

Carbon Monitor

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CCX closes Voluntary Market to Annex 1 Countries Outside of the USA

The Chicago Climate Exchange or CCX dropped a bombshell recently and refused to allow credits from developed countries other than the USA into the exchange.

This follows a significant downward trend in the price of VER's on the CCX following what is described as a 'significant' flow of new projects. Since peaking over \$7 USD the price has dropped to \$2.70.

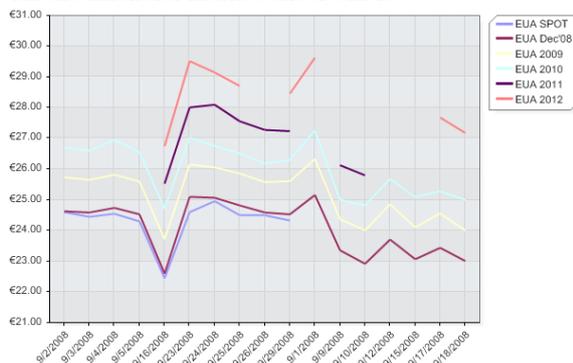
Compliance and verification costs related to the CCX standard now represent a significant cost for project promoters and Environmental Intermediaries & Trading Group Limited view is that the number of projects being advanced on the CCX will drop.

In the past CCX placed limits on access of credits from Annex B countries, that is those with Kyoto commitments to avoid double counting. Projects were subject to individual approval. Many carbon advisors were telling clients that CCX would not allow credits. However Environmental Intermediaries & Trading Group Limited is aware that with statements from the local Designated National Authority confirming double counting would not occur that this issue could be dealt with.

MAF in New Zealand have also clearly issued policy statements clarifying the separation of Kyoto and Voluntary markets assisting with dealing with this issue.

EU Price Update

All allowances peaked in the last month, fell with falling oil prices, regained strength and then softened with the financial market uncertainties.



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New Zealand ETS Passed Into Law

Subject to royal assent the New Zealand Emissions Trading System is now Law.

Highlights of the Act, from amendments over the last months include:

GST treatment – confirmation that the instrument i.e. an NZU is ZERO rated for GST. That is it is taxed at 0%

Verifiers – the system is a voluntary compliance system and verifiers are not required for forest measurement, and the law looks to verifiers for specialist emission factor calculations only

Tax treatment – NZU and climate instruments generally are excluded from trading stock rules thereby removing the threat of accrued tax liability even if the units have not been sold or dealt with.

Participant Foresters – the definitions deal with forest owners via a forest right or lease and land owners. In essence both parties must agree in the event one party wished to become a participant and receive units.

In our view this is dangerous, as with the comments made before in the Carbon Monitor it is our view that all post 1989 forest owners should opt in to secure the credits.

EITG has built specialist models to assist parties with negotiations between land owners and forest right holders.

Consolidated Groups – often this section is referred to when discussing 'pooling' of credits. It is our view that this section is intended for emitters primarily and contains provisions that forest owners would not want to commit to when pooling credits.

Further analysis will be available in future editions of Carbon Monitor once the final legislation is published.

Disclaimer: The information herein should not be treated as taxation or account advice and you should

Australian, European and Japanese Buyers Line Up for Cheap NZ AAU's

Point carbon recently reported buyers from Australia, Europe and Japan out looking for Assigned Amount Units around 12 Euro or a reported 37% discount to credits already issued by the United Nations.

While the later comment on the discount to the issue price is questionable (AAU are issued free of charge by the UN as part of a country's Kyoto allocation) Environmental Intermediaries & Trading Group Limited is aware of activity in the 12-15 Euro range and has buyers looking for parcels in excess of 200kt.

Until recently a very thin market has existed for assigned amount units or AAU's. This has been due to the implementation of the Kyoto protocol by the EU via the EUETS with its principle currency the EUA. An EUA and AAU are NOT interchangeable. There has also been a view (incorrect) in investment circles that an AAU can be only traded by Governments!

However in the NZETS you have a right to convert a NZU to an AAU which will be subject to the commitment period reserve not being breached if the AAU is moved off shore.

In practical terms this means based on the NZ allocation for 2008-2012 (CP1) of 309mt, some 30.9mt of AAU can be exported without compromising the reserve.

Interestingly the EUETS permits non forest CER or certified emissions reductions credits from projects in the 3rd world into the EUETS. This has resulted in a CER reaching a price of around 22 euro. It is only these CER's and AAU's that can be surrendered to the United Nations at the end of CP1 (2013) for compliance obligations under the protocol.

The NZETS and the EUETS are currently not linked so price comparisons are difficult other than via the price of a CER, a common factor between the two systems. Meanwhile the European Union must balance the issuing of the EUA units with the emissions in the EU and ensure that the AAU's they hold are sufficient to comply with their Kyoto obligations. The experience of late 2007 where the price of the EUA collapsed indicated mistakes being made in this process, mistakes that if made in CP1 will result in potential severe volatility in the EU market.

The NZETS will likely link to the Australian ETS as proposed and its units when created. This will then give Australian companies a pathway via AAU and

NZU back to Australian units. A cap on prices in Australia is likely to further distort markets and present New Zealand carbon pool managers with opportunities.

<http://www.pointcarbon.com/news/1.972224>

Ecometrix Launches Web Site

Ecometrix launched its web site that provides a low cost and affective platform for the management of environmental and sustainability information for small to large business.

The site is easy to use and provides access to a carbon calculator and tools to gather and collate corporate information.

Ecometrix Ltd is a member of a consortium of companies each providing one part of the overall array of services needed to support business in meeting obligations. Those needs range across a broad spectrum depending on many factors including the type of business, whether they are subject to mandatory reporting or compliance obligations, or whether they participate to meet more general needs related to the market perception or the demands of purchasers requiring environmental information.

The need for information to be dynamic is as relevant for environmental information as it is for the financial . Carbon audits are a snap shot of the carbon position of the business. While useful, these snapshots need to be available on a daily basis for evaluation, comparison and planning what will happen if changes are made. This requires a real time approach.

The use of this information will vary across business. For some certification and branding will be the aim, for others energy or waste stream management. A large range of uses are possible and a flexible system is required.

Being involved in these activities comes at a cost. To allow business to experiment and develop internal expertise and experience a core value of the company is in offering a 'rungs on the ladder' approach. Participation for part of the business, part of the activity, one location, or a range of other incremental options are available.

How information is input is also important for both accuracy, timeliness and cost. A range of options exist from inputs via on line templates to XML feeds. A simple option is to generate reports from a relational database such as access, or an excel spreadsheet, and email a csv file. This can be readily set up at a limited cost. Updates are then easy. This information can be taken into a database from which a range of reports can be generated for one or many reasons, thus



creating a one-time only entry.

Services based on the information include carbon audits, carbon neutral branding and third party certification, carbon footprinting, waste stream management, and assistance with planning and advice on sustainability issues.

The range of products available is expanded through Ecometrix via its partners. These span a broad range including offset credits from small to large scale project (CDM, JI, Voluntary credits), retail offset systems, and help with emissions trading.

<http://www.ecometrix.co.nz/>

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'Carbon Monitor' is a client service of EITG.
 EITG develops, facilitates and engineers Carbon Mitigation projects and strategies.

EITG corporate advisory provides high-level briefings and advice on building robust responses to emerging regulatory structures.

EITG Carbon Pool provides forest owners with a robust platform to access local and international markets while dealing with harvest and other liabilities.

EITG provides trading platforms and strategies based on extensive mitigation and avoidance platforms under JI and CDM, with matched offset packages for emitters.

EITG is part of an international consortium with representation in Asia/Pacific, UK, USA and South Africa

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