



## How to establish a CDM Project and Trade CERs

### A one day training example

The total value of greenhouse gas emission permits traded in 2007 reached USD 60 billion, an **80% rise** on the 2006 figure of USD 35 bn. Under the UN-administered clean development mechanism (CDM), 947m tonnes CO<sub>2</sub>e were traded, to a value of USD 18bn. The secondary market in issued CDM credits grew massively, expanding from 40mn tonnes and USD 865 mn in 2006 to 350mn tonnes and € 8.6 bn in 2007. The remarkable growth in the secondary CDM market shows that companies are ready to invent new, creative tools for managing present and future carbon constraints.

Asia, and in particular China and India, represents the largest source of project-related emissions reduction credits going into the UN's Clean Development Mechanism system. Buyers have swarmed into China in particular in order to transact huge volumes of CERs forwards at attractive prices. Such transactions have been possible due to the Chinese designated national authority (DNA)'s CER floor price policy. The Chinese DNA's CER floor price is not perceived as a barrier, as the DNA is also closely watching the global carbon credits price, such as the prices seen in India and the European secondary market. Furthermore, buyers have recently observed their increased exposure to Chinese CERs and are diversifying their portfolio into other Southeast Asian countries.

In Europe several exchanges are now launching CER-related contracts, leaving the opportunity for Asean exchanges and players to participate in the European secondary CERs market, along with offering standardised products in Asia related to secondary CERs. The competition among exchanges will lead to the development of a matured carbon trading space and the increased participation of informed sellers, buyers and traders. At the same time, we are already witnessing alliances between exchanges around the globe. Such combined strengths will further enhance the critical role carbon exchanges could play in shaping the global carbon market.

Standardisation is needed for the CDM market to reach its full potential. The major areas for standardisation include: contracts; the level of participation in CDM projects before registration; the level of guarantees sellers can provide for their primary CERs; and developing a category of small-scale projects with high success rate of delivery. Currently, the registration of CDM projects and the issuance of CERs will enable the market to address the above areas of standardisation. This will leave the credit rating of the Asian sellers as a major obstacle, requiring standardisation for their participation in exchanges the development of insured or guaranteed CERs products.

More and more financial players and intermediaries enter the carbon markets in Asia. There are already many European and US-based financial players and intermediaries who are actively engaged in carbon trading in Asia. Few have taken big positions in China and HFC 23 projects in India. This will continue to grow, with increased participation by Japanese financial and trading houses. Such a high level of participation will not only provide much needed liquidity and dynamics to the Asian carbon market, but will also lead to the development of new project financing options for Asian CDM projects.



## Your Trainer: Kasper Walet



Kasper Walet has more than 20 years of experience and extensive knowledge on a theoretical and practical level about all the aspects related to trading, derivatives and risk management in the (energy) commodity industry practical level about all the aspects related to trading, derivatives and risk management in the (energy) commodity industry.

Kasper received a Masters degree in Law from the University of Utrecht in 1987. He started his career at the NLKKAS, the Clearing House of the Commodity Futures Exchange in Amsterdam. After working for the NLKKAS for five years, Kasper was appointed as Member of the Management Board of the Agricultural Futures Exchange (ATA) in Amsterdam at the age of 31. While working for the Clearing House and exchange, Kasper became an expert in all the aspects of trading and risk management of commodities.

In 1997 he founded his own specialist-consulting firm that provides strategic advice about (energy) commodity trading and risk management.

Kasper has advised government agencies such as the European Commission, investment banks, major utilities and commodity trading companies and various exchanges in Europe, CEE countries, North America and Asia. Some of the issues he has advised on are the development and implementation of a Risk Management Framework, investment strategies, trading and hedging strategies, initiation of Power Exchanges (APX) and other trading platforms, the set-up of (OTC) Clearing facilities, and feasibility and market studies like for the LNG Market.

Kasper has given numerous seminars, workshops and (in-house) training sessions about both the physical and financial trading of commodity products. The courses have been given to companies all over the world, in countries like Japan, Singapore, Thailand, United Kingdom, Germany, Poland, Slovenia, Czech Republic, Malaysia, China, India, Belgium and the Netherlands.

Kasper has published several articles in specialist magazines such as *Commodities Now* and *Energy Risk* and he is the co-author of a book called *A Guide to Emissions Trading: Risk Management and Business Implications* published by Risk Books in 2004



## Tailor made Training

This is just an example of a possible training. However, it will be my pleasure to discuss with you your requirements. This will allow us to make a tailor made training course that will exactly meet your demand.

## Contact

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**Your Commodity Markets and Risk Management Partner**



## The program

### Introduction Kyoto and CDM

- The Kyoto Flexibility Mechanisms
- General Overview CDM
  - Role UNFCCC
  - International Demand for CDM
  - Buyers, sellers, locations
  - Technology Share
- Indian CDM Projects registered by CDM Executive Board
- CDM Project Approval Cycle
- CDM Registration Lessons learnt
  - Relevant recent developments EB
- What is going to happen after 2012 when the Kyoto Protocol ends?
  - Are the signals long enough to be relevant to CDM investment cycles

### Carbon Markets

- Role of mandatory and voluntary markets
- Role of exchanges in the Carbon market: Europe, US and Asia. Regulated vs. voluntary markets
- Growing Secondary CER Market
- Voluntary market
  - Size
  - Historically traded volumes
  - VER Transactions by Project Location
  - VER Suppliers
  - Voluntary Market Pricing
- Future Voluntary markets

### The Gold Standard and other Voluntary credit standards

- What is the Gold Standard
- Gold Standard vs. conventional CDM
- Gold Standard Governance
- Active in both the compliance and the voluntary markets
- Premium Market Prices
- Eligibility and Sustainable Development

### Risk Management CDM Projects

- Project Conception
- Implementation Challenges
- CER risks faced by Project Developers
  - Registration Risk
  - Market Risks
  - Buyer Risk
  - Project Risks / Delivery Risks
- CDM Risk Mitigation



## **CDM Procedures**

- Overview Project Cycle
  - Project Formulation
  - National approval by DNA
  - Validation by DOE
  - Registration by EB
  - Monitoring
  - Verification by DOE
  - Certification by DOE
  - Issuing of CERs
- Small Scale CDM projects

## **Key Issues CDM Projects**

- Additionally
- Baseline
  - Static
  - Dynamic
  - 3 approaches

## **Practical Case studies to Methodologies for CDM project activities**

Practical case studies about baseline and monitoring methodologies for CDM project activities that are:

- Approved by the CDM Executive Board
- Under consideration of the CDM Executive Board

## **Final Discussion and Closing**