Overview of JI and the carbon market

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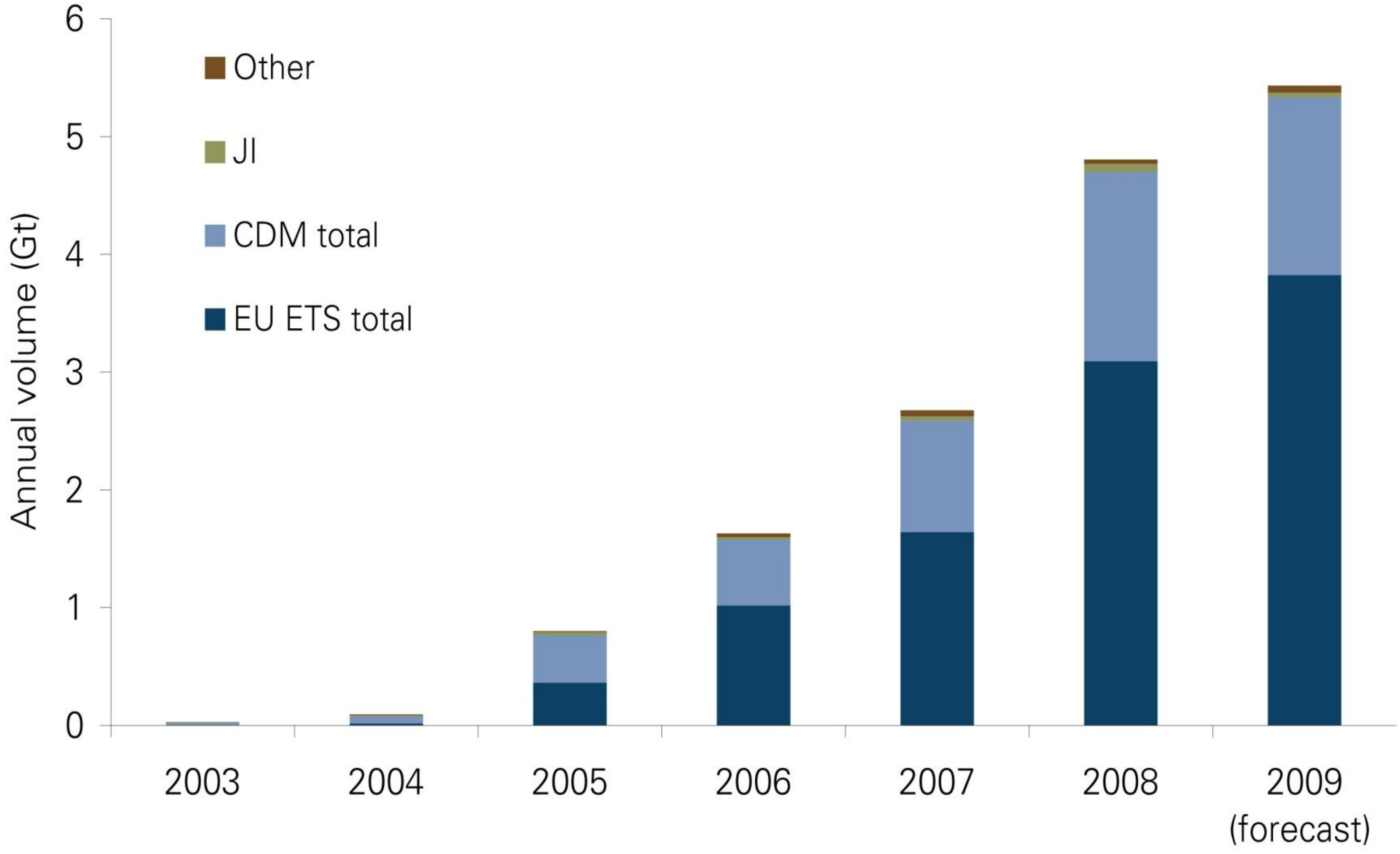
Not exponential anymore?

Reported and estimated contracts, 2003-08; forecast for 2009, in Gt CO_2e



Source: *Carbon Market Analyst*, "Outlook for 2009": Figure 1, page 3, 19 February 2009

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Summary of mid-year review, part I

- 4.1 Gt CO_2e traded globally in H1 2009.
  - up 124% on H1 2008
  - Financial value of the global carbon market was ˆ46bn ($65bn)
  - up 22% compared to H1 2008

- Lower carbon prices account for the lagging value growth.

- EUA market: 3.1 Gt CO_2e change hands.
  - 75% of total carbon market volume in H1 2009
  - year-on-year volume growth of 140%
  - Financial value: ˆ39bn, up 29% on H1 2008.

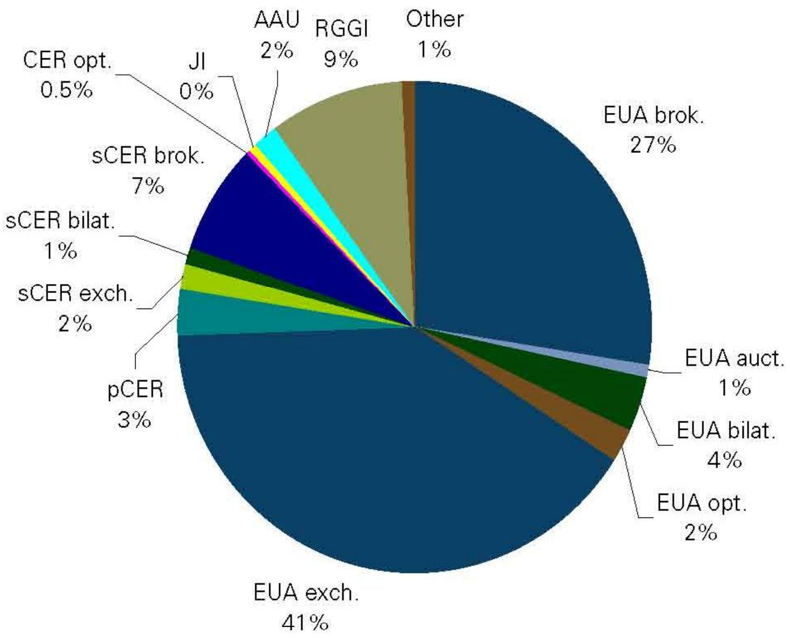
Summary of mid-year review, part II

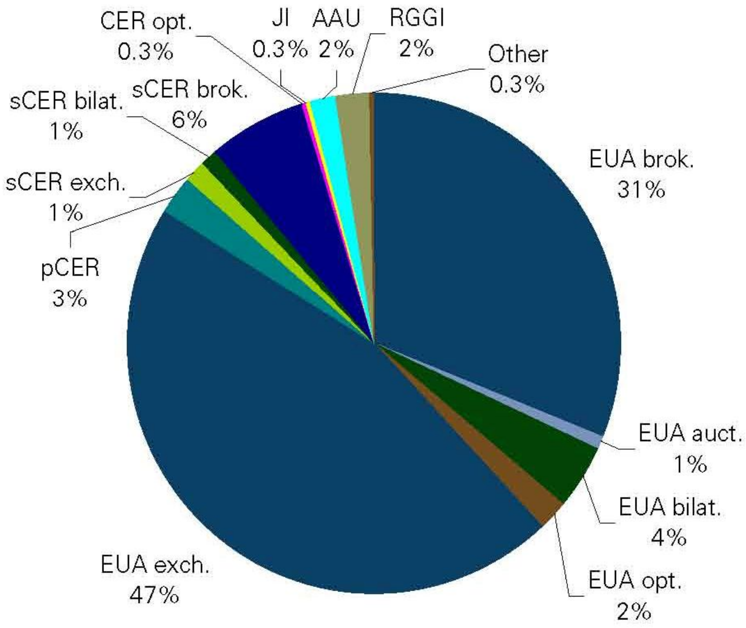
- CER market: 568 Mt CO_2e traded, value ˆ 5.4bn.
  - Up 13% in volume and down 28% in value.
  - Primary CER volume has fallen by 36% from H1 2008.
- RGGI volume 321 Mt CO_2e, value $1.2bn (ˆ 840m).
  - Exchanges handled four-fifths of the volume; auctions one-fifth.
- AAU volume over 130 Mt until
- Cap-and-trade volume is up; primary-market volume down.
  - EU ETS, RGGI and AAU markets have seen growth
  - Primary CDM and JI markets have contracted the most

Cap-and-trade more resilient in hard times?

Distribution of the different market segments for trade volumes (left) and fi nancial value (right) in the fi rst six months of 2009.

Source: Point Carbon





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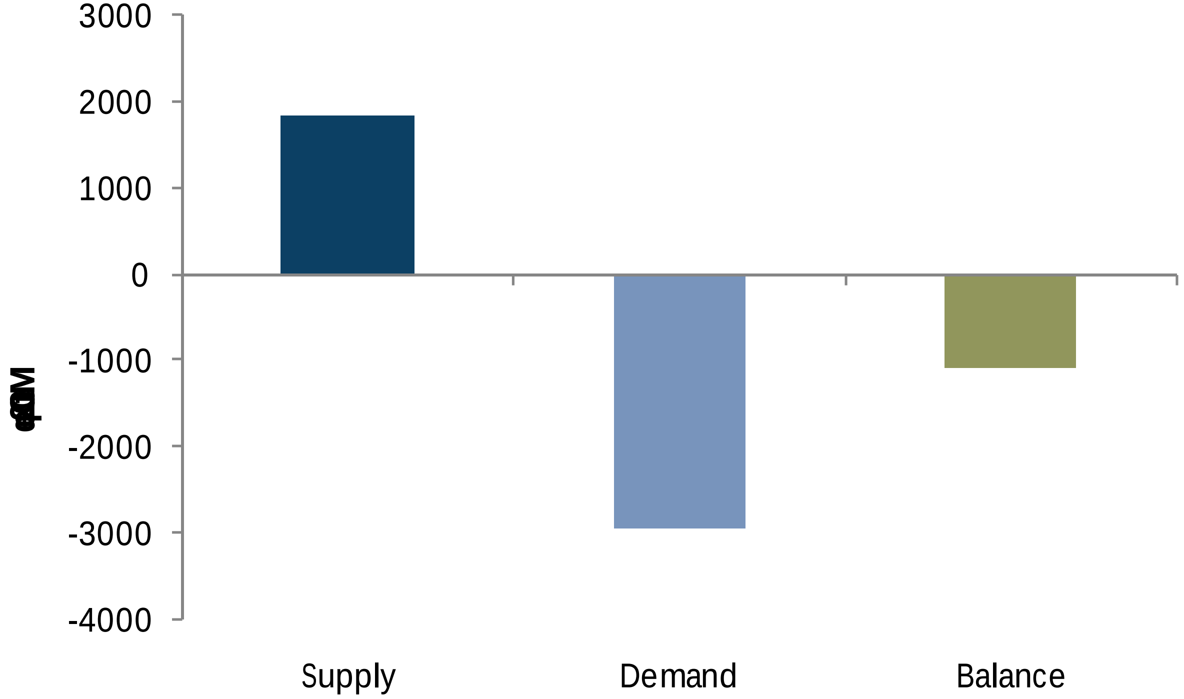
Projects: Kyoto Supply – Demand balance



Supply	Demand	Balance
1,649	2,833	-1,185

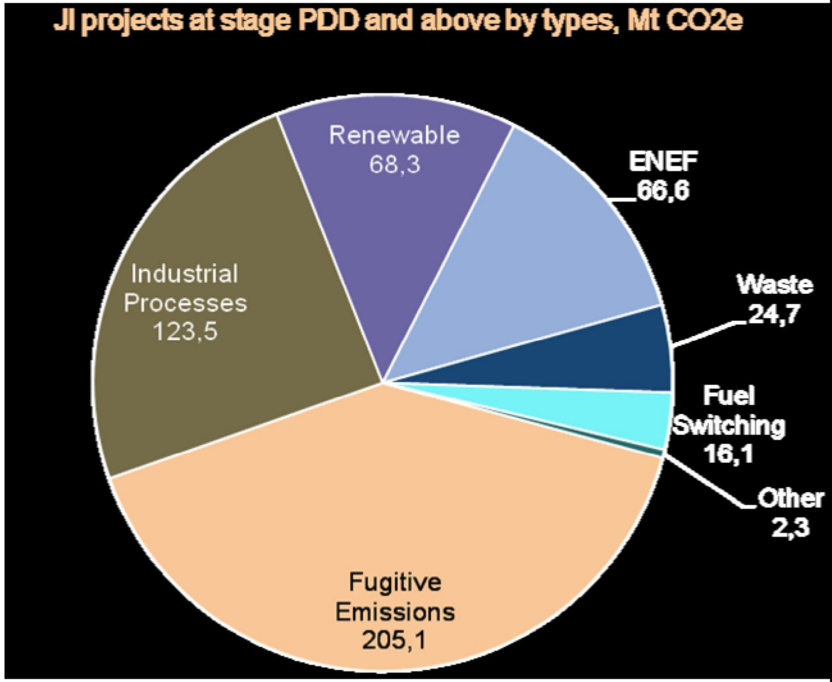
Source Carbon Project Manager

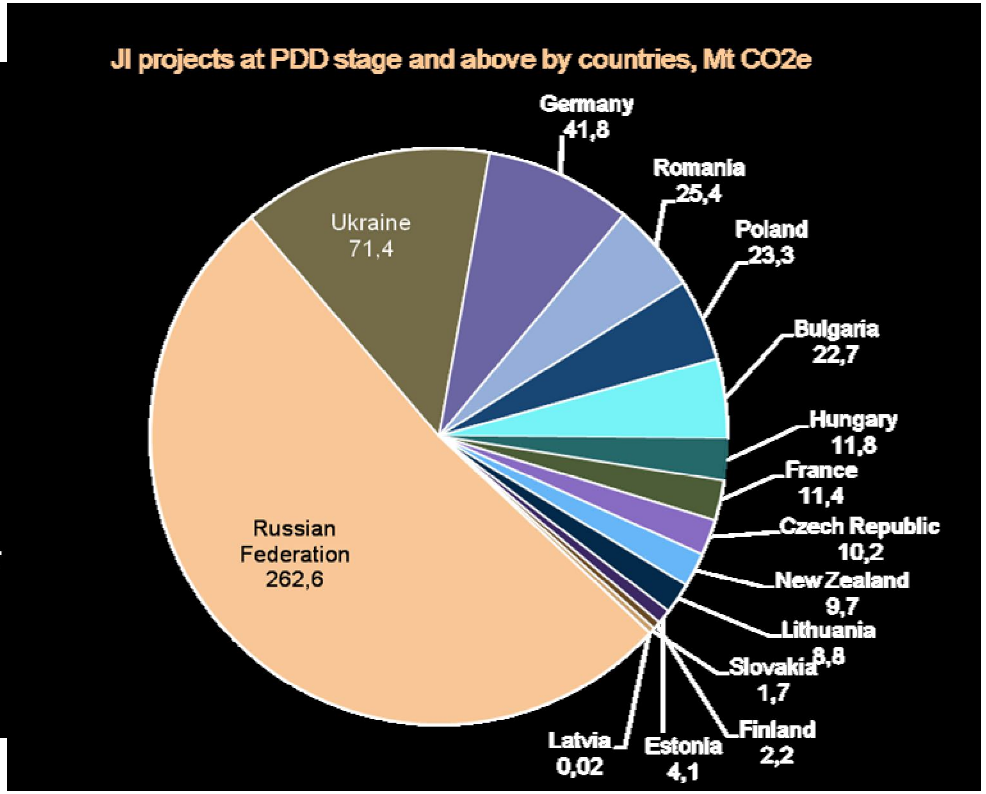
JI projects

- In total in Point Carbon database: > 450 JI projects at PDD and above stages
- Expected reductions until 2012: over 500 Mt CO2e
  - BUT: 150.1m ERUs, mainly due to registration and delivery risks

- Russia: little over 50% of the JI pipeline and 262.6 m tCO2e of expected reductions
- Ukraine: 16% of the pipeline with 71.4m tCO2e of expected reductions

Structure of the project database

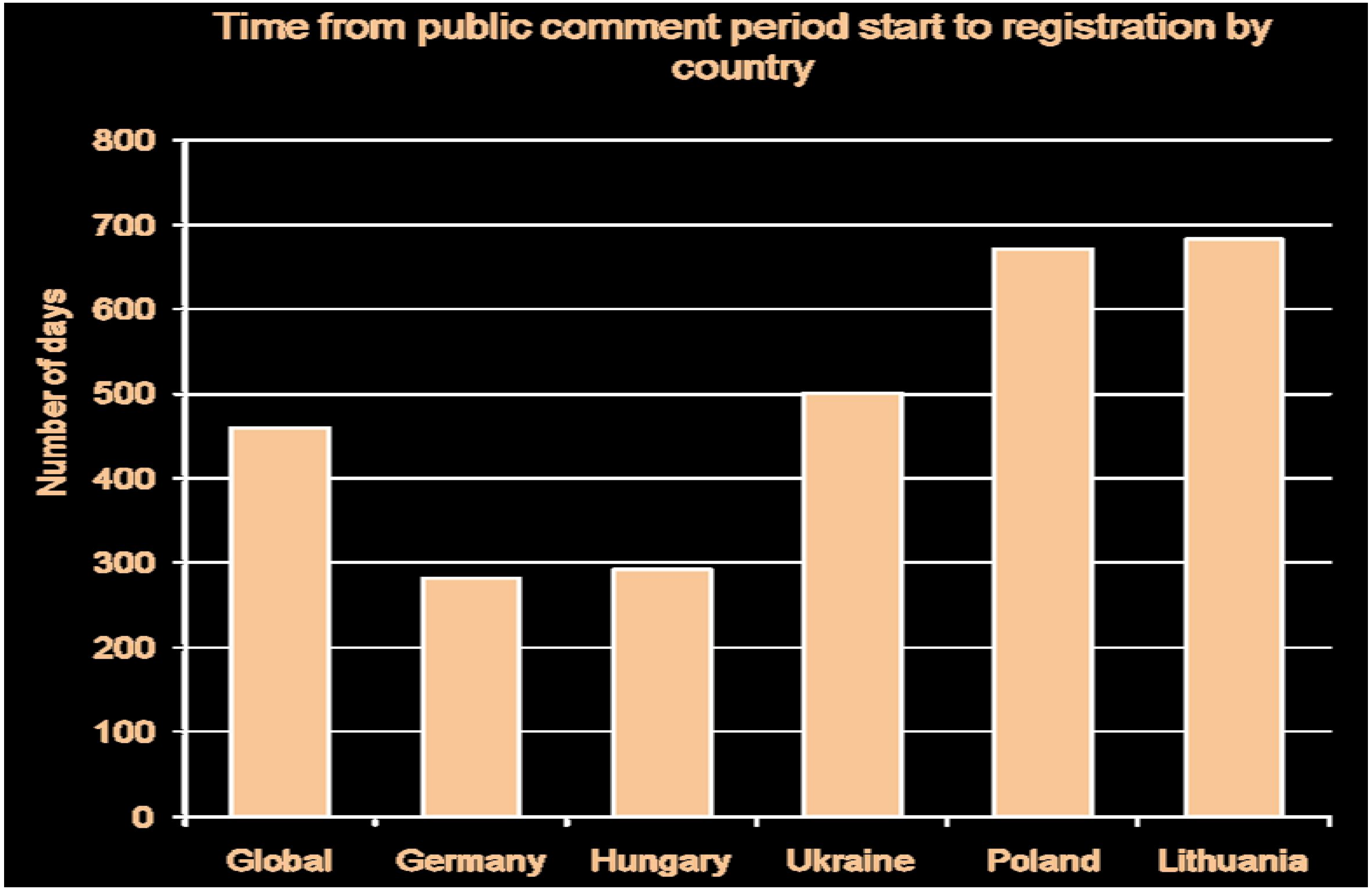




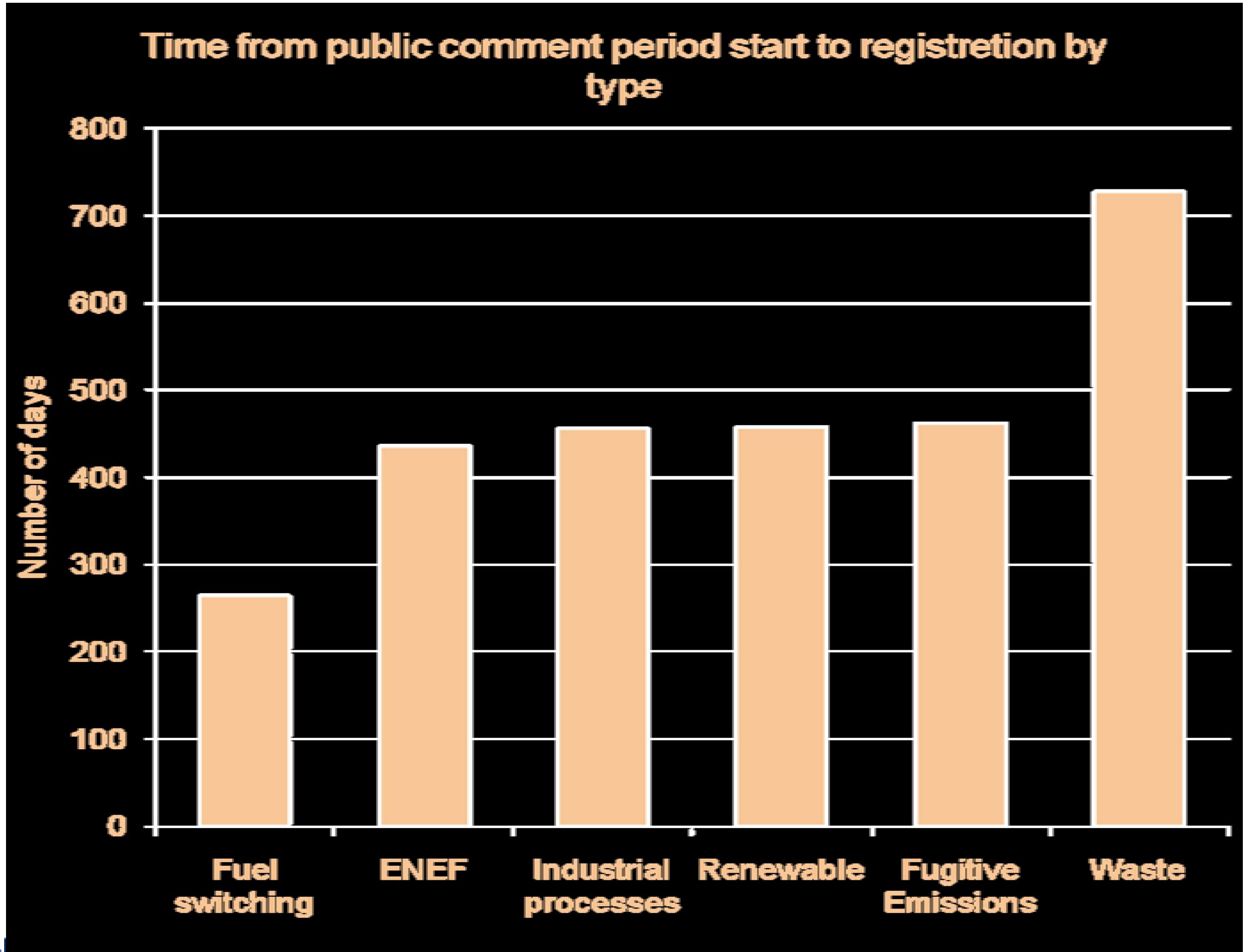
Registered JI projects

- 65 project with total volume of 92.3 Mt CO2e registered under both Track 1 and Track 2.
- Ten projects on industrial processes cover 48.6 % (44m tCO2eq by 2012) of all registered volumes.
- Energy efficiency nine projects and 20 million ERUs
- the largest number of registrations - renewable projects, 11.6 million ERUs
- Despite the fugitive emission projects at all stages take the largest share of the JI portfolio, only 6 projects with total volume about 10.1 million ERUs have been registered so far.
- 11 countries out of 15 potential JI hosts have registered JI projects in their portfolios: Ukraine, Poland and Germany are the most successful with almost 65% of the total registered volumes.
- Ukraine has 11 registered projects with total volume of expected reductions over 29.1 million tCO2e.
- Recently 13 Polish projects with 15.7 registered under Track 1,

Time spent in the cycle: by country



Time spent in the cycle: by project type

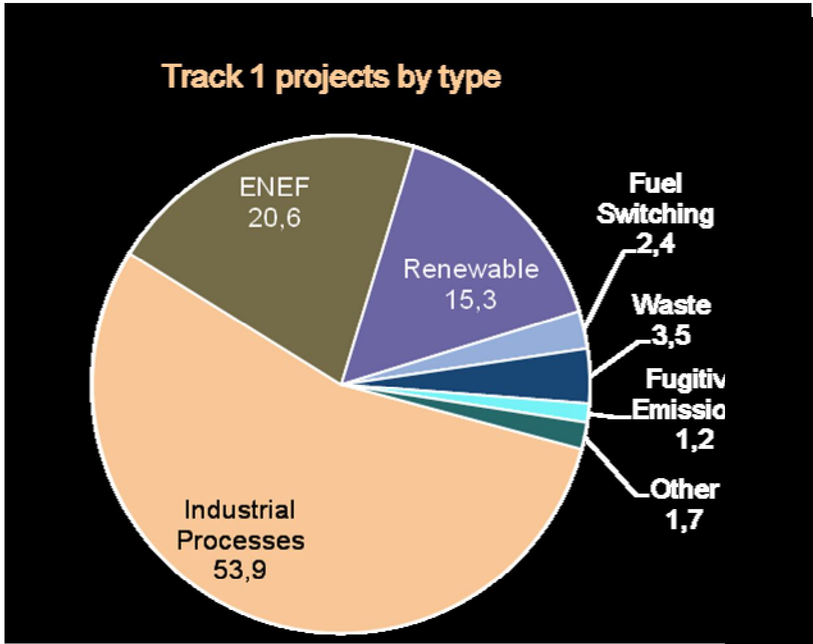


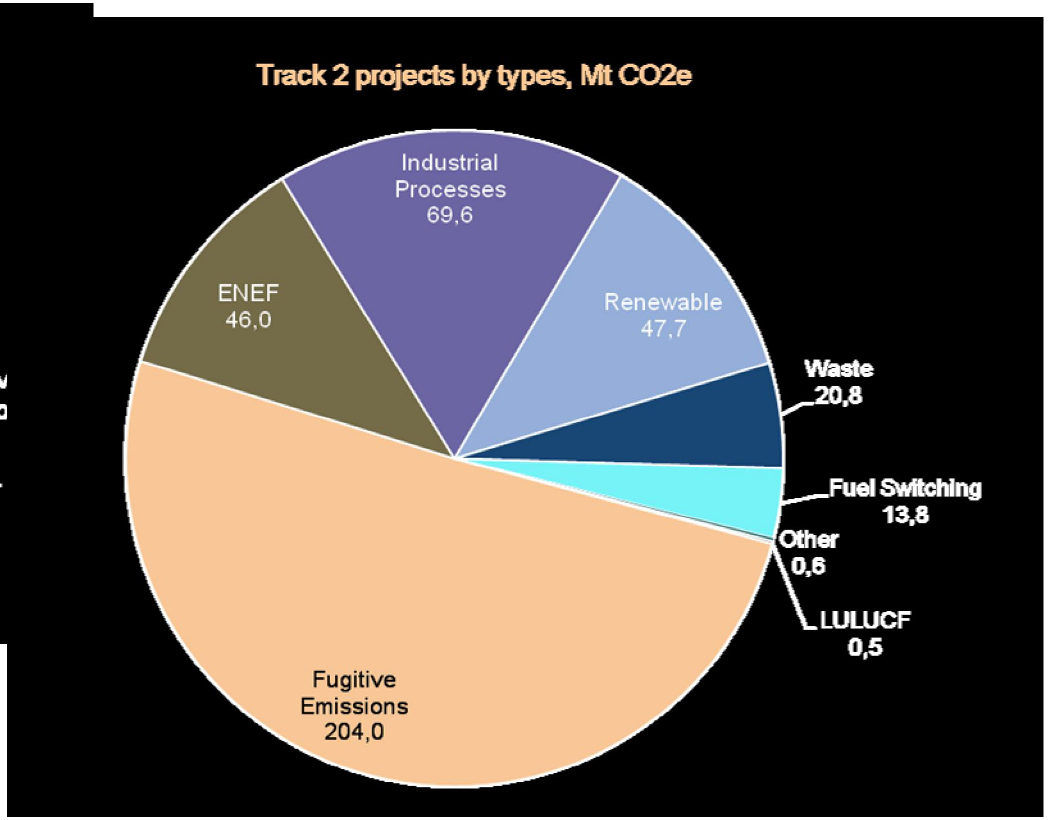
Track 1 vs Track 2

- Track 2: 9 projects and 15.3 million emission reductions
  - Includes Russian projects in the pipeline
  - Ukraine, Germany, Romania and Bulgaria leading in volumes

- Track 1: 52 projects and 76 million emission reductions,
- In the pipeline:
  - Ukraine 18.8%
  - Poland 15.7 %
  - Germany 20.1%
  - France 11.4%

Track 1 and 2 projects by type





Issuance: market needs more confidence

- Issuance done by host governments
- Information on issuance scarce: once a year

- Few JI projects with issuance
- Ukraine, Czech Republic, France and New Zealand

Issuance: ERUs out there

- About 3.9 million ERUs
  - including 1.4 million of “early credits”, which are basically AAUs
  - 2.5 million of ERUs
- Ukraine issued 1.4 million of early credits and 1.6 million of ERUs for district heating and coal methane utilization

JI summary

- Pipeline is vast, delivery and registration risks are high
- Track 1 could take over 70% of projects/ERUs
- Supply from Russia locked for now

- GIS: less transaction costs for some sellers
- Reduced project inflow until post 2012 is clear

Thank you!

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