CER Buying Beyond the First Commitment Period of Kyoto Protocol

Future Carbon Fund

Asian Development Bank
Outline

• Carbon Market Trends
• Future Carbon Fund
Post 2012 Carbon Market Trends

Reduction in Demand for CERs

- Economic slowdown in Europe causing decline in emissions and therefore demand for offsets

- EU ETS has also restricted the type of CERs that can be used for compliance. The following types of CERs are no longer eligible for compliance with phase three of the EU ETS:
  - CERs from projects in non-LDCs registered after 2012
  - CERs from industrial gas projects (as of 1 May 2013)

- Anticipated increased demand from increased targets for the Kyoto Protocol’s second commitment period has not materialized

- European Parliamentary efforts to enhance demand through initiatives such as back-loading have not yet been successful
Post 2012 Carbon Market Trends

Increase in Supply of CERs

• Due to the “success” of the CDM, a larger than expected number of projects have been registered – over 7,000 project worldwide

• Rates of CER issuance have been higher than expected from registered projects
  This has led to an oversupply of CERs – the global credit balance for the 2008-2012 period shows a surplus of 969 Mt

• A large number of PoAs have been registered, and with the addition of new CPAs, the “oversupply” of CERs may increase
Post 2012 Carbon Market Trends

- Prices have fallen and have plateaued
- The traded volume of CERs has decreased - we are now experiencing the lowest levels of traded CERs since 2009.
# CER Price Forecasts

## June 2013

<table>
<thead>
<tr>
<th>Carbon Analysts</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Phase 3</th>
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<td>Consus</td>
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<td>€ 0.42</td>
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<td>Scw arzthal</td>
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Future Carbon Fund (FCF)

Establishment

• Commenced operations on 30 January 2009
• Funding commitments of USD 115 million from 6 Participants from Sweden, Finland, Belgium, ENECO Energy Trade, Korea and POSCO

Status

• Approximately 55% of Funds allocated
• 8.3 million CERs contracted from a diversified Portfolio of 24 projects
• USD 12.3 million disbursed among six contracted projects
• Aiming to accomplish its contracting activities in 2014
ADB’s Carbon Funds: Providing Upfront Finance

FCF can provide up to 75% as up-front finance for the pre-purchase of CERs to support project development, implementation, and operation.
FCF Portfolio

FCF Portfolio - CERPA value by country
- PNG, $1,805,360
- PHI, $1,498,391
- CAM (LDC), $4,893,699
- VIE, $2,950,000
- BAN (LDC), $284,750
- THA, $5,908,352
- BHU (LDC), $7,750,000
- PRC, $16,804,823
- IND, $19,825,000

FCF Portfolio - CERPA value by project
- Waste Management, $3,234,750
- Wind/Geothermal, $10,025,000
- Hydro (>20MW), $7,750,000
- Solar, $14,153,756
- Transport, $766,385
- Others, $15,243,034
- Hydro (≤20MW), $1,805,360
- Biomass/Biogas, $10,098,932