



“Recent Carbon Market Situation and its Near-term and long-term Future !”

16th Asia-Pacific Seminar on Climate Change
“Climate Change and Development –Asia Pacific
Regional Approach to
Climate Friendly and Climate Change-resilient Society-”
at Jakarta, Indonesia, 5-8 September 2006

N Yuvaraj Dinesh Babu
Asia Carbon Group

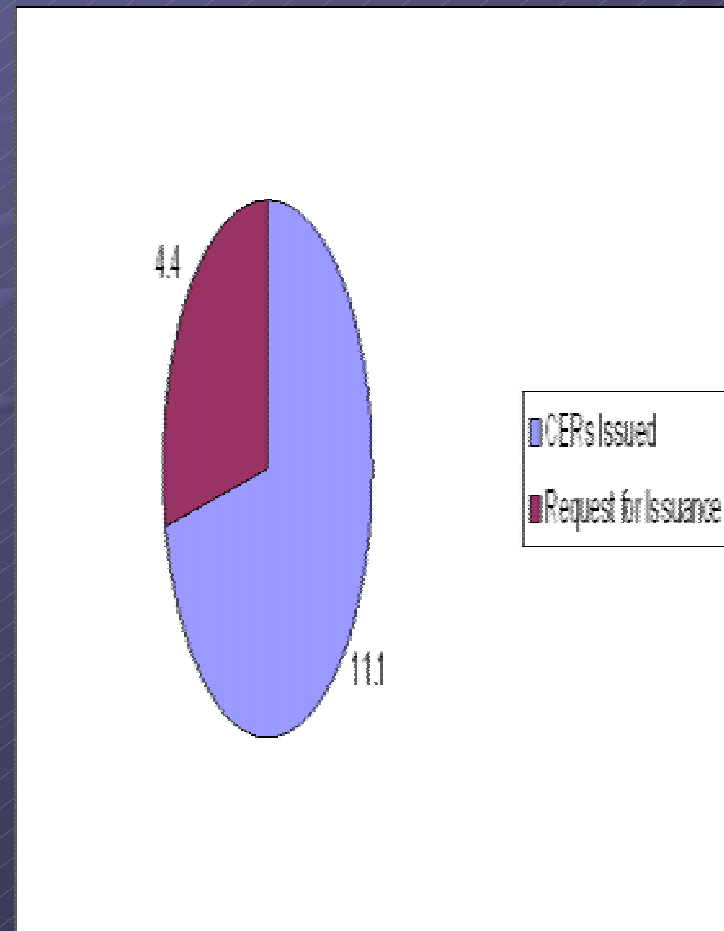
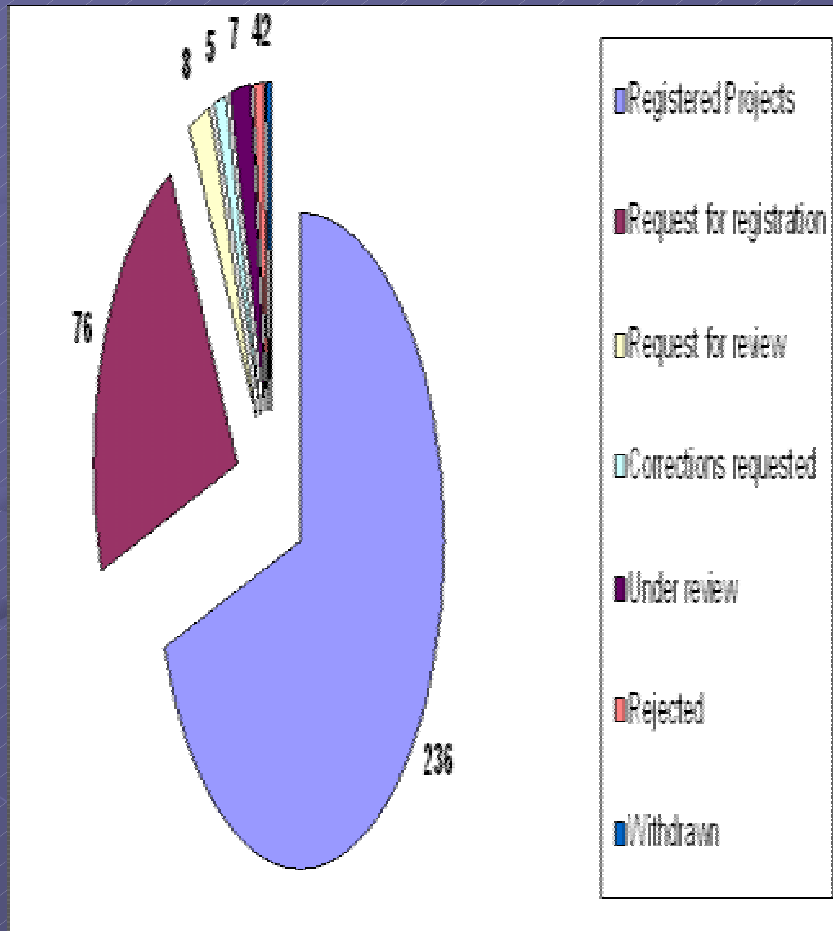
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Welcome to
CDM-2012: Billion CERs market !



Few numbers to crunch...



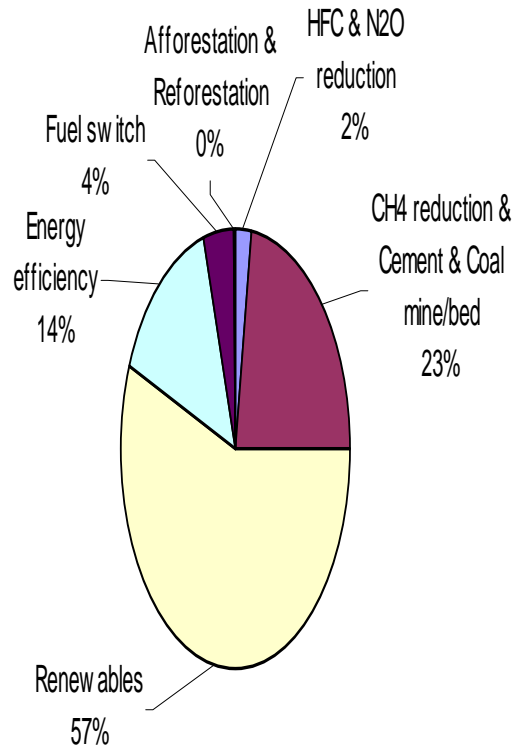
Source :UNFCCC as on 2 Sept 2006 and ACG analysis

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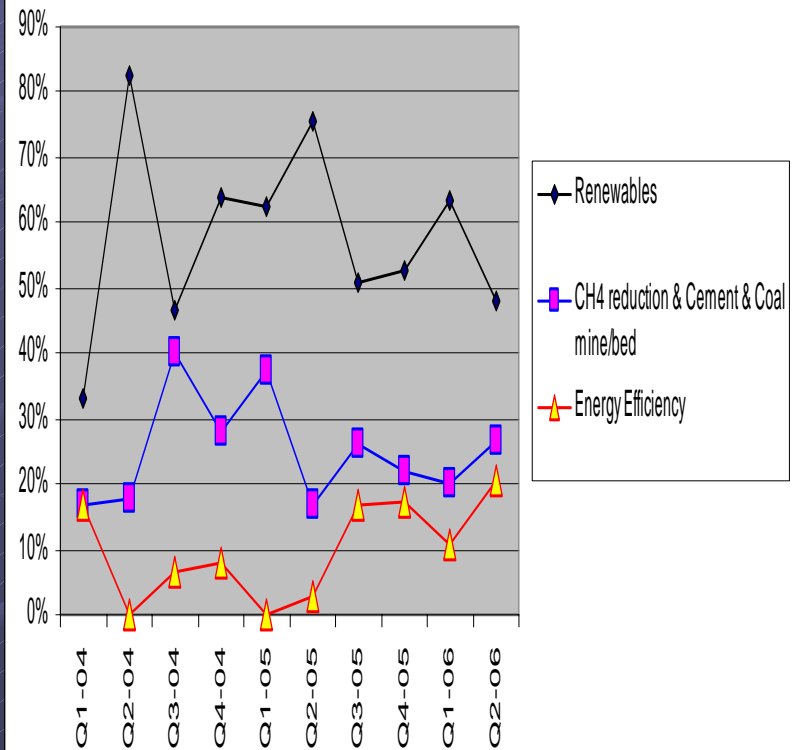


CDM Projects and categories

Number (%) of CDM projects in each sector



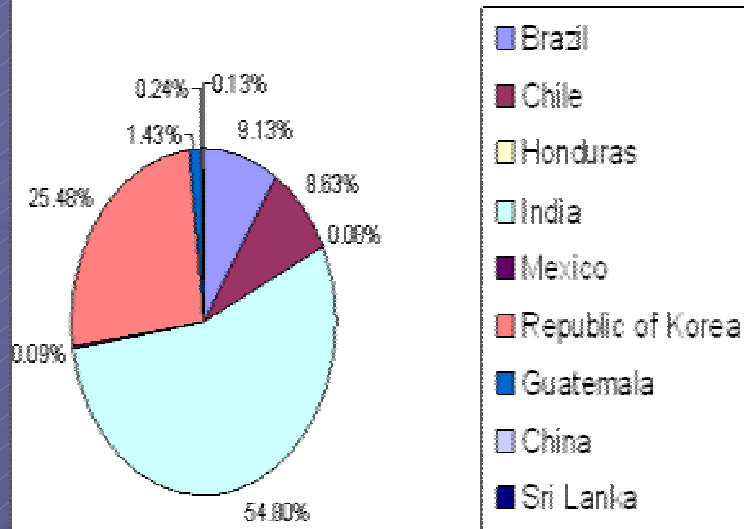
Percentage share of the total number of projects of 3 largest CDM categories



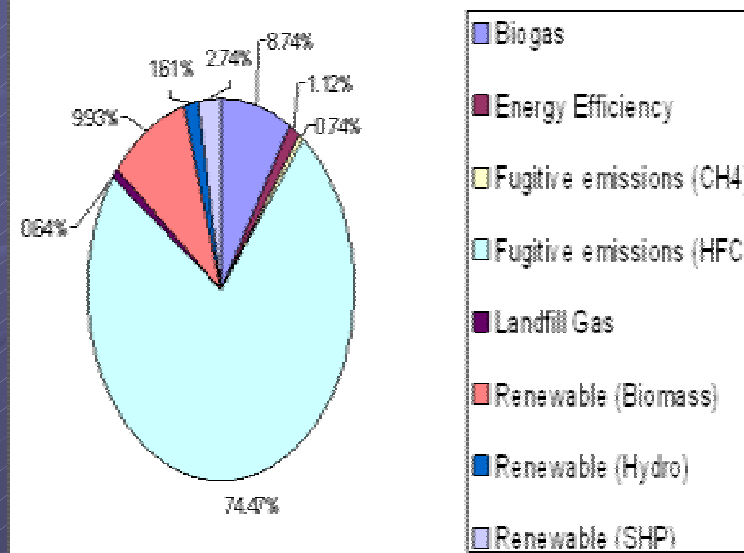


CERs : Country & Sectors

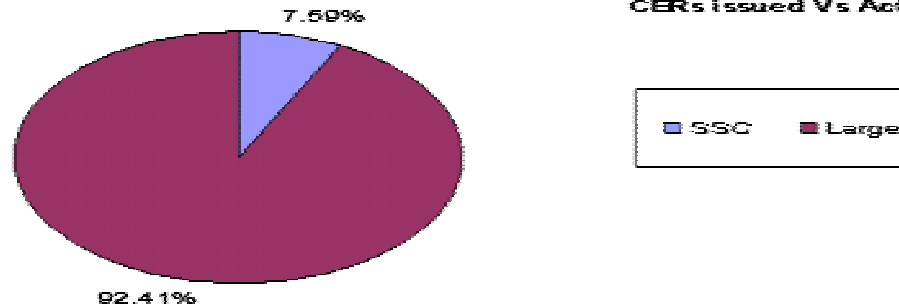
CERs Vs Country



CERs issued Vs Sector



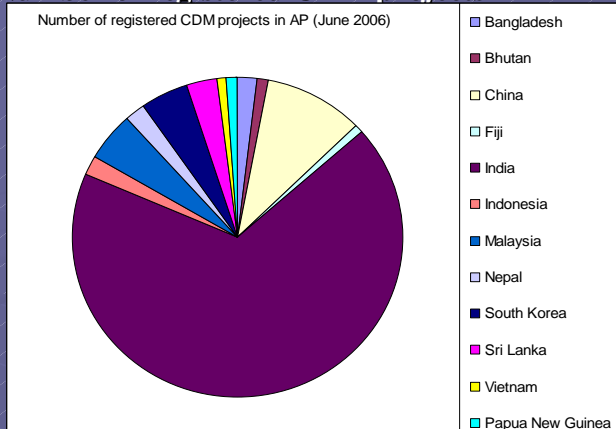
CERs issued Vs Activity Scale



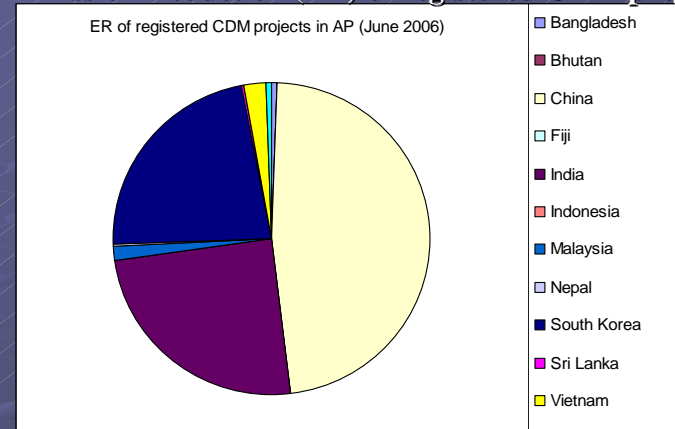


Unequal geographical distribution of CDM in AP

Number of registered CDM projects in AP



Emission Reduction (ER) of registered CDM projects in AP



(Source) Made by IGES with data from UNEP RISOE: CDM Pipeline Overview (As of June 20, 2006)

Asia & Pacific	102
India	69
Bangladesh	2
Bhutan	1
Nepal	2
Sri Lanka	3
China	10
South Korea	5
Indonesia	2
Malaysia	5
Vietnam	1
Papua New Guinea	1
Fiji	1

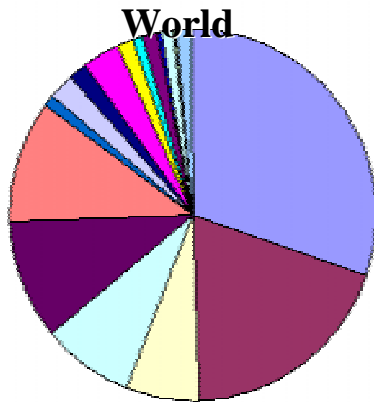
- AP/World: 102 out of total 222 registered projects account for **68%** in ER (46% in number)
- Among AP: **China, India, and Korea** occupy 94.8% of total ER until 2012 (82% in number)
- China may surpass India in terms of total ER until 2012.
- No projects: **Cambodia, Lao PDR, Myanmar, Philippines, Singapore, Thailand** in SE Asia
- The inequity is not due to lack of DNA, as most AP countries have DNA except some Pacific and Central Asian countries.



Sectoral distribution of CDM: World vs. AP

Number (%) of CDM projects in each sector (June 2006)

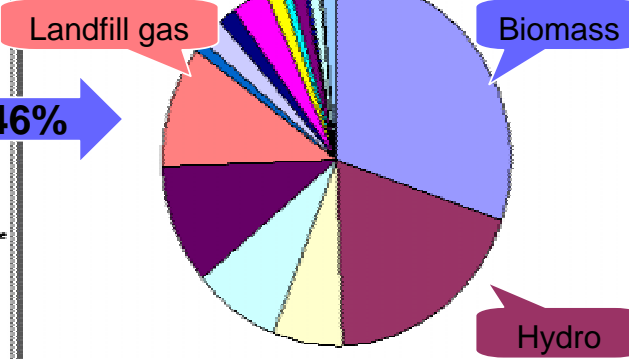
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- Biomass Energy
- Hydro
- EE Industry
- Wind
- Agriculture
- Landfill gas
- Forest fuel switch
- Biogas
- Cement
- HFCs
- Fugitive
- Solar
- Geothermal
- Restoration
- Coal bed methane methane
- EE service
- Energy distribution
- N2O
- Other
- Transport
- EE Household

Number (%) of CDM projects in each sector (June 2006)

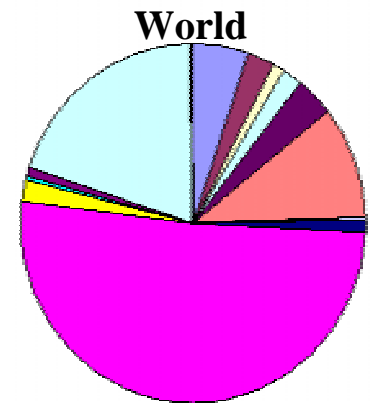
Asia-Pacific



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Annual CERs from CDM projects in each sector (June 2006)

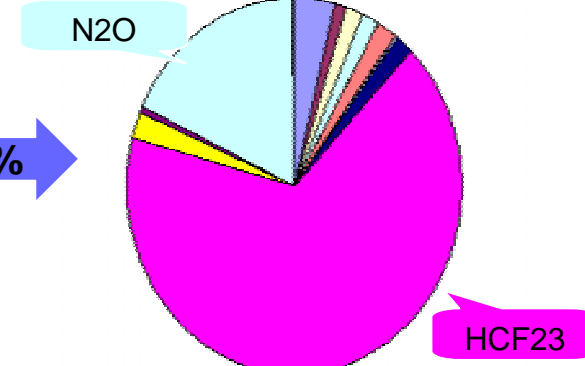
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Annual CERs from CDM projects in each sector (June 2006)

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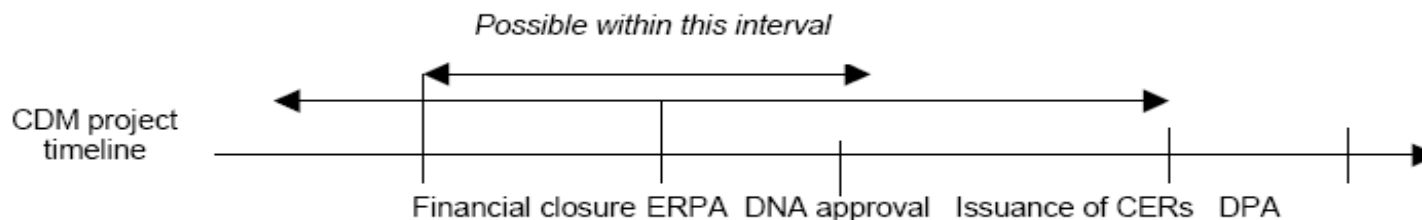
(Source) Made by IGES with data from UNEP RISOE: CDM Pipeline Overview (As of June 20, 2006)



CDM and Unilateralism

Taken our considerations above into account, we now propose the following definition: A unilateral CDM project activity is a project which involves no foreign direct investment, which has only the approval of the host country before registration and which sells its CERs through a DPA after certification and issuance or sells them not at all. All other forms of CDM project are, at least, not pure unilateral projects and may be called bilateral or multilateral CDM projects, depending on the foreign involvement.

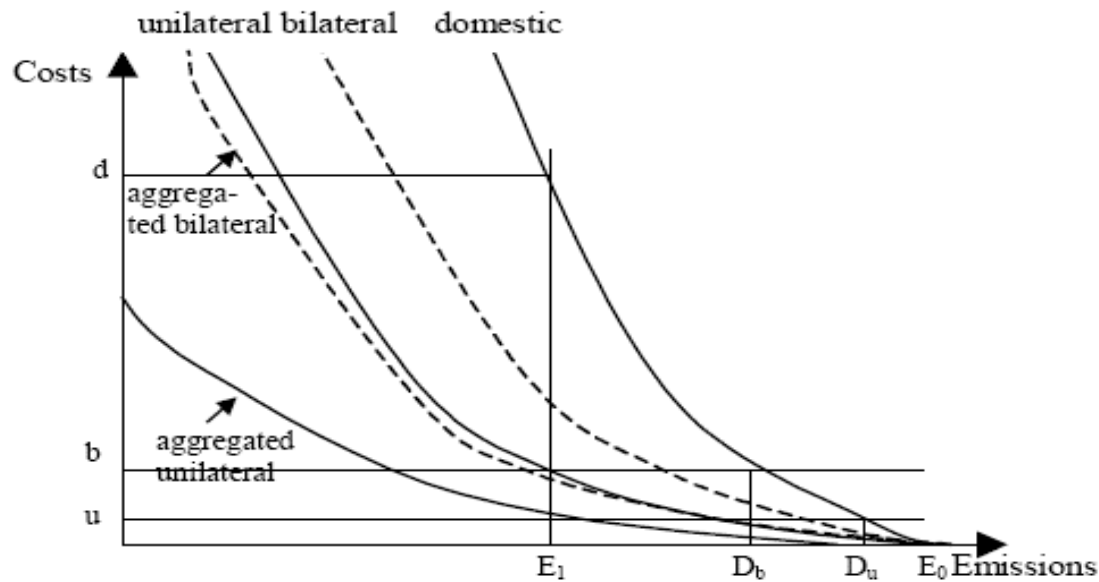
Figure 1: Possible points of involvement of an Annex B partner in the CDM project timeline





CDM and Unilateralism

Figure 13: Effects of risk premium for foreign CDM investment



Possible within this interval

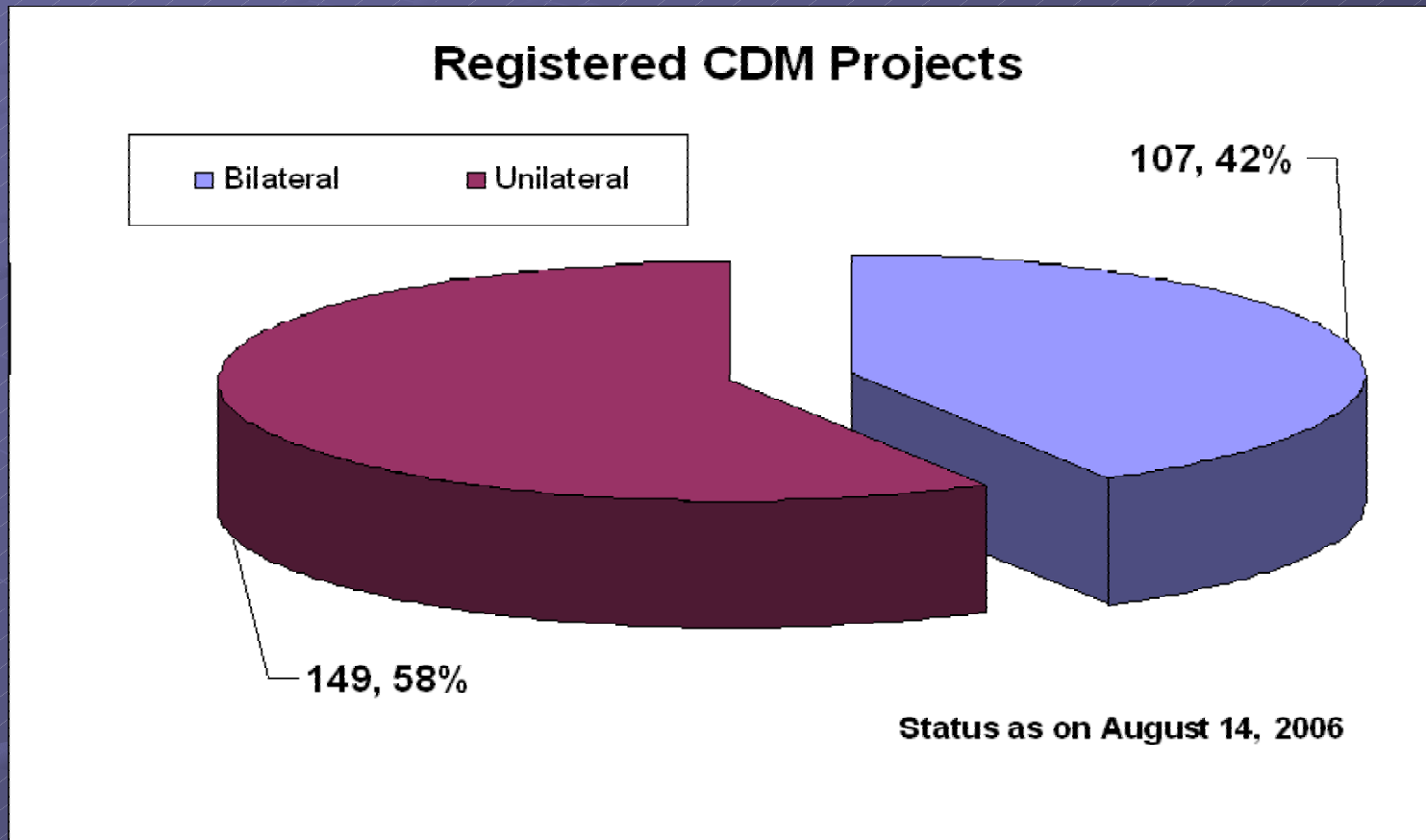
CDM project timeline
...UL CDM leads to lower abatement cost and higher ER in DCs...

Financial closure ERPA DNA approval Issuance of CERs DPA



UL CDM : An analysis

Globally



Source :UNFCCC and ACG analysis

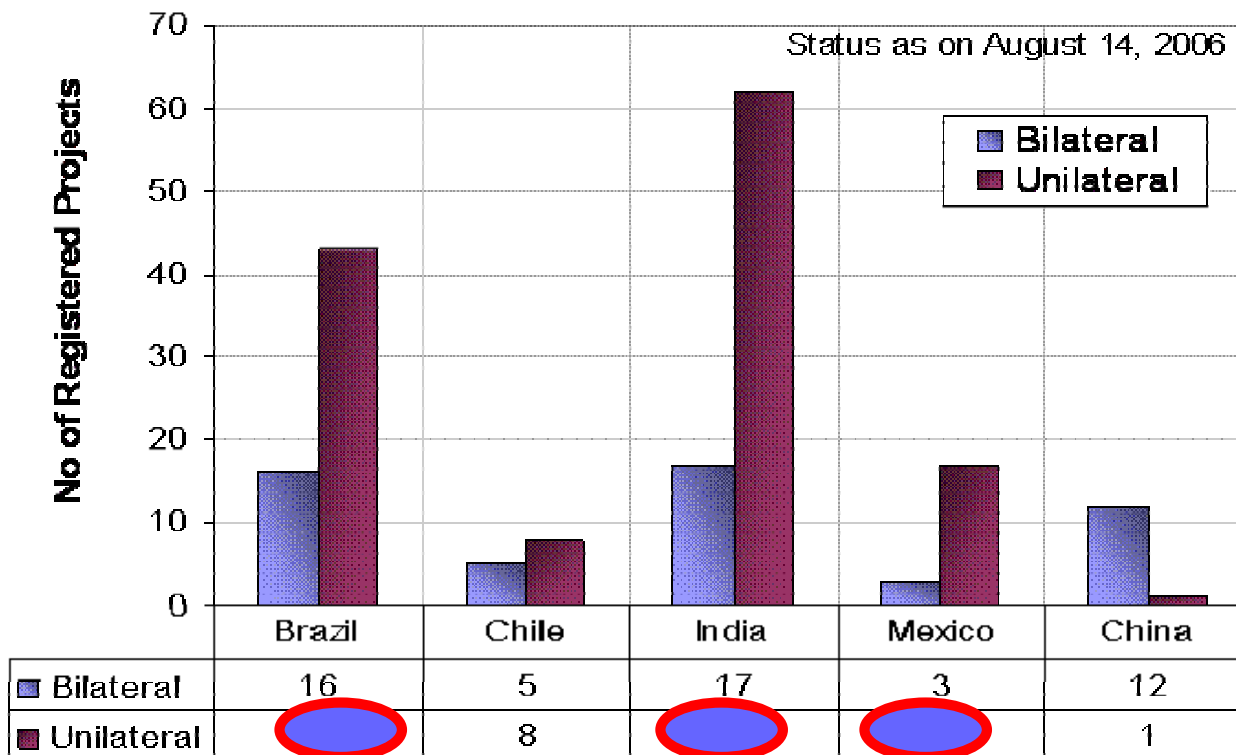
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UL CDM : An analysis

Globally

Major Players in CDM Market



Source :UNFCCC as on 2 Sept 2006 and ACG analysis

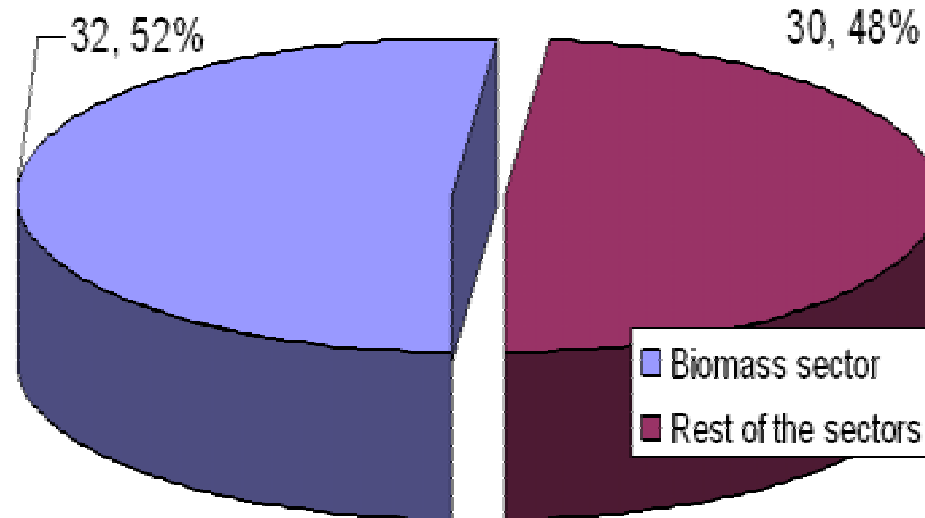
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UL CDM : An analysis

Case Study : India

Unilateral Project - Sector Projection

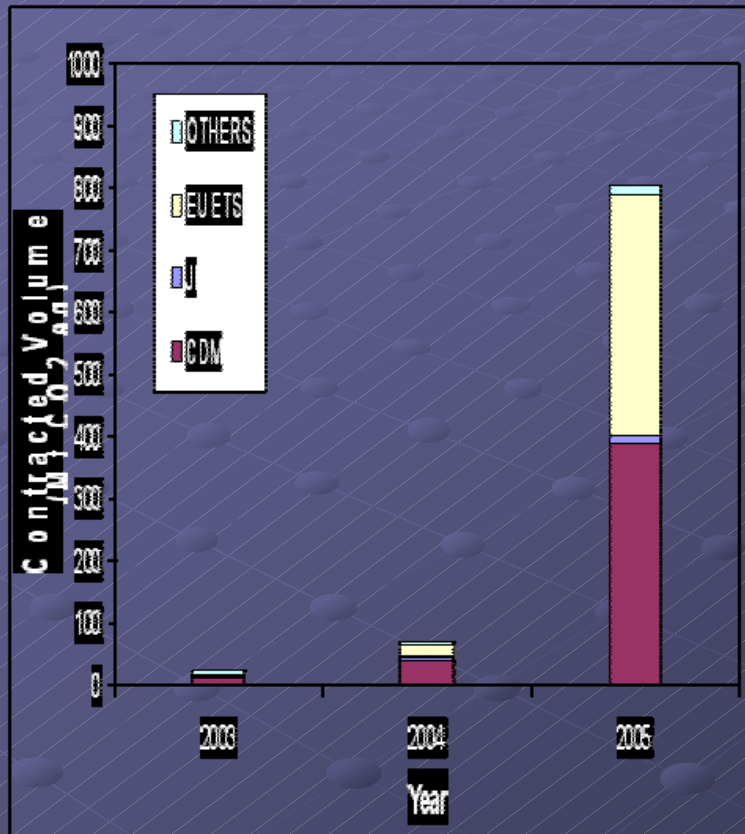


Status as on August 14, 2006



Carbon Trading International Scenario

Global carbon market transactions worth €9.4 billion in 2005



Year	2004		2005	
Market	[Mt]	[€ million]	[Mt]	[€ million]
EU ETS total	17	127	362	7,218
CDM	60	188	401	2,035
JI	9	27	28	96
Other	8	34	7.8	52
Total	94	376	799	9401

Source: Carbon 2006, Towards a truly global market, Point carbon

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Types of CDM CERs Deals

- Forward Contracts (current practice)
 - For compliance
 - For private sector investors
 - For trading in the secondary market

- Upfront Payment (a few *but rare*)
 - CERs upfront payment on discount basis
 - Project Equity/Debt in lieu of CERs

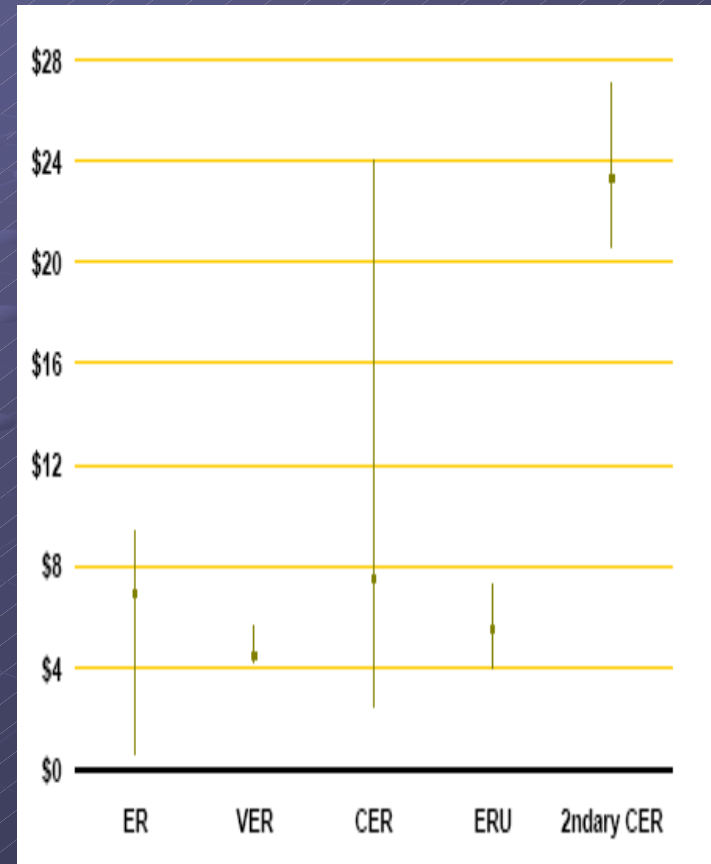
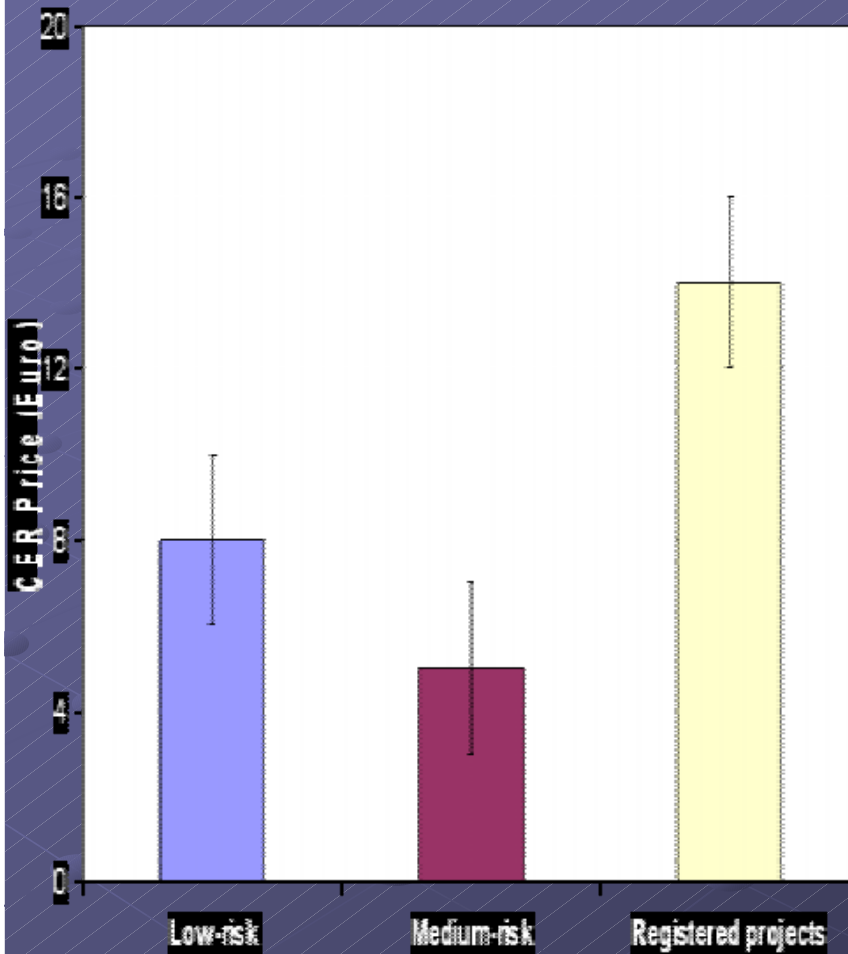
- Spot Trading (yet to take place)

- Secondary Trading (emerging)

- Financing and hedging Instruments [Futures/Options, etc.,]
(emerging currently)



CERs Price Trend



Source: CDM Highlights 38, Aug 2006, GTZ

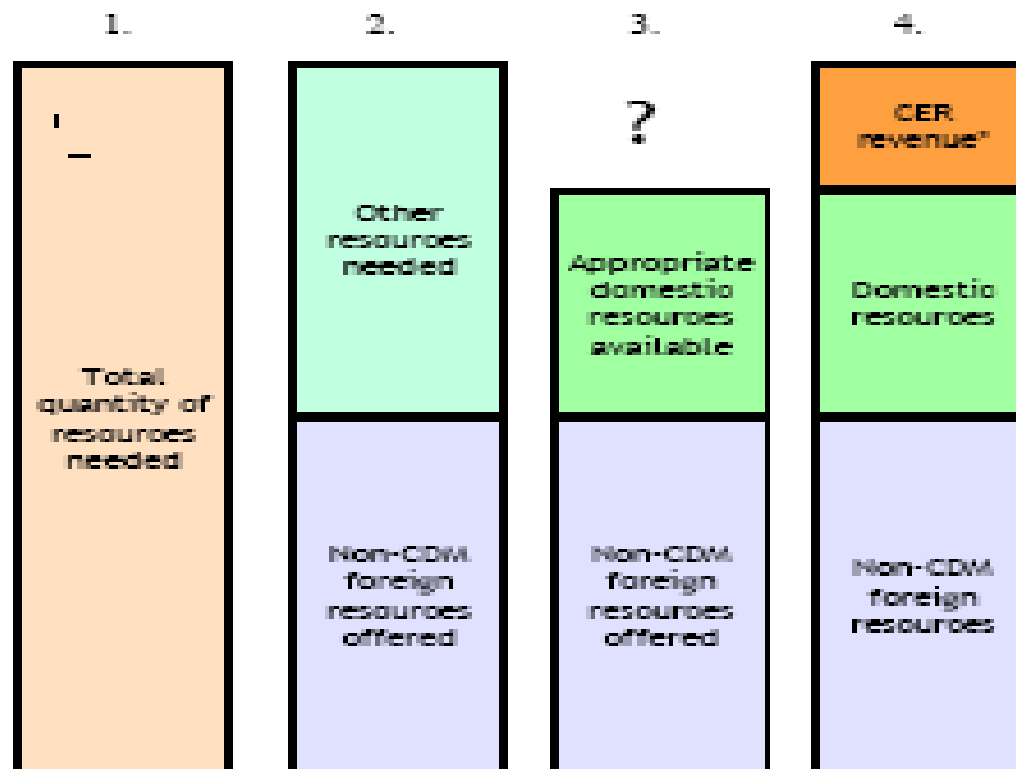
Source: State and Trends of Carbon Market 2006, WB / IETA

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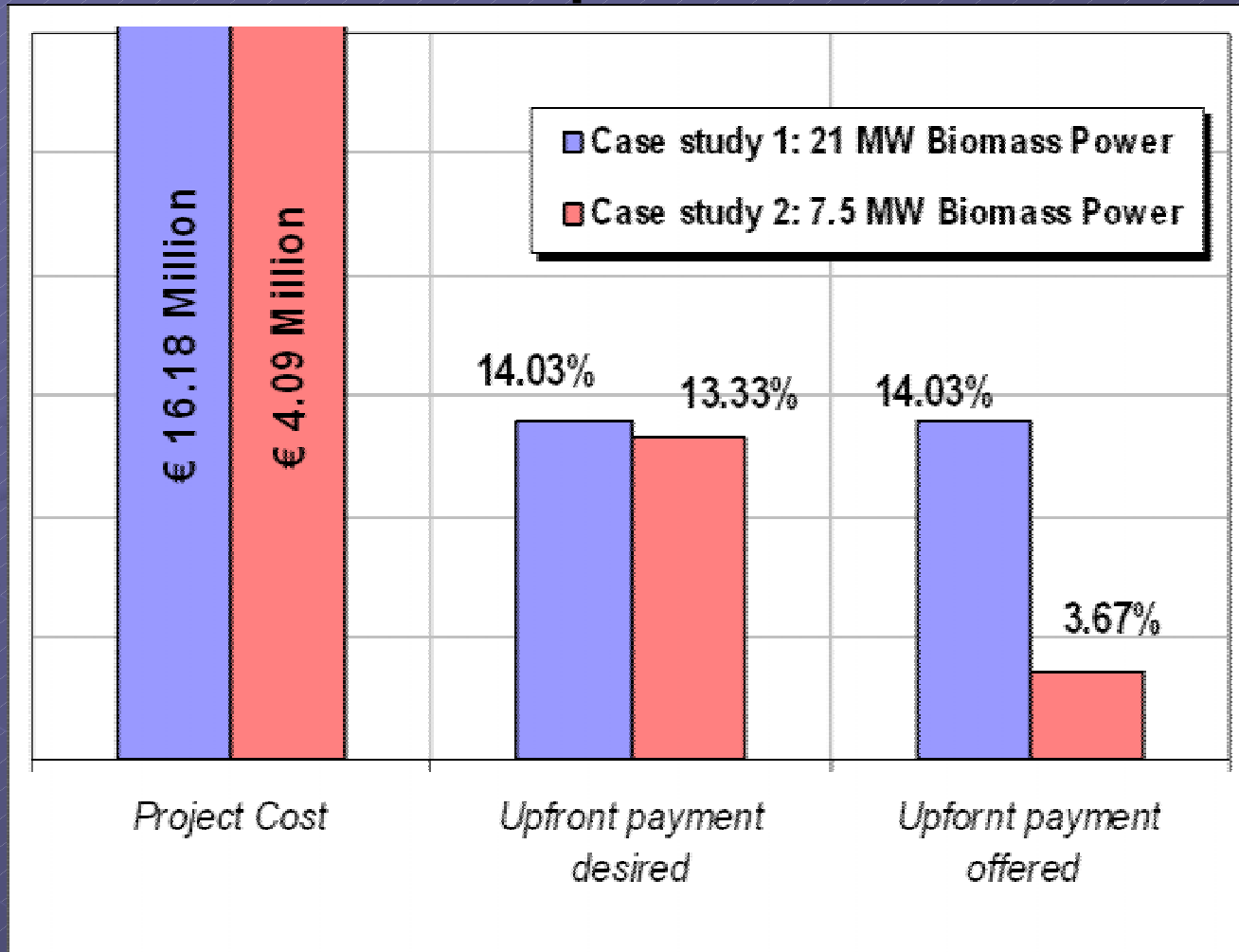
CDM : Financial Impacts

Figure 2 – The CDM as ‘the icing on the cake’





CDM : Upfront offers



Source :ACG analysis

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