

# Opportunities in Emissions Reductions Projects

UNEP FI North American Taskforce Event

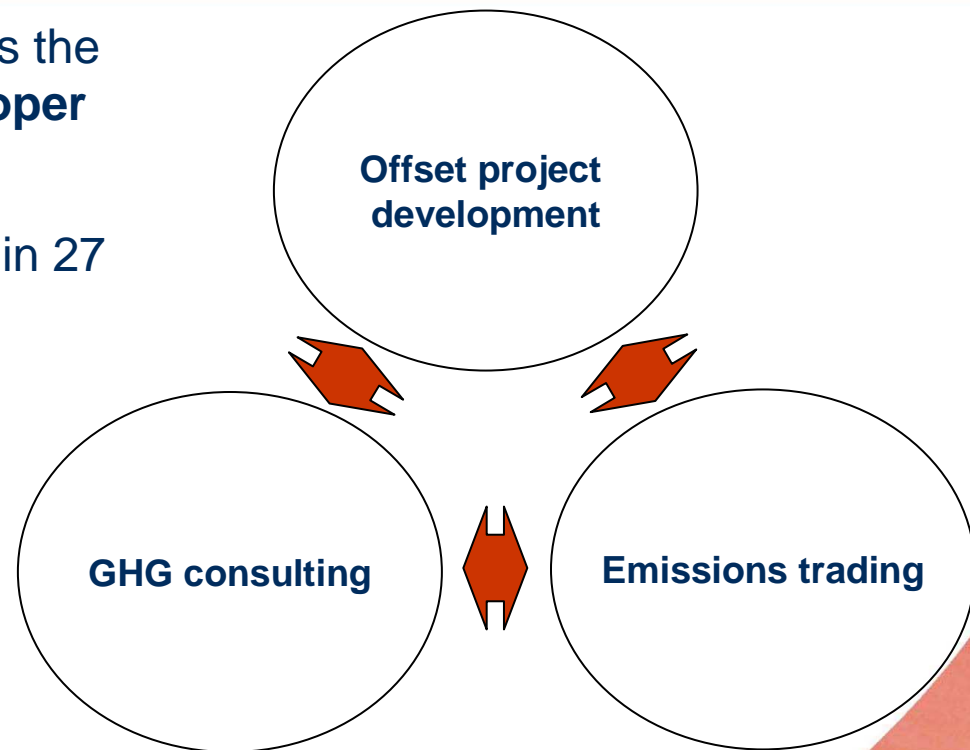
Eron Bloomgarden, EcoSecurities

New York City - 23 October 2006

# EcoSecurities Group

Founded in 1997, EcoSecurities is the world's leading **originator, developer and trader of carbon credits.**

- **213 projects in development** in 27 countries
- **17 projects registered**
- **130+ million carbon credits** in portfolio
- **First ever** registered project
- Voted ***World's Leading Greenhouse Gas Advisory Firm*** for the 5th year in a row by *Environmental Finance* magazine



# The “Emerging” US Market

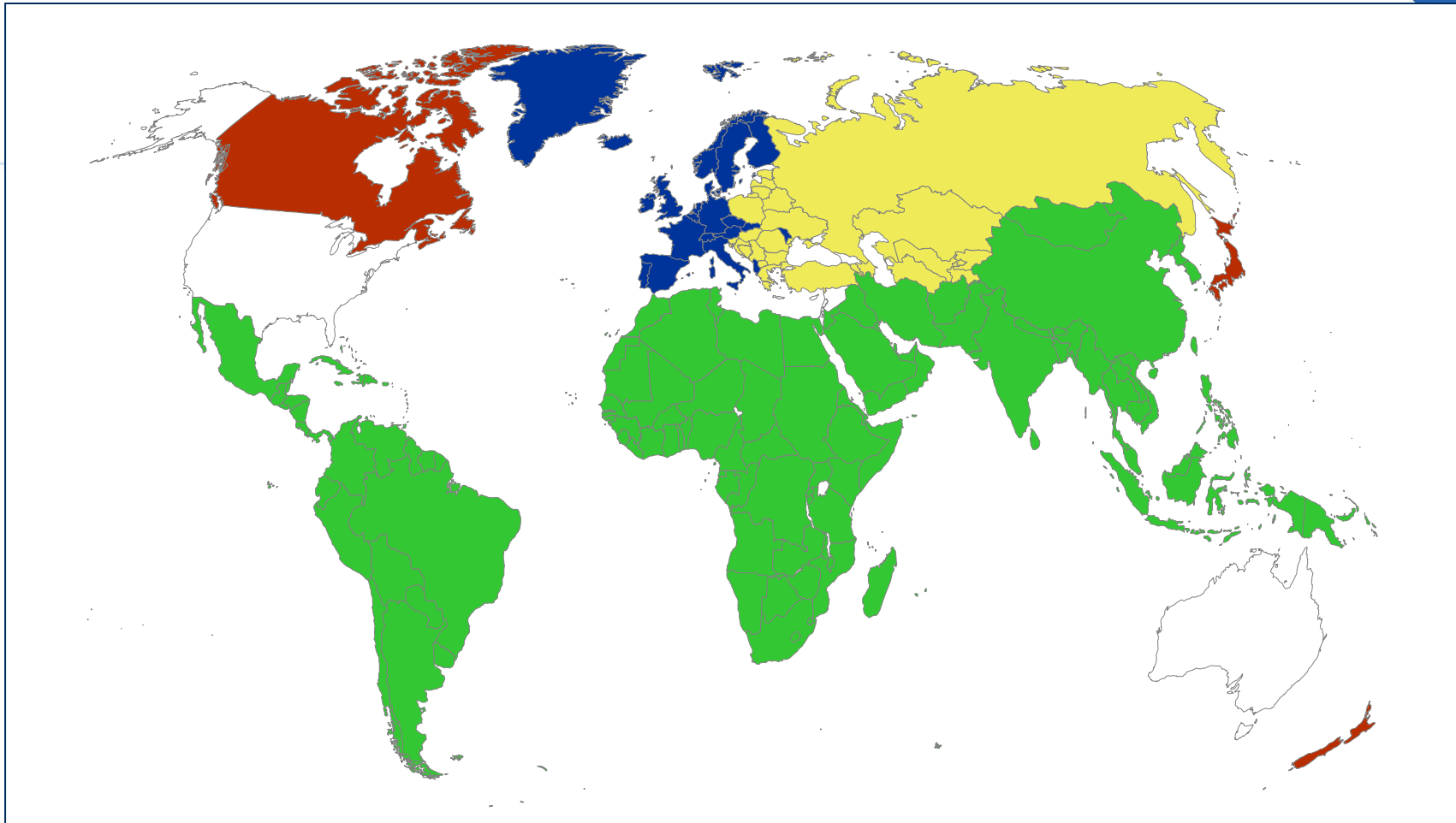
| Levels        | Compliance                                       | Voluntary                      |
|---------------|--|--------------------------------|
| International |  | Asia Pacific Partnership (AP6) |
| Federal       |  | EPA Climate Leaders            |
| Regional      | <b>Regional Greenhouse Gas Initiative (RGGI)</b> |                                |
| State         | <b>California – AB 32</b>                        |                                |
| State         | Oregon – CO <sub>2</sub> Std<br>Others...        |                                |
| Private       |  | Chicago Climate Exchange (CCX) |

- Fragmented market
- RECs? CERs? VERs? Green Tags?

## The CDM

- **Clean Development Mechanism (CDM)**: projects in Non-Annex I countries with participation of Annex I countries. It is the only one of the project based mechanisms that *operates in the developing world*.
- The **CDM** has two primary objectives:
  - *Reduce emissions of Greenhouse Gases; and,*
  - *Contribute to sustainable development in the host nation*

## Kyoto Compliance Map



■ Annex I   ■ Annex I, Economies in Transition   ■ Annex II   □ Did not ratify   ■ Non Annex I/II

Countries in **Green** and **Yellow** – Potential suppliers of credits  
Countries in **Red** and **Blue** – Buyers of credits

# Project Offset Sectors

- Renewable Energy
- Energy Efficiency
- Fuel Switch
- Methane (recovery, destruction y avoidance)
- Sinks & Sequestration (i.e. reforestation)
- Others...

# CDM risk categories

## 1. Registration Risk:

- > - Bureaucratic risk at every step of the CDM project cycle: Baseline Methodology approval, Host Country Approval, Validation, Registration, Investor Country approval, Review and Issuance

## 2. Delivery Risk:

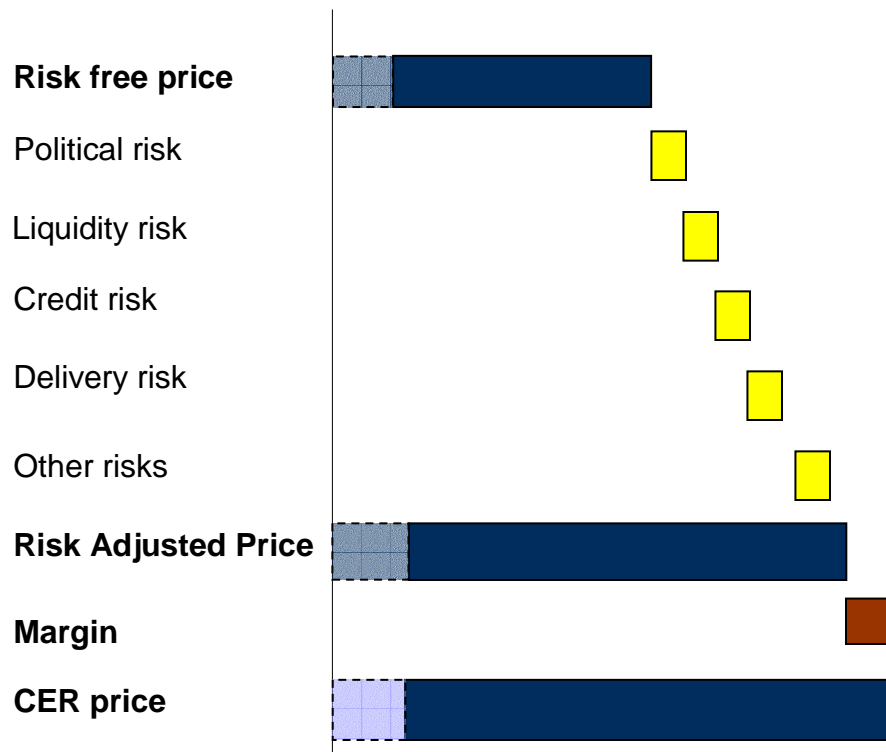
- > - Volume risk & Price risk: pertain to delivery of CERs
- > - Project risks: Country risk (polit./eco./etc.) & Operational risk (credit rating, capacity of staff, infrastructure, etc.)

## 3. International CER Transfer Risk:

- > - Registry risk: registries online (CDM Registry, ITL under development)
- > - Annex I country eligibility risk: incl. registry, 1990 baseline, Monitoring system, GHG inventory, UNFCCC approval

→ Risks endanger (timely) delivery of CERs

# Reflection of Risk in CER Price



## ***1. Offsets provide lower cost emissions reductions, especially for highly efficient economies***

- Location of reductions does not matter
- Lower marginal cost
- Contributes to sustainable development and foreign investment
- Technology development and transfer

## ***2. The Kyoto Protocol and CDM have provided an important framework and base of knowledge for offset project developers***

- Capital requirements
- Timeframe
- Validation and verification

**3. *The CDM is demonstrating a robust market of unprecedented scale which promises to achieve large scale emissions reductions***

- 3,600+ CDM & JI projects within Point Carbon DB
- 1,431 projects at PDD stage representing 1,662 MtCO<sub>2</sub>e
- 265 projects registered with CDM EB
- Carbon credits from these projects are valued at approximately US\$ 5 - 10 billion
- Starting to see significant flow of capital and technology into sustainable development projects in the developing world.

#### ***4. Despite success, there remain critical obstacles and inefficiencies***

- Relatively under-resourced until recently
- Greater responsiveness & transparency still needed
- No direct interaction between project developers & regulators
- Environmental Integrity vs. Red tape
  - Credibility and integrity of CERs are central

## Summary

- > US Market is fragmented and Balkanized
- > Offsets are a cost-effective way to reduce emissions and can be a key component of corporate GHG strategies
- > CDM provides an establish infrastructure for the verification of offset projects
- > CDM has demonstrated large scale emissions reductions

# Thank you!

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