ETS Compliance: Rules and Policies that Californian and EU Operators Follow

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GreenStream in China
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About Climate Wedge Ltd …
Our Business at a Glance

OUR MARKETS:
Ÿ Global carbon markets, focus on CDM / JI / precompliance US / voluntary carbon market.

OUR GEOGRAPHIES:
Ÿ Global, direct offices in Europe and the United States, representatives/affiliates in China, Mexico, Brazil, and Middle East.

OUR BUSINESS ACTIVITIES:
Ÿ GHG project development as principals, carbon fund management and proprietary trading, project finance, investment and transaction advisory services.

OUR TECHNOLOGY SET:
Ÿ Renewable energy (wind, geothermal, solar, hydro, biomass), landfill gas, waste to energy, industrial gas capture, ozone depleting substances, greenfield gas generation and fuel switching, associated gas recovery, efficient cookstoves and household energy efficiency, coal mine/bed methane. We also work with emerging cleantech venture technologies.

OUR CLIENT / TRANSACTION COUNTERPARTY BASE:
Ÿ Multinational corporates, industrial groups, utilities, IPPs, renewable energy developers, institutional investors (hedge funds, venture capital, private equity, pension funds), large financials, technology providers, sovereign governments.

OUR TRACK RECORD:
• Acted as a principal, co-developer, or advisor on transactions exceeding 100 million tons of CO2eq reductions across tens of carbon reduction projects in Europe, FSU, Asia, and the Americas.
The Legal Framework

Directive 2003/87/EC
Establishes a scheme …to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner.

- As amended by Directive 2009/29/EC
- Union Registry Regulation (EU) No 389/2013
- Draft Regulation on the Use of International Offsets
- International Accounting Standards
- VAT Directive 2006/112/EC

Global Warming Solutions Act 2006
AB32 set mandatory GHG reduction target for California’s entire economy at 1990 levels by 2020, roughly a 25% reduction from BAU levels

- Global Warming Solutions Act of 2006, also known as Assembly Bill 32 (i.e. AB32) legislation passed in 2006
- AB32 empowered California Air Resources Board as the regulator with full discretion to develop compliance strategy (cap-and-trade was not required)
- Scoping Plan approved by CARB in 2008
- Cap-and-trade regulation adopted in 2010 and has been updated regularly since
- Considerable litigation (judicial) and policy (legislative) efforts to overturn AB32/cap-and-trade regulation since, all have failed
Complexity is the New Normal

California Carbon Allowance Price Forecasts

Historical Prices & Volumes

Source: Climate Wedge Ltd, CARB, ICE, Bloomberg New Energy Finance, CaliforniaCarbon.info, PIRA

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Surviving within an ETS

By three methods we may learn wisdom: First, by reflection, which is noblest; Second, by imitation, which is easiest; and third by experience, which is the bitterest. - Confucius

• Understand the ETS regulations
• Know your emissions profile
• Know your marginal abatement cost
• Have a basic understanding of your ETS market drivers (i.e. emissions economics)
• Establish an effective ETS team
Thriving within an ETS

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

• Model the impact of carbon pricing
• Input carbon pricing into investment decisions
• Develop a trading strategy, including offsets
• Develop or access knowledge centres
What is your climate strategy?

Costs related to climate change mitigation (emissions trading, taxes etc.)

Business opportunities related to climate change mitigation and adaptation
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