

# IRIS KYOTO

## CDM Market update

Tim Crozier-Cole, ESD Ltd  
(on behalf of Jeremy Doyle)  
27<sup>th</sup> January 2003, Paris

# CDM Executive Board

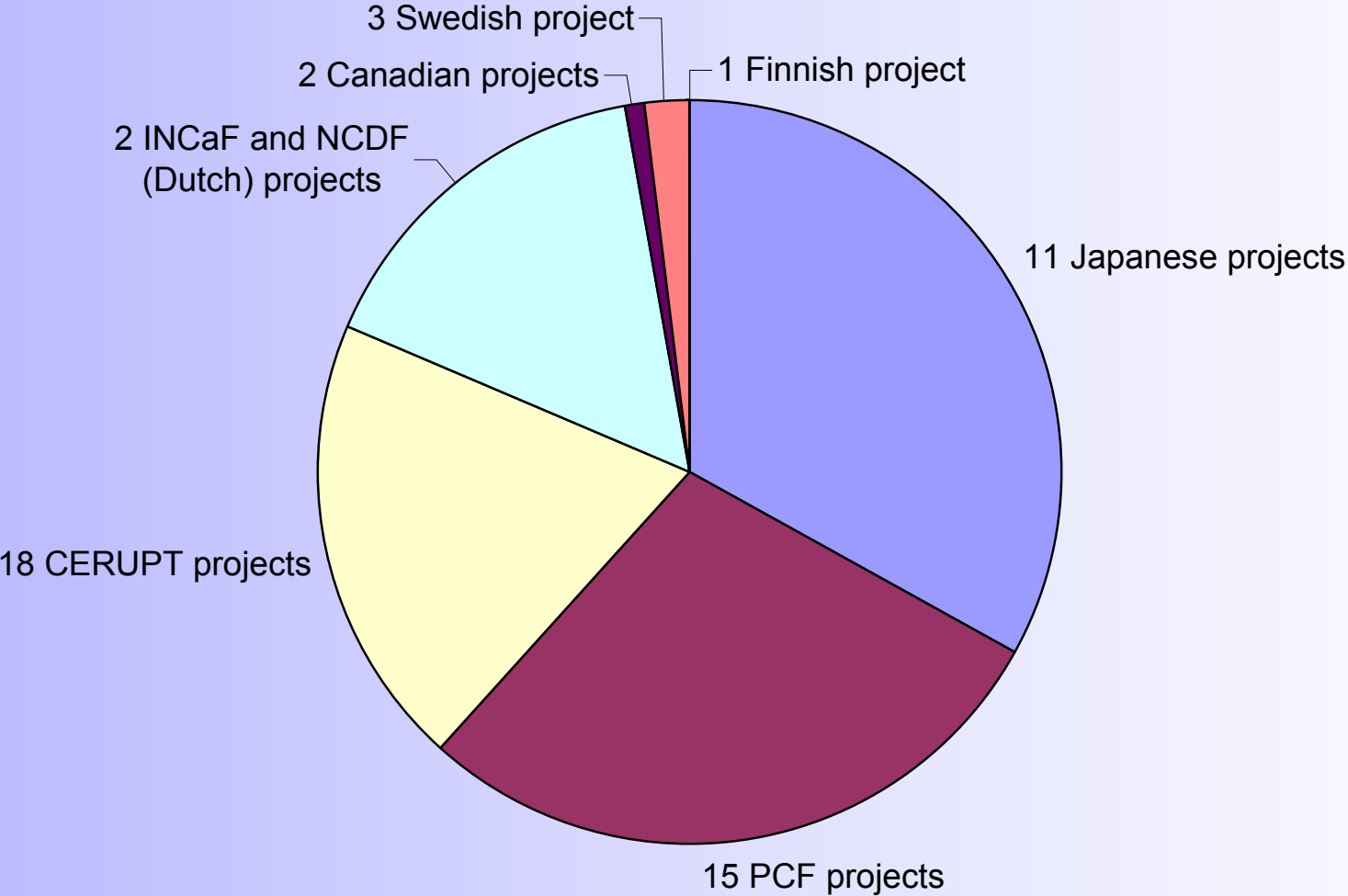
- Baseline methodologies:
  - 16 pending
  - 6 approved
  - COP9 - asked for EB to intensify its work & guidance on methodologies with broader applicability
- CER price range – 3-12 €/t CO<sub>2</sub>e, but mostly €3-4
- 52 Notified DNAs (42 host countries, 10 buyer countries)
- Trend – increasing activity

# General situation of carbon market

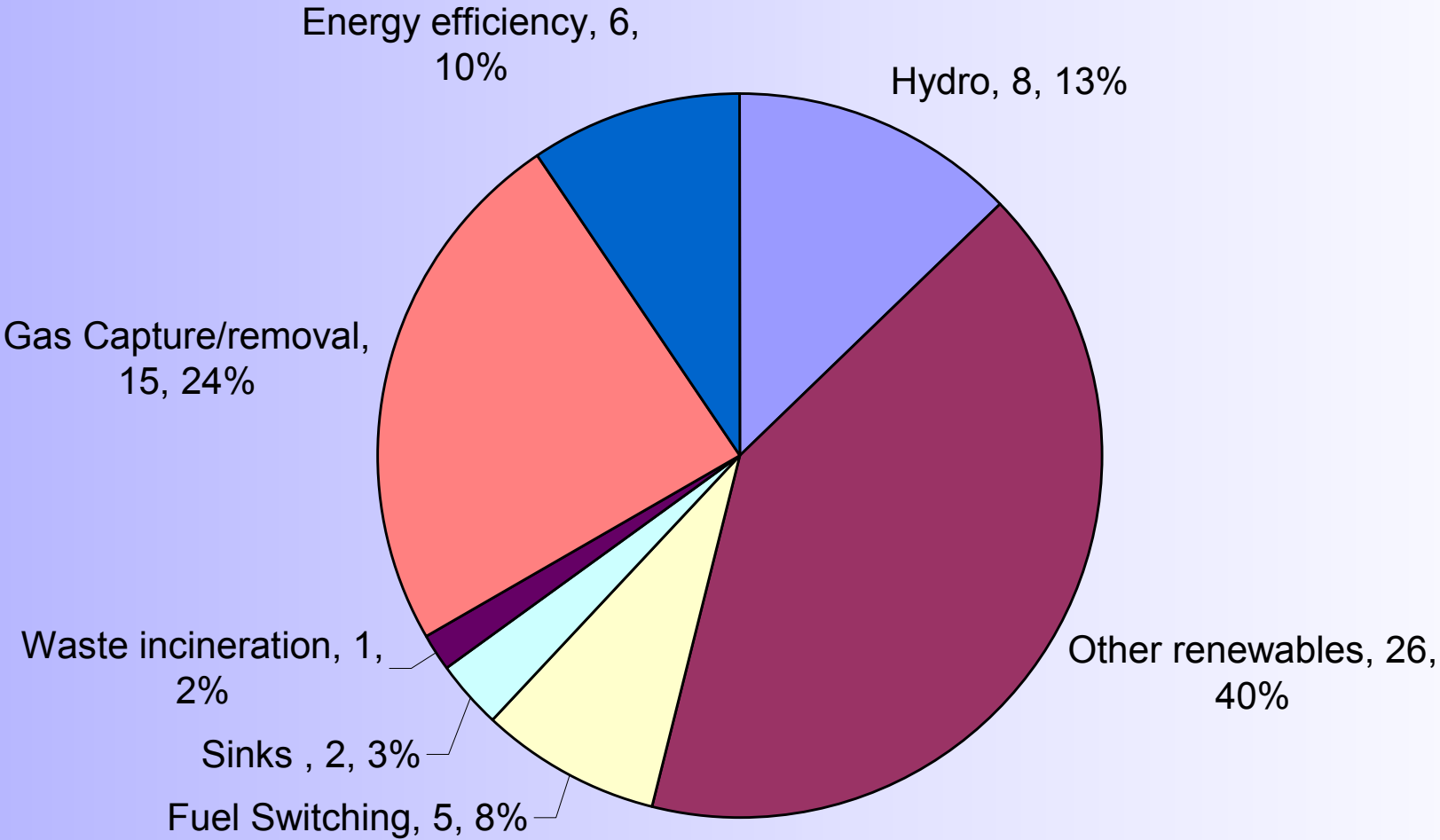
- Currently a “buyer’s” market

CER Buyers	CER Sellers
<ul style="list-style-type: none"> <li>• Perceived low price \$3-\$6/tonne CO<sub>2</sub>e</li> <li>• Least cost means to reduce liability from national obligations &amp; EU Obligations?</li> <li>• Long term fixed price supply of emission reductions to mitigate compliance risk</li> <li>• Tradable asset</li> <li>• First mover advantage</li> </ul>	<ul style="list-style-type: none"> <li>• New investment opportunities</li> <li>• Environmental credibility</li> <li>• New revenue stream</li> </ul>

# Credits claimed by CDM projects up to 2012



**CDM projects with public PDD & baseline study as Jan 2004  
(Type, number, % of total)**



Source: [www.cdmwatch.org](http://www.cdmwatch.org)

# Established buyers (1)

- World Bank Funds:
  - Prototype Carbon Fund (PCF): for JI & CDM, low price and demanding buyers
  - Community Development Carbon Fund (CDCF): for small scale CDM projects
  - BIOCF: for LULUCF projects (e.g. sequestration)
  - NCDF: Netherlands Clean Development Facility

# Established buyers (2)

- National institutional buyers:
  - **Austria:** CDM tender since Dec 2003, good prices
  - **Denmark:** Cooperation agreements signed with 8 countries
  - **Finland:** Small-scale CDM tender, 7 projects under development
  - **Japan:** Government programmes and industrial buyers
  - **Netherlands:** Were a major buyer, no further calls foreseen
  - **New Zealand:** Procurement of NZ JI projects
  - **Sweden:** CDM and JI tenders
  - **Germany:**....

# New CDM project finance facilities & funds

- **Asian Development Bank:** €500m financing facility, possible JI/CDM Technical Assistance Facility & carbon equity type fund.
- **CDC Ixis** (France)
- **KfW** (Germany)
- **Camco International (ESD & KWI):** JI & CDM all scales, success fee, launched July 2003
- **Econergy (US):** Plans for \$35m Clean Tech Fund
- **Swiss Re fund:** Swiss Re to become carbon neutral, investing in WB CDCF
- **2E Carbon Access (EcoSecurities & E+Co):** Small scale CDM, launched late 2003, success fee, some finance from E+Co.



# EU ETS (1): Current Situation

- Due to start 1<sup>st</sup> January 2005
- NAPs to be agreed by October 2004
- Directive amendment (“Linking Directive”):
  - Draft in 2003, agreement in Spring 2004?
  - 6% Ceiling? - now text says *review* at 6%.
  - Likely to exclude sinks / large hydro
  - CERs not eligible until 2008?

# EU ETS (2): Effect on JI / CDM market

- A strong market driver - EU Corporations now actively considering JI & CDM
- Question marks over JI
- Increased interest in CDM
- Likely convergence of prices, increase in CER prices