



Carbon Markets Workshop – Mexico City

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21 August, 2009

Climate Change Capital[®] 

Commitments to reduce CO₂ emissions are the drivers for demand in carbon credits

Commitments by 2020

- Serious commitments have been made by countries to reduce CO₂ emissions mainly by developed economies
- These commitments set out the market demand up to 2020 beyond the Kyoto Protocol

	Reduction targets by 2020
EU	-20% from 1990 levels
Japan	-15% from 2005 levels
US	-17% from 2005 levels
Australia	-15% from 2000 levels
Canada	-20% from 2006 levels
Switzerland	-20% to -30% from 1990 levels
Norway	-30% from 1990 levels
China	-20% energy consumption per national income between 2005 to 2010
Brazil	Reduce deforestation by 70% by 2017
South Korea	-21% to -30% from BAU levels
Russia	-10% to -15% from 1990 levels

Long term commitments

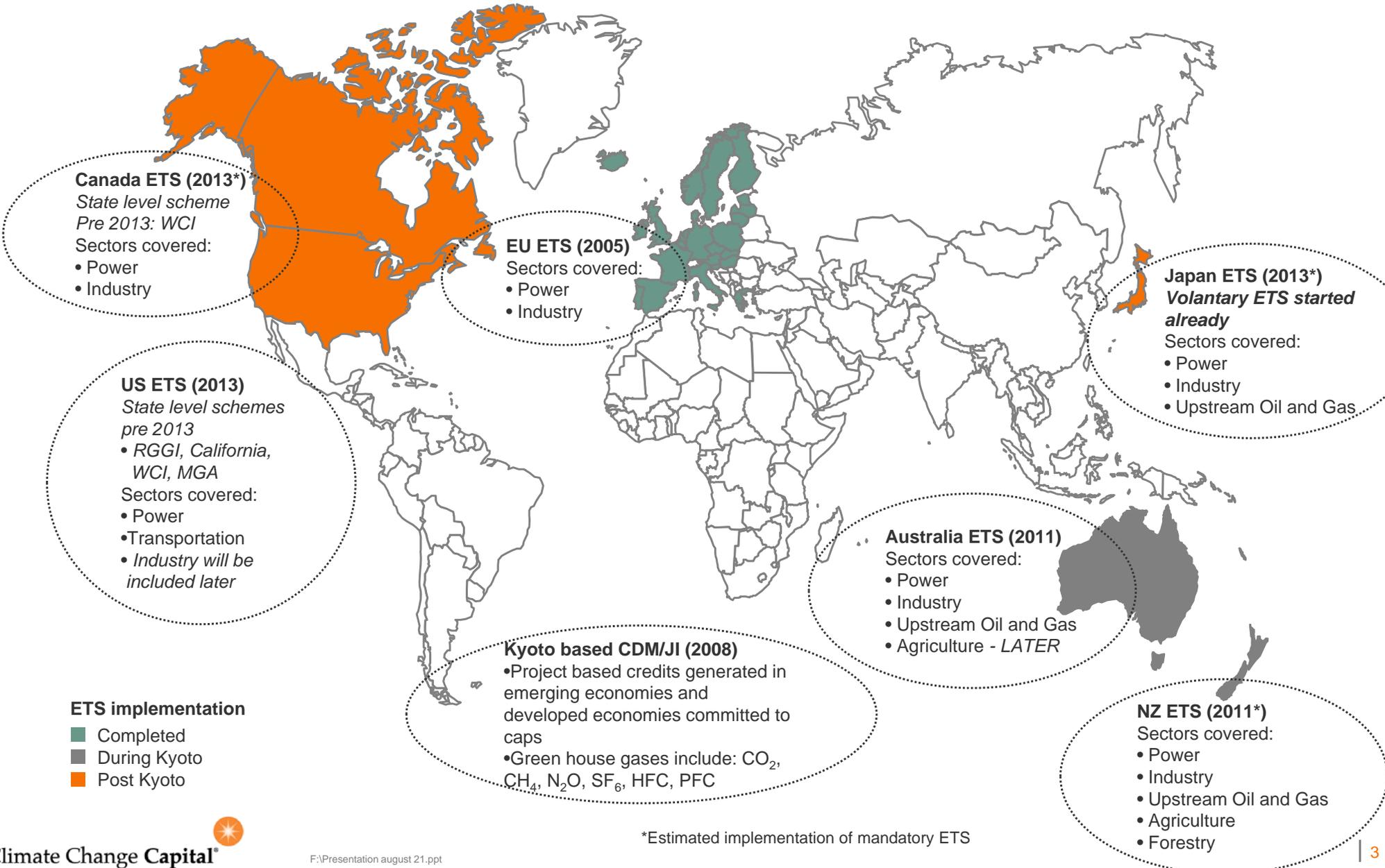
- Even longer term commitments have been made by some of the countries individually and jointly
- Developing economies are also making commitments in the longer term

	Longer term reduction targets
EU	-80% from current levels by 2050
Japan	-80% from current levels by 2050
US	-83% from 2005 levels by 2050
UK	-80% from 1990 levels by 2050
Mexico	-50% from 2000 levels by 2050
G8	-50% from 1990 levels by 2050
MEF*	Agreement on scientific view that global average temperature above pre-industrial levels not to exceed 2 degrees

*MEF (The Major Economies Forum) include: Australia, Brazil, Canada, China, EU, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, South Africa, UK and US

Sources: Project Catalyst, Lazarowicz, Global Carbon Trading, Point Carbon, UNFCC, MEF

Development of carbon markets at multilateral, regional and national levels will facilitate emission reduction activities to meet the commitments



*Estimated implementation of mandatory ETS

State and Trends of the Carbon Market

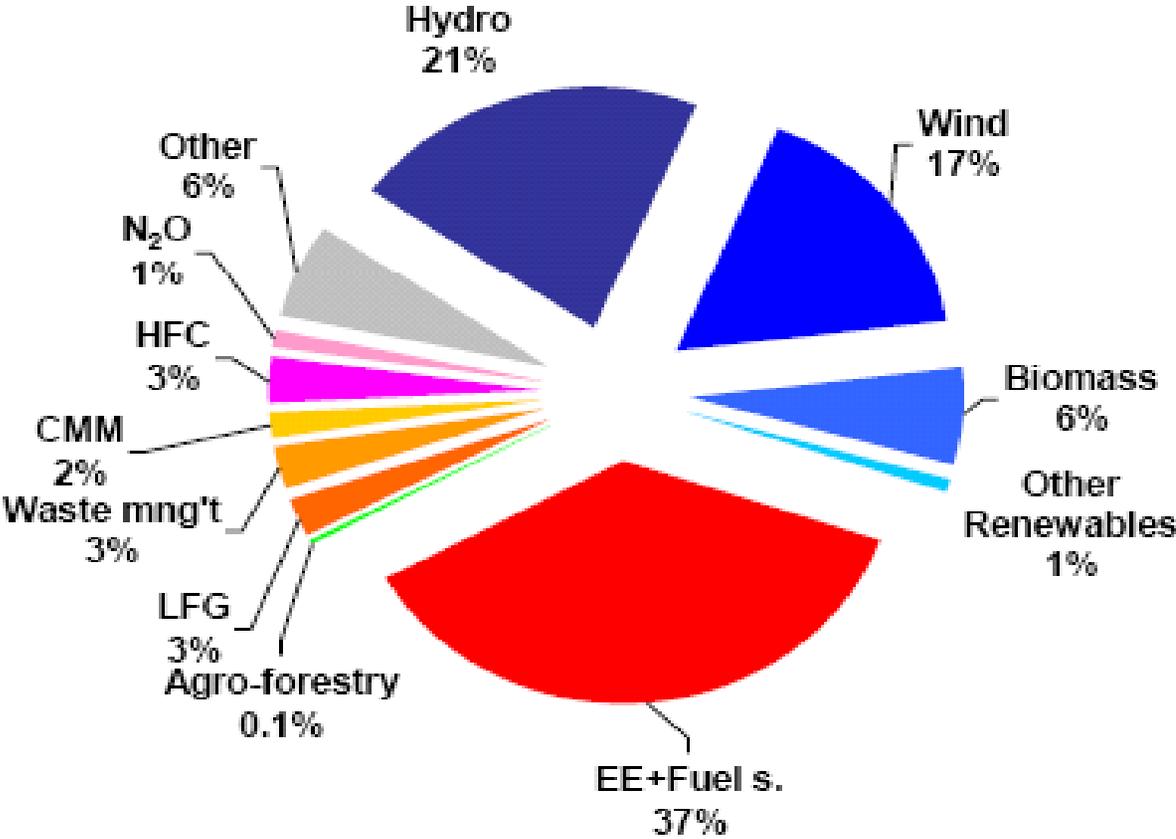
Table 1: Carbon Market at a Glance, Volumes & Values in 2007-08

	2007		2008	
	Volume (MtCO ₂ e)	Value (MUS\$)	Volume (MtCO ₂ e)	Value (MUS\$)
Project-based Transactions				
Primary CDM	552	7,433	389	6,519
JI	41	499	20	294
Voluntary market	43	263	54	397
Sub total	636	8,195	463	7,210
Secondary CDM				
Sub total	240	5,451	1,072	26,277

State and Trends of the Carbon Market

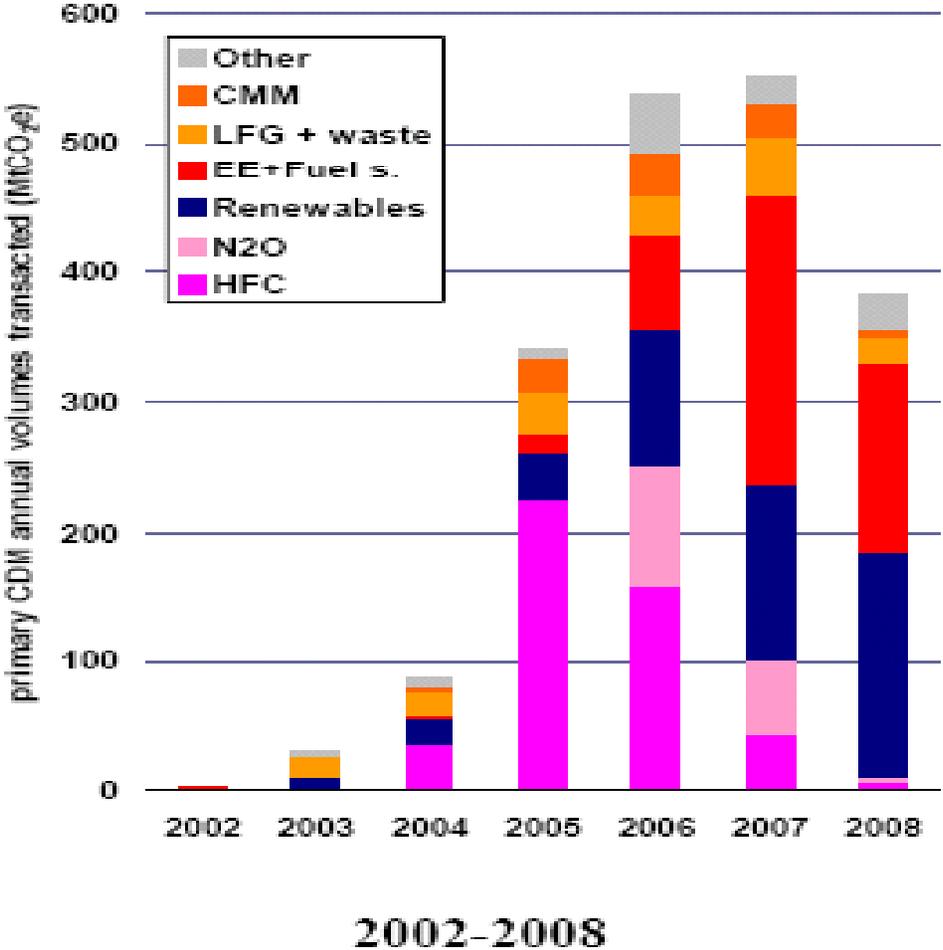
	2007		2008	
	Volume (MtCO ₂ e)	Value (MUS\$)	Volume (MtCO ₂ e)	Value (MUS\$)
Allowances Markets				
EU ETS	2,060	49,065	3,093	91,910
New South Wales	25	224	31	183
Chicago Climate Exchange	23	72	69	309
RGGI	na	na	65	246
AAUs	na	na	18	211
Sub total	2,108	49,361	3,276	92,859
TOTAL	2,984	63,007	4,811	126,345

CDM Project Types



2008
(as a share of volumes supplied)

CDM Project Types



Reform of the CDM

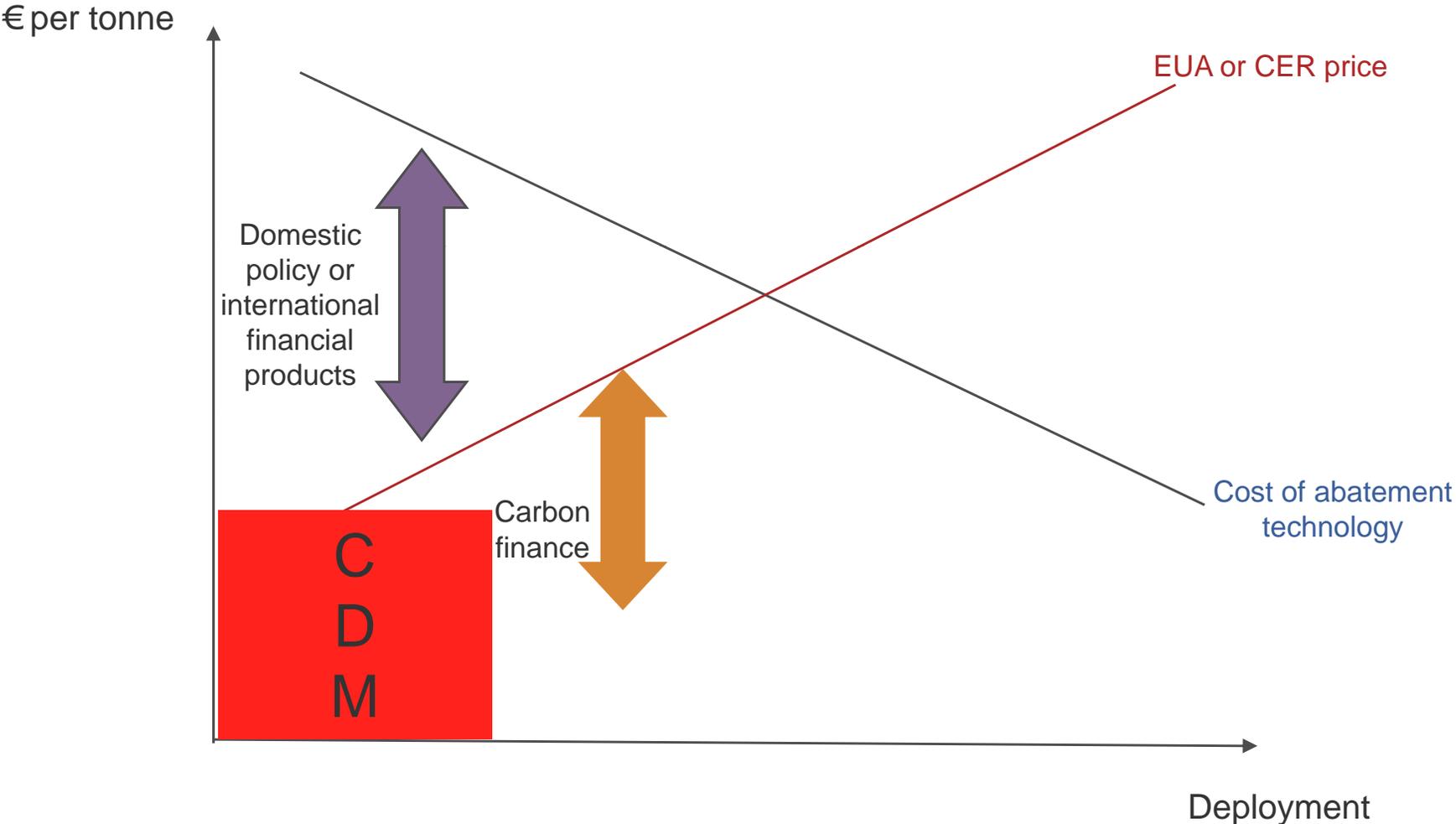
Reform issues

- Improvement of the administration of the CDM to make it more business friendly, efficient and transparent;
- Improvement of the environmental integrity of the CDM to guarantee the additionality of emissions reductions;
- Scaling up the CDM beyond a project-by-project approach; and
- Moving beyond a 'one-size-fits-all' approach to enable differentiation between developing countries, including moving beyond offsetting.

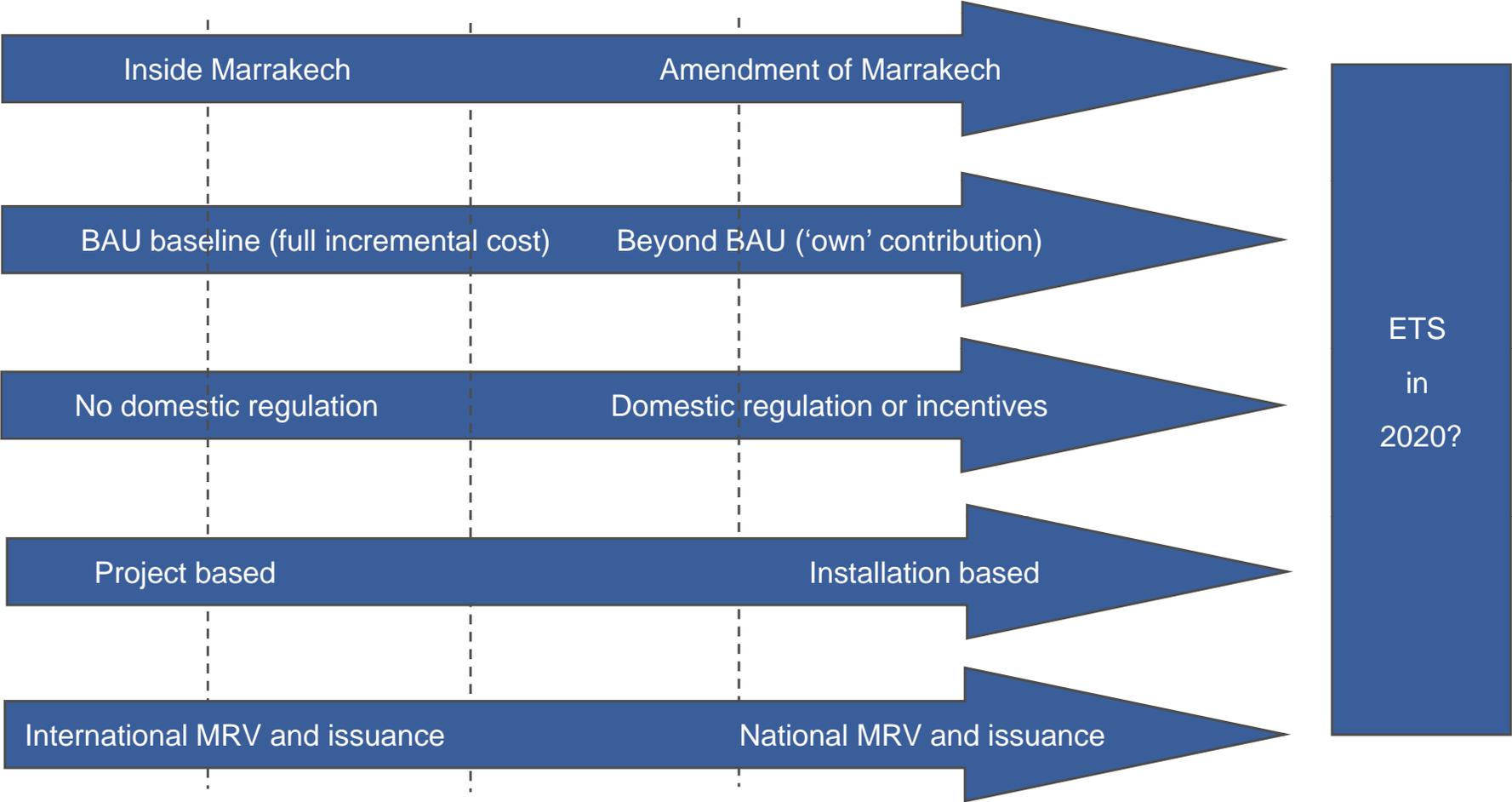
Likely evolution

- Increased standardisation of CDM is inevitable
 - ▶ Lower transaction costs
 - ▶ Baselines below BAU guarantee environmental integrity and move away from zero sum game of offsetting
 - ▶ Easy to scale
 - ▶ Installation level instead of activity level so closer to emissions trading
- What is the interface with policy (changing the E+/E- rule)?

Role of carbon finance in policy co-financing



Evolution of carbon finance away from project-based offsets



Project-based CDM with standardised sectoral baselines

Sectoral crediting combined with standards or incentives

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