heavy industry factories have been ordered to close.

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Key Policy Positions

USA

- Kerry-Lieberman Bill released 13th May and **should** be presented to the Senate in 3rd quarter 2010
- Aims to achieve a 17% reduction in carbon emissions against 2005 levels by 2020
- Provides for use of 500M – 1B offsets from CDM projects from 2013–20, at a floor price of USD13.50 and ceiling of USD25 in 2013 and increasing 3%/5% + inflation per annum.
- Energy Bill presented to Senate in July 2010 contains no cap on US GHG emissions and no renewable energy standard.
- Obama will keep pushing on climate legislation, however if no Bill is approved by November, Republicans are expected to pick up seats in the November elections and delay carbon debate to 2011.
- Regulation of GHG emissions by the EPA remains a possibility.



Japan

- Historically an aggressive buyer of CER, but appetite all but disappeared recently due to declining industrial output of compliance entities and keen interest in AAUs.
- Basic Climate Bill passed by Japanese Cabinet in 2010:
 - Provides for 25% reduction from 1990 levels by 2020.
 - The content and target in the Bill are under debate and expected to be decided by early 2011, although recent political changes in Japan may delay this.
 - Indications are that 40% use of international offsets may be allowed under a cap and trade scheme
- Some regional ETS's (such as in Tokyo and Saitama) are already functioning.
- Japan recently announced 15 pilot emission reduction projects under bilateral offset scheme:
 - Limited detail currently available.
 - External to the UN.
 - Export of Japanese technology a key component.
 - Part of Japan's plan to be the "world's number 1 environmental power".