

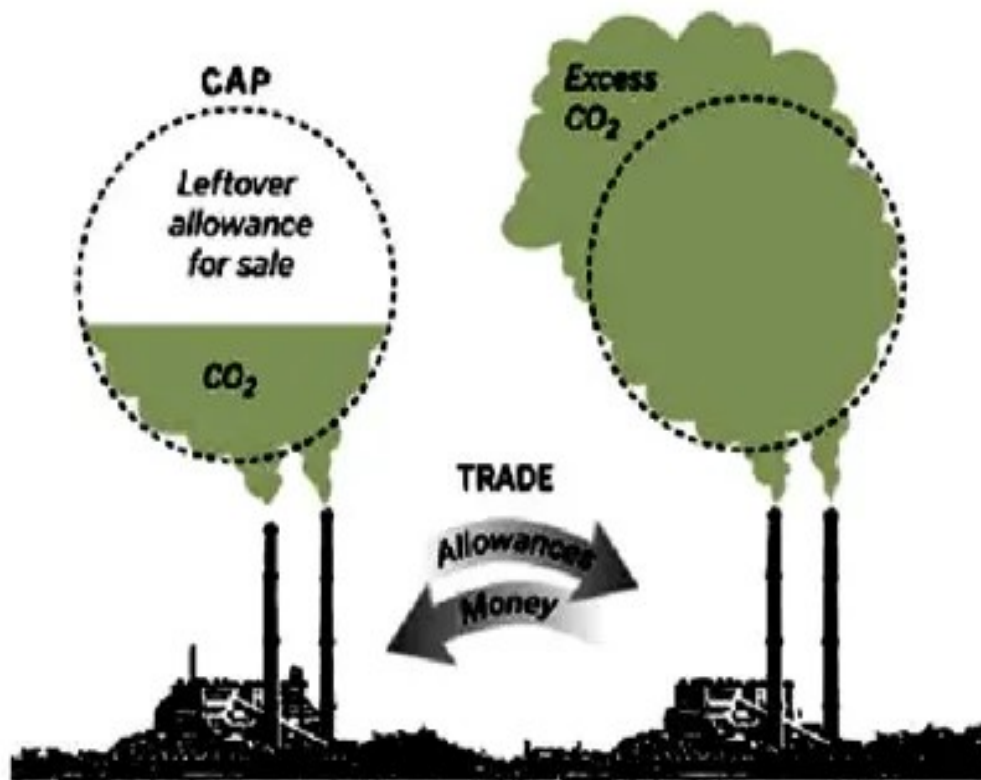


# EMISSION TRADING

## A NEW REALITY IN PROJECT MANAGEMENT







# What Is Emissions Trading Scheme?



# What IS The EMISSION TRADING





# About the Market

## **1 carbon allowance $\Rightarrow$ 1 tone of CO<sub>2</sub>**

Under a Cap-and-Trade system, industrial firms that emit CO<sub>2</sub> must obtain Carbon Emission Allowances from regulators – each allowance permits them to emit 1 tone of CO<sub>2</sub>

## **Supply of allowances is reduced annually**

Legislation automatically reduces the supply of allowances each year, decreasing emissions over time and increasing scarcity value of allowances

## **Incentivizes polluters to reduce emissions**

An increase in the price of allowances forces firms to switch to greener solutions and reduce their greenhouse emissions



## What is the EU ETS?

The European Union Emissions Trading System (**ETS**) is a European policy tool that was set up to **reduce greenhouse gas emissions**. This mandatory policy tool attempts to ensure emitters pay for their emissions.

For every tonne of greenhouse gas emitted, one EU Allowance (**EUA**) must be handed into the relevant government authority (different for each member state). Stated otherwise; one EU Allowance gives you the right to emit one tonne of greenhouse gas.



# HOW DOES CARBON TRADING WORK

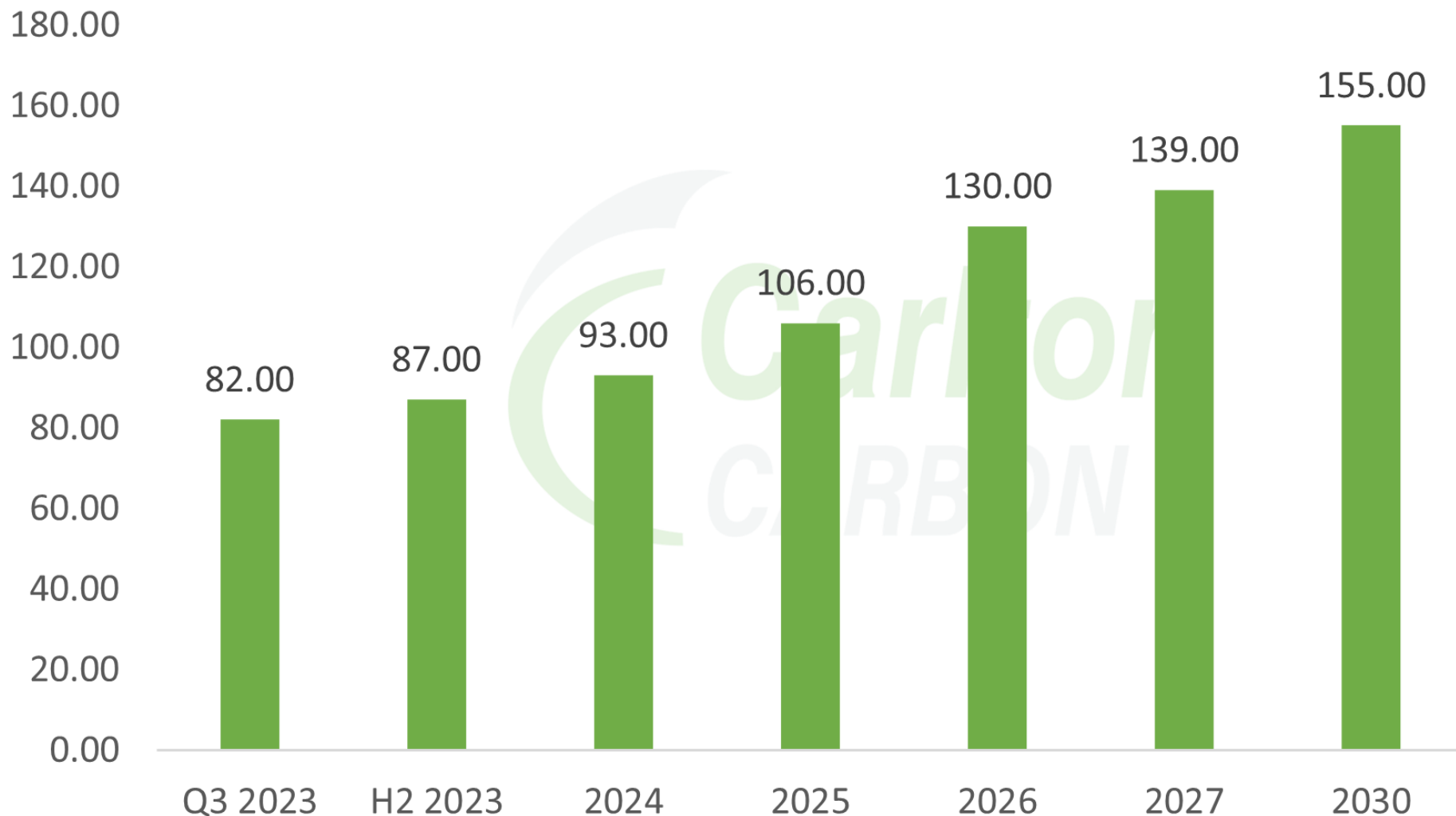
Allowances could exist in paper form much like share certificates....

however for efficiency they exist purely in digital form and are held in electronic 'registry' accounts, much like an internet banking system.

The registry accounts in compliance systems are run by the regulator of that system to maintain integrity.

# EUA PRICE FORECASTS

EUA Average Price Forecast (€)



## Trading Alternatives & Technique's



## Summary of Solutions

Solution	Pros	Cons
Direct Procurement	Price certainty	Large upfront cost
Forward Buying	Price certainty Little upfront cost	Forward price usually higher than current price
Average Price	Fair market price	No price certainty
Price Cap	Some level of price certainty Protects from prices above a certain level	Upfront fee can be costly
Capital Efficient Price Cap	Little or no upfront fee Some level of price certainty Protects from prices above a certain level	Sets a minimum price



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