



UNEP **Finance Initiatives**

Innovative financing for sustainability

Climate Change Working Group
„Emissions Trading – Contributions of the Financial Sector“

Sascha Lafeld - Dresdner Bank AG

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 **Dresdner Bank**
Die Beraterbank

Emissions Trading – Political Framework

International Level

- Kyoto-Protocol 1997: 38 industrial countries commit to reduce their greenhouse gas emissions by 5 % (base 1990) until 2008-2012
- Flexible mechanisms (IET, JI, CDM) to allow a flexible achievement of the reduction targets

European Level

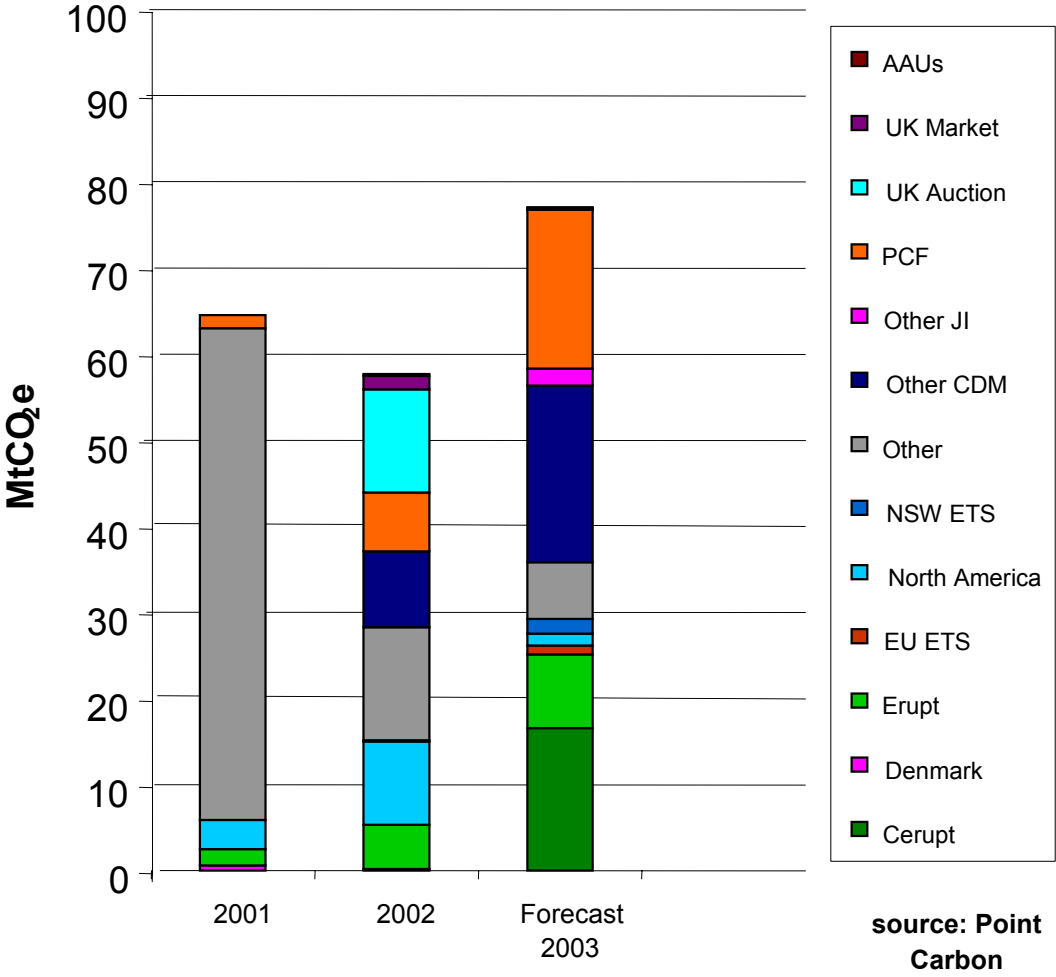
- In October 2003, the EU emissions trading directive (2003/87/EC) entered into force
- Europe-wide trading system starting in 2005 for the utility's sector and energy intensive industries

Other Global and Domestic Initiatives (private and public)

- Chicago Climate Exchange (CCX): voluntary CO₂ trading market in the US started in 2003
- PCF initiated in 2001 by the World Bank; two new funds being launched in 2003
- Dutch tender programmes (ERUPT/CERUPT)
- Since 2001, Denmark and the UK have initiated domestic trading schemes
- Tender programmes are being considered by Austria, Denmark, Finland, Sweden

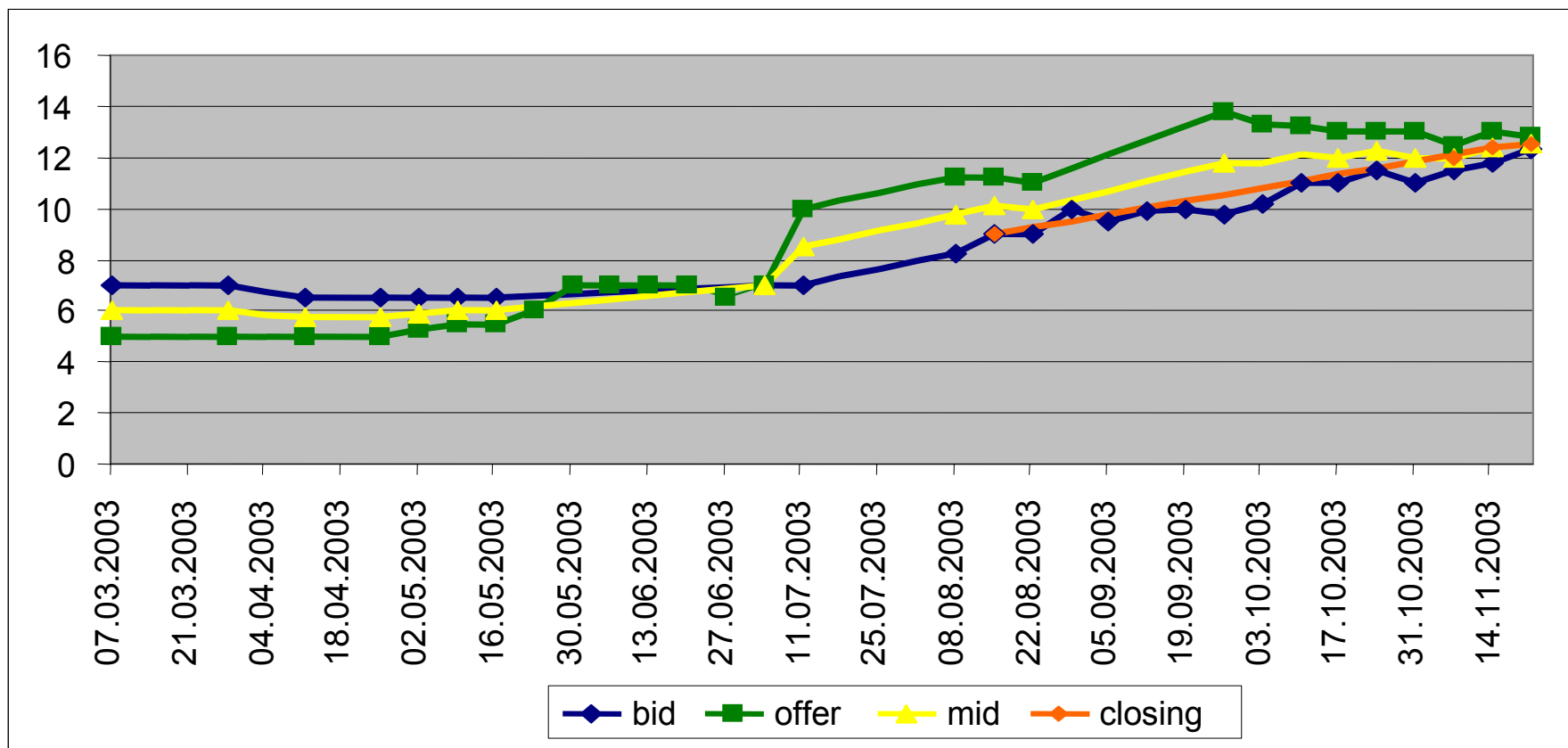
Traded volumes 2001-2003

The international market for GHG emission certificates is still highly fragmented.



EU-Emissions Trading – Current Price developments

Secondary market for emissions certificates is emerging (EU-Allowances forward-deals)



Carbon Risk Management as challenge for companies

Important risk categories resulting from emissions trading are:

- 🌱 cash flow risks
- 🌱 market perception risks
- 🌱 capital cost risks

Companies must understand the financial tools that are available to achieve compliance with the emission-reduction targets!

Risk Management Tools from the Banking Perspective (I)

Financial services providers will assist companies in reducing the transaction costs of trading by offering new products and services

Most importantly, various types of derivatives can be used, such as:

 forwards

 options

 swaps

Risk Management Tools from the Banking Perspective (II)

EU-allowances portfolio management

- ③ A banks takes over the responsibility of their clients' EUA accounts
- ③ Advantage: for the affected company, it is not necessary to set up internal expertise

Project finance

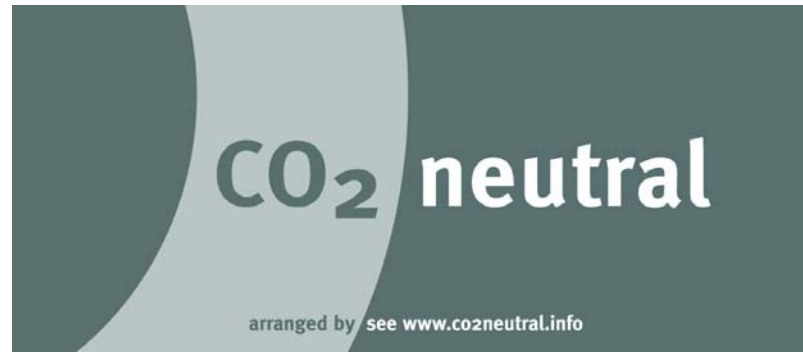
- ③ Opportunity to generate additional income sources through the consideration of the CO₂-reduction certificates value
- ③ These additional cash flows could help to reduce the financing needs of a project developer

What does Dresdner Bank offer?

- ③ introduction to emissions trading for affected companies (training, workshop)
- ③ development of individual risk profiles
- ③ assessment of price developments on the emissions trading markets and elaboration of trading strategies
- ③ complete and safe execution of trading transactions
- ③ Administration of EUA-account at the central national registry
- ③ Evaluation of the CO₂-Risk management in view of credit ratings
- ③ climate neutral products and services

Dresdner Bank offers these products and services in close cooperation with 3C (Climate Change Consulting).

CCWG CO₂-neutral at COP 9



- ④ Through travelling, hotel stays and energy use at the conference location, the COP participants generate unavoidable CO₂-emissions that are directly linked to the event.
- ④ We have calculated the volume of CO₂ emissions generated by the CCWG-members: **4,8 t CO₂equ.** The methods of calculation and conversion factors used are state of the art.
- ④ The emissions are offset through the purchase and withdrawal of CO₂ reduction credits stemming from the 'Hesse-Tender'.

Thank you for your attention !

contact:

Sascha Lafeld

Dresdner Bank

Corporate Sustainability

Head Climate Change Strategy

Sascha.lafeld@dresdner-bank.com

Tel.: +49 (0)69 263 58612

