



Australasian Emissions Trading Forum

Managing the Environmental Impact of Energy Use

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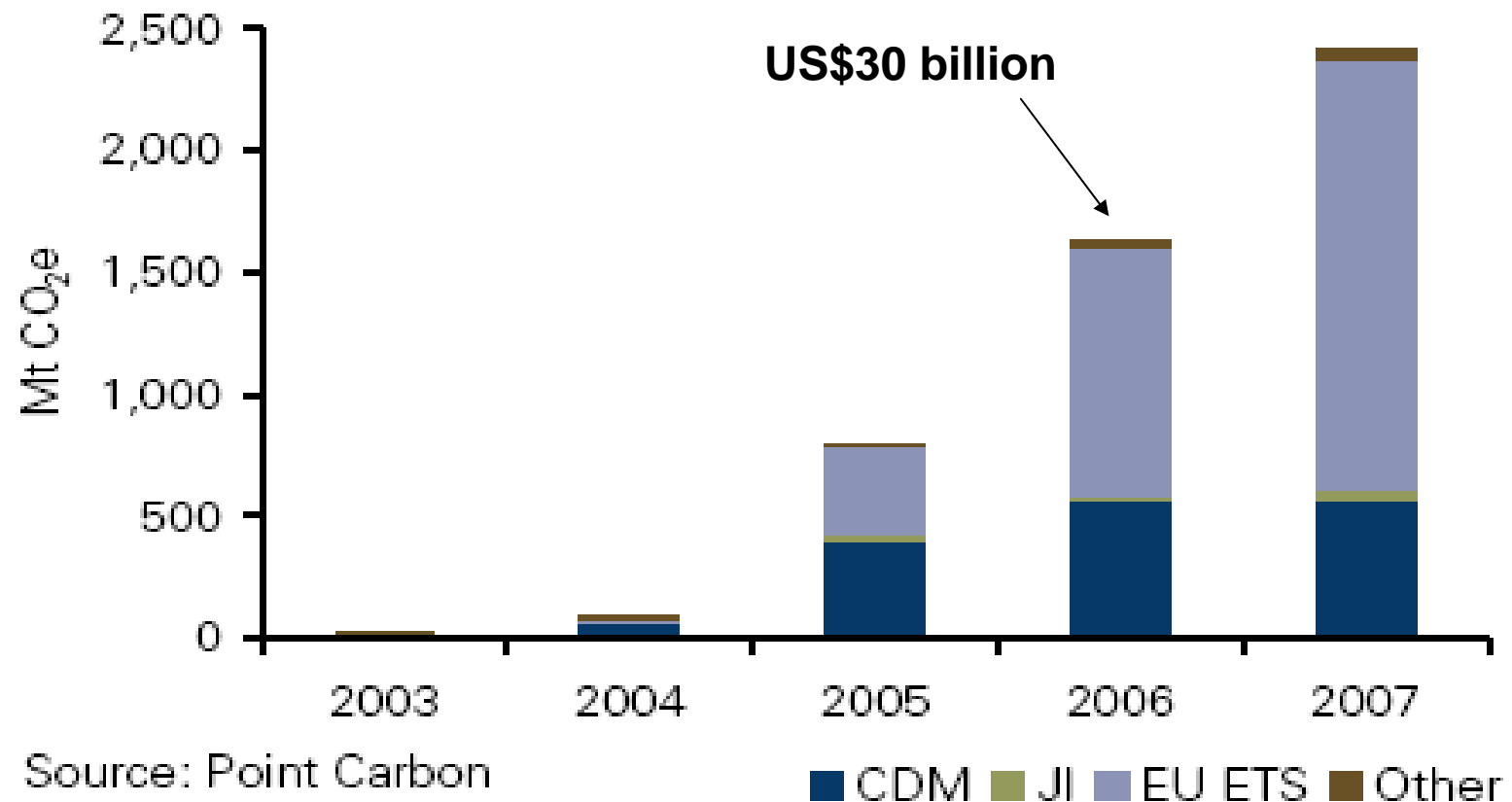
Tony Beck

PECC 2 May 2007

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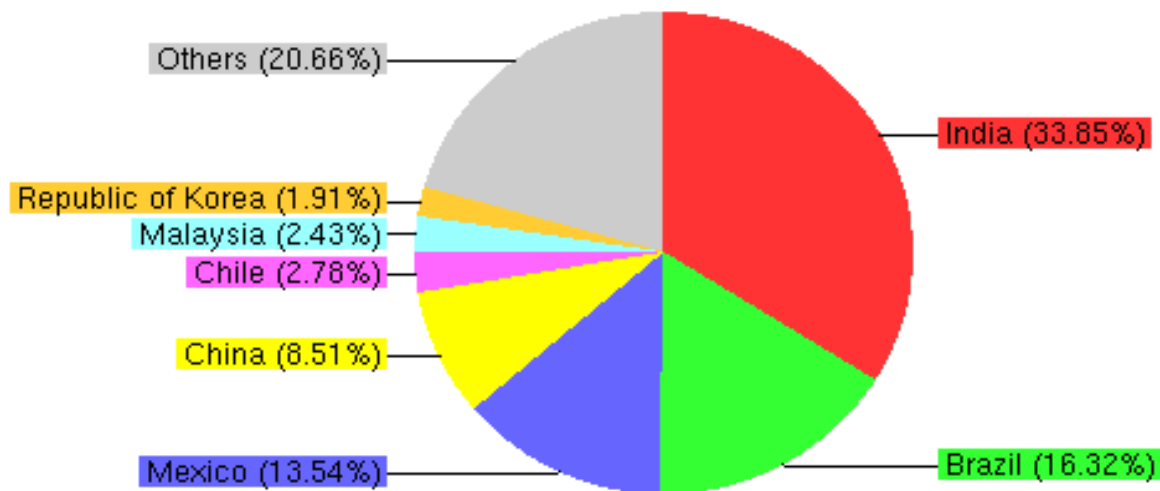
Growth in global emissions market



Clean Development Mechanism

- New investment in abatement projects in developing countries generates **tradable emission credits** (CERs) that can be used by developed country parties to meet their Kyoto emission targets
- Now over 600 projects registered with the CDM Executive Board – 870 million tonnes abatement
 - Across 44 developing countries
- Another 1000 projects in the pipeline across 15 project categories
 - 1.8 billion CERs expected by 2012
 - Valued at US\$20 billion +?

CDM projects by host country



Source: UNFCCC 2007

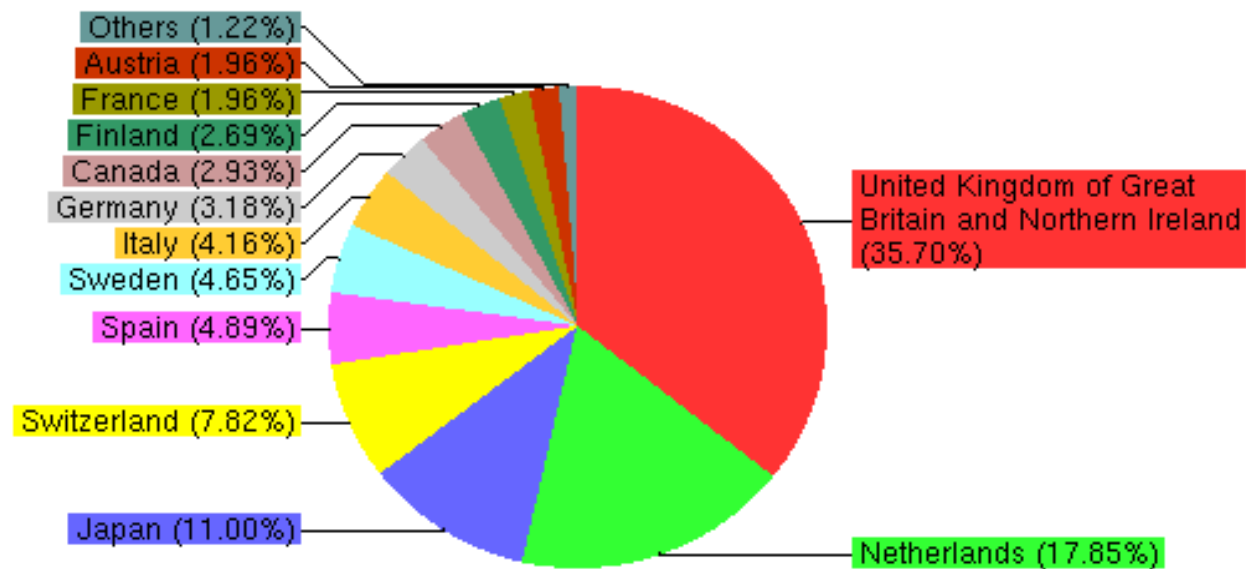
Capital market responses

- Demand from EU, Japan, Canada: 3-4 billion tonnes CO₂e by 2012
- Capital market is responding
 - IPOs on London Alternative Investment Market
 - Carbon-based securities and hedge instruments
 - Innovative structures to manage carbon risk
- Carbon funds with public-private support, eg. European Carbon Fund, Japan, World Bank...

Supply: “Public-Private CDM Network”

- CDM “Designated National Authorities” set up in
 - 96 developing countries; and 22 developed countries (mainly EU and Japan)
- To facilitate CDM abatement project investment
 - Project identification
 - Design and verification
 - Planning approvals – both CDM and host country
 - Financing
 - Joint venture partners
 - Implementation and monitoring
 - Marketing of CERs

Investor countries - % of projects



Source: UNFCCC 2007

Lessons from the CDM market

- Early responses encouraging
 - innovation, technology transfer and capital market support
- But how effective in long-run?
 - Problem of short time horizon (to 2012) and uncertain post-Kyoto regime
 - Developing country involvement remains contentious
 - More flexible longer-term targets?
- Needs to evolve to provide for effective, long-term national responses



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