
Carbon Monitor

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Worlds Biggest Carbon Deal Raises Questions

The recently announced carbon deal involving over 300 million tonnes of Assigned Amount Units raised a few eyebrows in early June due to its sheer scale and involvement of AAU (assigned amount units) from the Former Soviet Union state Ukraine.

These AAU units are those allocated by the United Nations as the emissions cap for 2008-2012. The Ukraine, part of the former soviet union (FSU) has plenty of spare credits due to the contraction in its economy since 1990. These AAU units have been referred to a 'hot air' by the European Union and are excluded from trading in the EUETS.

The price announced at the time was around USD14 or \$22 NZD.

The New Zealand link via Tawhaki International LP was intriguing in itself.

Accessing the companies office website and reviewing 'other registries' specifying Limited Partnerships yielded the owner of Tawhaki as OMKE minerals of London.

Googling OMKE reveals Michael DeVoe who is an ex alumni of Auckland University, as an Ukrainian Mining Operation for industrial minerals, where Michael has been CEO since January 2009. He appears to have past banking experience.

The story noted some 50mt of AAU units are headed to New Zealand.

If true this will be a test for the NZ emissions trading scheme as the AAU are unlikely to be greened, and if so would simply be 'hot air' which the Green Party was very much opposed to in terms of NZ meeting its Kyoto Commitments.

Also given the Governments latest view of a potential surplus of 8MT it does not appear make sense, and nor does the comment that one emitter is purchasing them.

Perhaps the AAU are merely on a journey somewhere else and New Zealand is a convenient place to even transfer such units into 'greened units' or was this an elaborate exercise to establish a price for a larger transaction?

It is up to you to decide.

Forest Owners Guide to Carbon Trading

In response to questions from clients and the lack of general information Environmental Intermediaries & Trading Group Limited has just released a guide to carbon trading for New Zealand forest owners.

Starting from the beginning, that is the United Nations Framework on Climate Change, to Kyoto and the New Zealand emission trading system, the document is an easy to read introductory guide.

If you have forest that was pasture on the 31st December 1989 then this guide is essential reading.

The guide will be available on our web site or by emailing forestguide@eitg.co.nz

New Zealand ETS Liquidity

Further submissions have been made by Environmental Intermediaries & Trading Group Limited on the New Zealand ETS and potential issues with liquidity and the corresponding problems with price discovery.

An essential part of the concept of emission trading is full price discovery. Without a reliable price, that is one with limited volatility the type of decisions relating to investment in mitigation of emissions will be severely restricted.

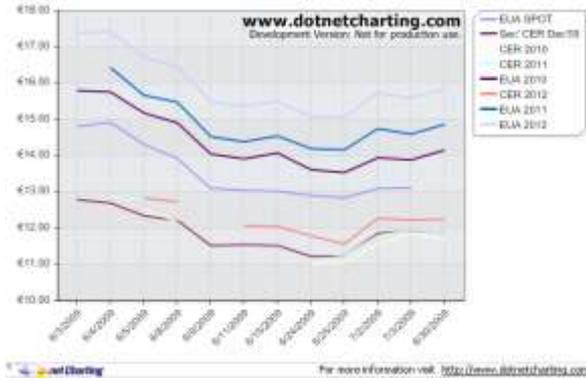
We have written to Dr Nick Smith and Hon Jeanette Fitzsimons, the two members who asked questions on this point at the hearings to instruct MAF to process emissions returns throughout the year and issue NZU units to the EUR regularly during the year, much in the same way provisional tax and GST returns are staged during the year.

EU Price Update

Allowance prices dropped contrary to increasing oil and energy prices falling from recent highs finally firming toward the end of June. CER's continue to offer a good spread between 12 and 15 Euro per tonne.

Prices in NZD still support \$25 per tonne or higher in 2012 based on 15 Euro per CER.





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VAT Fraud Complicates EU Market Trading

PARIS/LONDON, June 11 (Reuters) - The Paris prosecutor's office confirmed on Thursday a probe was under way into a suspected multi-million euros value-added tax (VAT) fraud in the French carbon emissions market.

"An inquiry is under way but we are not yet about to place people under official investigation," a source at the Paris prosecutor's office said.

The French Budget Ministry has made carbon permits exempt from VAT in order to prevent a potential scam linked to a French emissions exchange, a government source said on Monday.

The French government has not yet made an official statement on the matter.

A ministry source said there had been no evidence of VAT fraud, despite rumours circulating that a recent surge in volumes in the European Union emissions permits traded over BlueNext, Europe's main exchange for spot permit trading, was suspicious.

Through carousel fraud, also called missing trader fraud, fraudsters import goods VAT-free from other countries, and then sell the goods to domestic buyers, charging them VAT. The sellers then disappear without paying the collected tax to the government collection authorities.

A BlueNext spokesman told Reuters on Thursday there was no evidence VAT fraud was occurring over its exchange and that the rumours were "unsubstantiated", adding he was unaware of any investigation relating specifically to the exchange.

He said he had not been contacted by any authorities, including the Paris prosecutor's office, about the matter.

http://communities.thomsonreuters.com/Carbon/332871?utm_source=20090615&utm_medium=email

Commentary

The New Zealand legislation exempts NZU units from GST. This removes the complication relating to accounting for GST on imported credits or those exported.

EITG lobbied actively for this zero rating along with members of the brokerage community.

First Sale of NZ Forest AAU to Japan Announced

EcoSecurities has successfully completed the first international acquisition of Assigned Amount Units (AAUs) derived from New Zealand forests registered under New Zealand's Permanent Forest Sink Initiative (PFSI).

The AAUs were bought from owners of over 300ha of forests planted across New Zealand's North and South Islands. EcoSecurities expects to sell the AAUs on to international buyers, with the first onward transaction due to be completed with a major Japanese bank this week. Simon Young, Managing Director of EcoSecurities New Zealand, commented that: "It is great to see export revenue being generated for New Zealand foresters right now from carbon credits sold into overseas markets.

New Zealand has led the world in establishing a credible framework to account for forestry in carbon markets. These transactions reflect that good work and the potential for carbon forestry in New Zealand". Toshihide Kubo, Chief Executive Officer of EcoSecurities Japan Corporation, added that: "We are delighted to be able to market New Zealand forestry AAUs as an alternative carbon credit to meet the diverse needs of our Japanese client base. New Zealand AAUs are the best quality forestry compliance unit available under the Kyoto Protocol and are attracting interest in Japan and elsewhere, given their environmental integrity. As world markets become more familiar with New Zealand forestry AAUs, we expect demand will grow."

Commentary

Carbon Monitor contacted EcoSecurities and asked the following questions:

1. The credits were purchased by EcoSecurities who will then on sell the credits?
2. What was the price paid?
3. What volume was involved?
4. Was the land regenerating native bush or Douglas Fir?

We also wanted to know why EcoSecurities would want to buy the credits and not simply broker the transaction to allow the forest owner to see full disclosure of the price paid by the end purchaser.

In their reply EcoSecurities cited confidentiality in declining to respond and referred us to their press release.

They did indicate the credits involved a mix of species.

New Zealand ETS Review First Amendments Announced

The Climate Change Response (Emissions Trading Forestry Sector) Amendment Bill was introduced in the House yesterday. The Bill makes four key amendments to the Climate Change Response Act:

Extension for <50 Hectares Exemption

Applications: Presently parties who own less than 50 hectares of qualifying pre-1990 forest land may seek an exemption from the forestry provisions of the ETS. The Bill deletes the requirement that such applications be lodged by 30 June 2009. A new date is to be set at a later stage, either by regulation or through notice of the chief executive.

Extension of Surrender Obligations: The Bill extends the date by which parties who deforested pre-1990 forest land in 2008-2009 must surrender NZUs by one year, to 30 April 2011.

Extension of Deforestation Reporting

Requirements: The Bill extends the date for notification of pre-1990 forest deforestation to 31 January 2010 (previously 31 January 2009) and protects parties who failed to comply with the previous date from penalties under the Act.

Suspension or Withdrawal of Allocation Plans: The Bill enables the Minister to withdraw or suspend any draft allocation plan that has been publicly notified prior to the Bill's commencement. The only allocation plan currently notified is the Forestry Allocation Plan which was expected to be published on 30 June 2009. The result of a suspension of that plan is likely to be a delay of the date by which pre-1990 forest owners will receive their allocation of NZUs.

The Bill is expected to have its first reading next week and the Government intends to pass it prior to 30 June

2009. A more substantive amendment bill is anticipated later in the year, once the ETS Review Committee's recommendations have been released.

New Zealand ETS Review

Government sources indicated that the Electricity generation sector was not likely to enter the ETS in January 2010 as planned.

The Minister Dr Smith noted the timetable as 'always unrealistic'

At this stage no specific timetable has been nominated although the Government denied that it would match its timetable to that of the Australian CPRS albeit some design aspects of the CPRS may be incorporated in the NZETS.

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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, Europe, USA and South Africa

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This blog is designed to discuss all aspects of emissions trading and GHG as well as the Kyoto Protocol

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