

The Substantial Impacts of the EU ETS on the Operation and Development of Enterprises in the European Union:

What You Need to Know

Karl Upston-Hooper
General Counsel
GreenStream Network plc

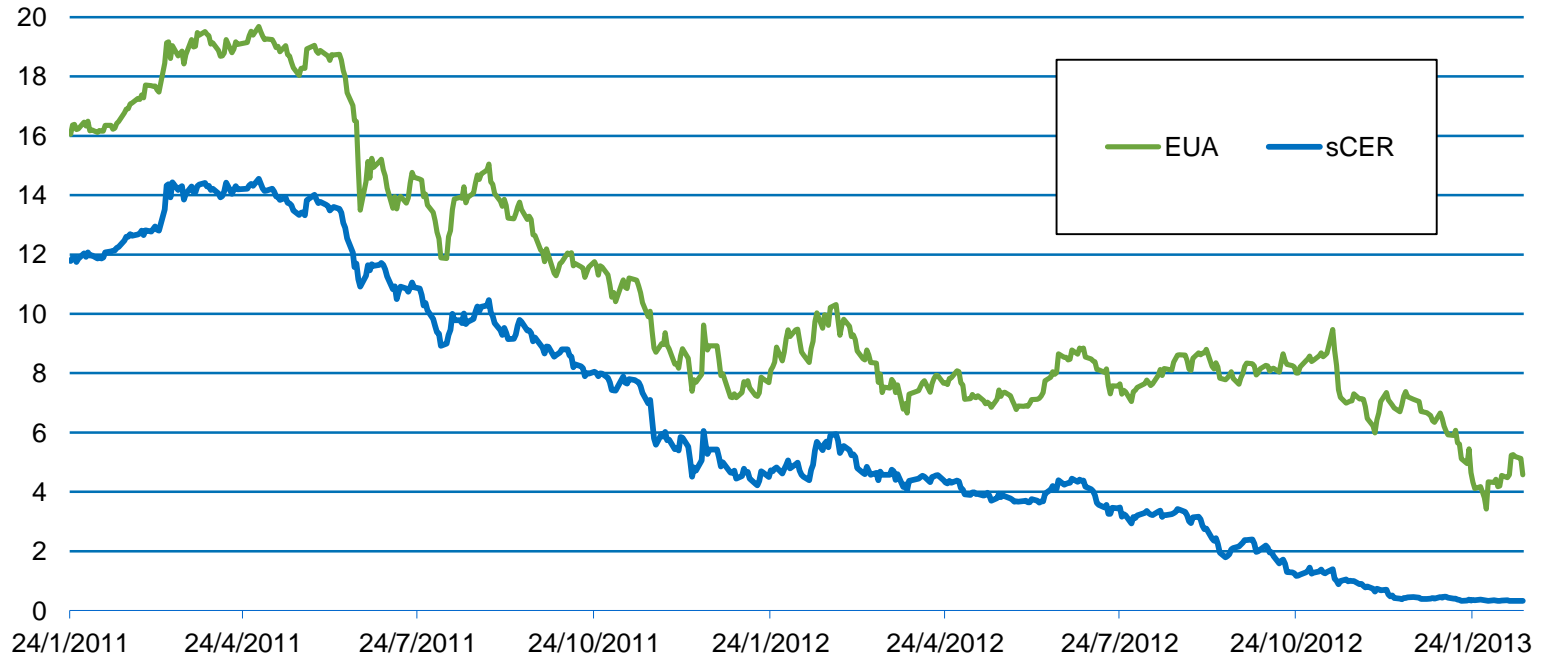
1 March 2013

High-Level Impacts of the EU ETS

It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change - Charles Darwin

- The regulatory creation of an asset class that was grandfathered (and now auctioned) to participating installations
- The utilisation of the price mechanism, through OTC & exchange trading, to determine cost effective emissions mitigation
- The internalisation of the “cost of carbon” into both short term (power dispatch) and longer term (technology selection and investment) decisions
- The EU is on-track to achieve its environmental goal of -21% of 2005 emission levels by 2020
- The need for co-ordination of the EU ETS with other policy tools impacted on both the EU ETS sector and the non-EU ETS sector i.e. renewables targets, feed in tariffs, tax policy etc

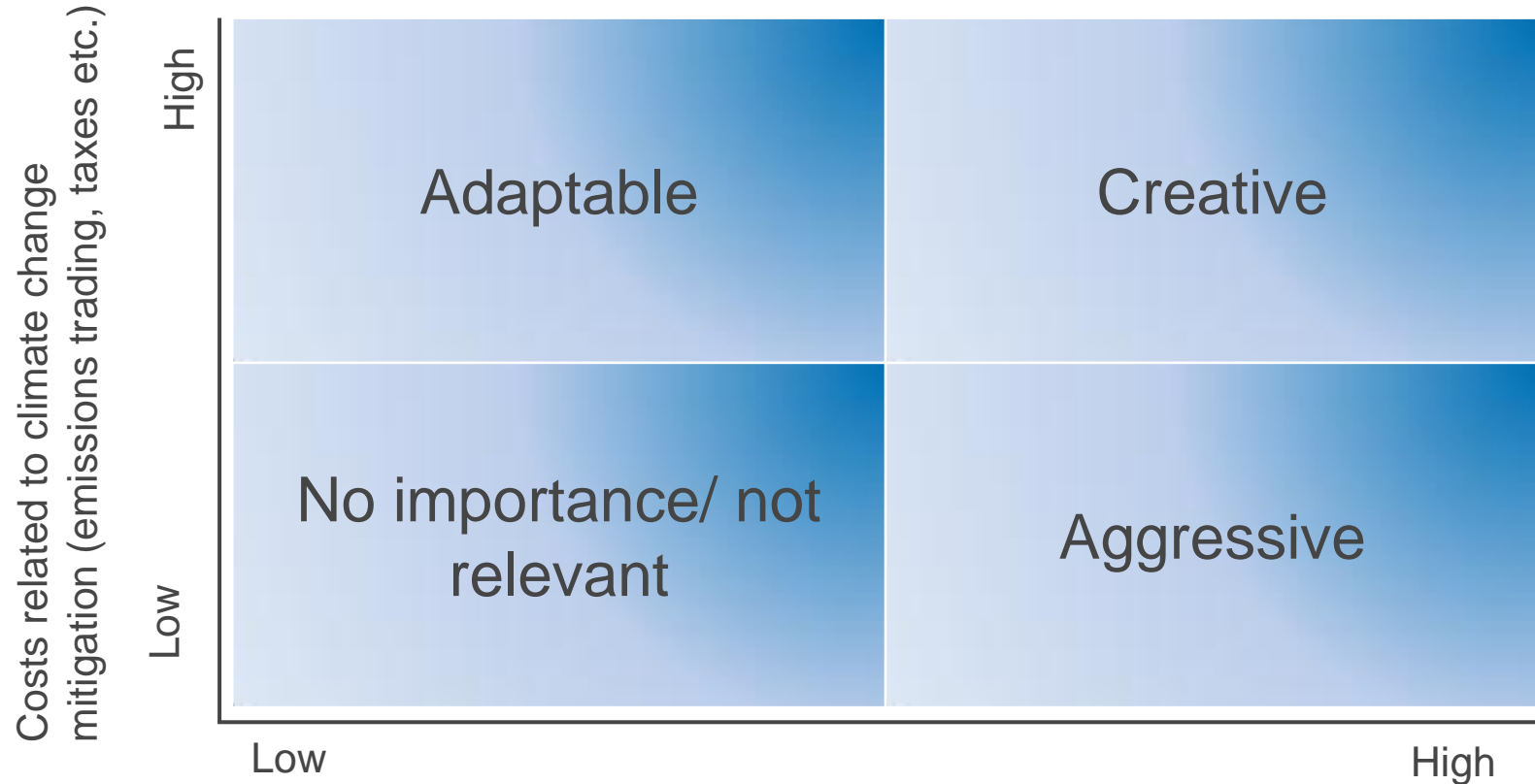
The Context



Business-Level Impacts on Compliance Institutions

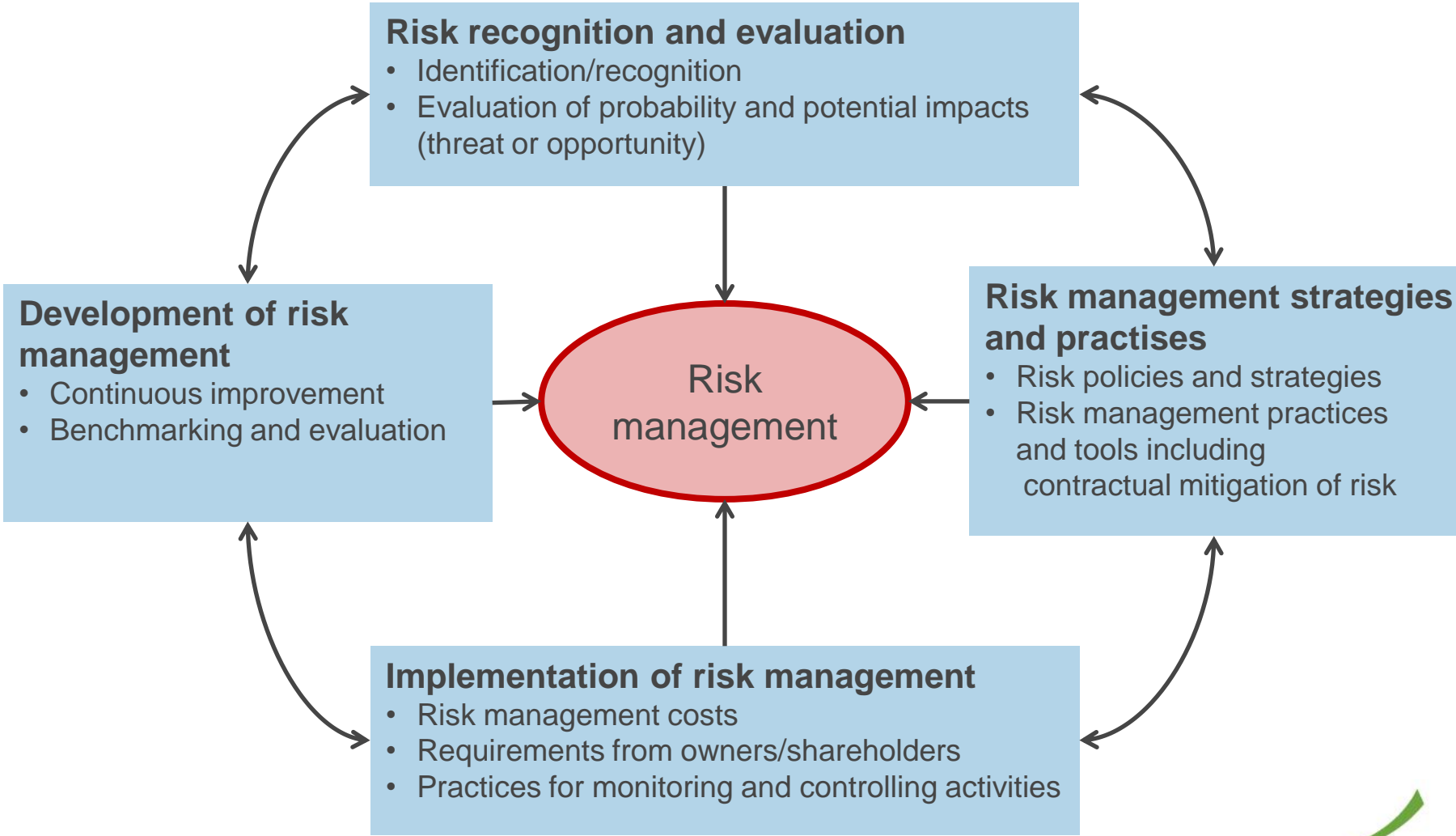
- Emissions have a market price
 - Production decisions
 - Fuel purchase
 - Investments to existing and new plants/installations
 - Monitoring and reporting emissions (frequency & accuracy)
 - Compliance – emission unit purchases and risk management
- Strategic and operative risks related to emissions are significant
 - Needs to be taken into account in company's strategy and risk management
 - In the EU ETS the political risk has typically been very high: changes in regulations and legislation, increasing the targets, modifications in allocation principles, use of international offsets etc.

What is your climate strategy?



Business opportunities related to climate change mitigation and adaptation

Framework for Risk Management





Beijing office:

北京市东城区劳动人民文化宫内, 邮编
100006

Working People's Cultural Palace
(Forbidden City), Dong Cheng District,
Beijing , China, 100006

Helsinki office:

Lapinlahdenkatu 3, FI-00180 Helsinki,
Finland