Covered topics

- What is your carbon position? Assets vs. liabilities?
- How do you determine the future value of your carbon assets?
- What kind of questions will you face when managing your carbon assets?
Your carbon position

Assets:
- Allowances pre-allocated by the regulator
- Abatement potential in your organization which you can realize over time at a cost lower than the allowance price
- Your offset quota
- Reductions in carbon intensity

Liabilities:
- CO₂ emissions from your business operations
- Increases in carbon intensity

How do you keep track of your carbon position?
Integrate it with your accounting systems.
How to forward-price allowances

- Allowance Allocation
- \(\text{CO}_2\) Emission Projections
- Sector Abatement Costs
- Offset Supply & Prices
- Demand for Allowances
- Supply of Allowances
- Surplus or Shortfall
- Allowance Prices
- Traded Volumes
Importance of the forward price curve

![Graph showing the increase in emission price from 2005 to 2019. The price starts near $0 in 2005 and rises sharply to over $300 in 2019.]
1. Investment decisions
   • How can I correctly price in future compliance costs into my decisions?
   • Should I invest in energy efficiency improvements or not?
   • If yes, when, at what cost?

2. Carbon assets
   • When do I engage in the market to buy/sell allowances?
   • Should I bank my allowances for use in the coming years?
The challenge of establishing a forward curve

- Relative targets of the national ETS may require ex-post adjustments
- Overall allowance allocation needs to be updated based on economic forecast throughout the year in order to approximate demand side
- Limited disclosure of compliance levels to protect competitiveness of participating emitters

However:

- Despite the different policy environment, the European forward price curve is also very hard to establish
- On the surface more visibility thanks to published data; but
- Impact of future policy decisions by far outweigh other factors

The most important factors are policy signals sent by the government.
Strategic questions

• When do you buy/sell?
  – Early in the compliance cycle based on your planned economic output?
  – Monthly, according to a carbon budget?
  – At the end of the compliance cycle, to cover shortfalls or sell excess allowances once you know for sure?
• How does the market/your industry peers behave?
• How quickly can you realize abatement potential within your company?
• Do you want to make full use of your offset quota?
  – The easiest way to profit from your allowance allocation, but there are risks
  – How do you sell large volumes into a market with limited liquidity?
  – How/when/where do you buy your offsets?
Find the right management approach to integrate your carbon position deeply into your business

Some European manufacturers approach allowances conceptually as a “fuel”: to produce one unit of their product, they need:
- 0.5 units of raw material A
- 0.25 units of raw material B
- 1t water
- 0.5MWh of electricity
- 1 allowance

That way, their allowance management becomes part of their procurement process, handled the same way as other input materials required for production

Conceptually easy to explain to production teams
Contacts

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Addis Ababa, Bangkok, Beijing, Berlin, Hanoi, Hong Kong, Jakarta, London, Medellín, Melbourne, Mexico City, New Delhi, San Francisco, São Paulo, Stockholm, Sydney, Zurich
Who we are

We offer comprehensive sustainability solutions and services.

We enable our customers to create value from sustainability-related activities.

Our staff of 150 employees worldwide are passionate about fighting climate change.
Local Presence - Global Reach
We are the Experts in Sustainability
Our Solutions

Carbon Credit Solutions
- Carbon Offsetting
- Insetting
- Emission Reduction Project Design

Renewable Energy Solutions
- Local renewable energy tracking solutions
- International tracking standards
- Additionality quality labels
- Renewable PPAs

Green Finance
- Green bonds advisory
- Project finance (renewable energies, clean technologies)
- Due Diligence Services

Sustainability Advisory
- Advisory on clean supply chains, water risks, city-level climate programs
- GHG Accounting
- Investment Climate Impact Assessment
- Svante GHG Software tool
- Labels
- Monitoring, Reporting and Verification
Track Record:
10 years of Creating Global Impact

- 80+ million tCO₂e saved
- 500+ projects developed in renewables, forestry, agriculture, industry and households
- 100,000+ GWh renewable energy produced
- Our projects have helped improve the health of 10+ million people across the world
- 15,000+ km² saved forest from deforestation
- 55,000+ km² land protected or restored
- 70,000 jobs created in developing countries
- $10+ bn clean energy investments mobilised in emerging markets
Our global Footprint (1)

Forest restoration
Growing effective carbon sinks

Renewable energy
Global energy transition

Investment screening
Creating transparency
Our global Footprint (2)

Methane capture
Local job creation

Chlorine dispensers
Improving lives

Wind turbines
Reducing fossil fuel dependency
Credentials

Winner
Environmental Finance
Best Project Developer award 2011-2016
Annual Market Rankings winner 2016

WEF Schwab Foundation
Social Entrepreneur of the Year 2011

Zürcher Kantonalbank
Sustainability Prize for SMEs 2013

Member
WEF Global Agenda Council
on Climate change

United Nations
Global Compact