

## Editorial

**(By: Anik Ajmera,)**  
Heart Beat of Indian Private Sector

Indian Economy is developing at an average rate of 8-9 % over the last few years. Despite global recession, alarming rise in oil prices and increasing inflation, the Indian economy has been robust & strong enough to bear this onslaught. A large contribution for this goes to the Indian Private Sector which has demonstrated continuous growth internally ( @ 18-20 % annually) and also organically by going 'more global' through a series of strategic mergers, collaborations & acquisitions.

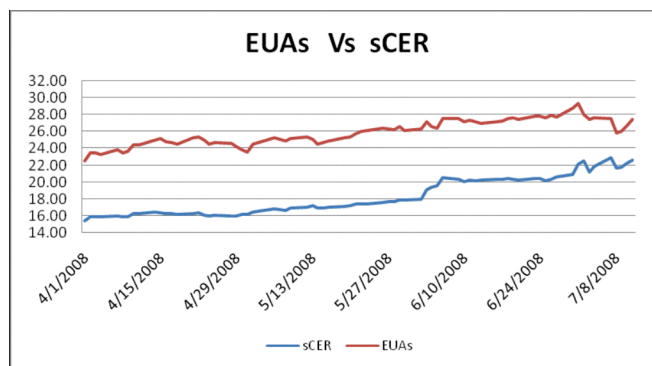
The growth of the 'Carbon Markets' has demonstrated an exponential trend where the supply side grew at a fast pace mostly driven by the Indian Entrepreneurs & Private Sector. Today, India has the second largest portfolio of carbon credits (just after China) accounting for more than 12 % of the total world's supply. The majority of projects that have sold carbon credits so far include renewable energy (such as wind power, biomass cogeneration and hydropower); energy efficiency measures in several sectors ( such as cement, petrochemicals and power generation); as well as the reduction of industrial gases that contribute to climate change.

The Indian private sector and Indian economy at this moment are poised to take a 'Leap-Frog' jump where the critical sectors that will contribute will be Power (Thermal / Hydro / Renewable), Cement & Construction, Agriculture, Mining & Metallurgical, Transport & Infrastructure, etc. All these sectors will contribute to further strengthen the supply side of the carbon credits from India. A number of big corporations are increasingly factoring 'revenues' from the carbon credits as a part of their overall business strategy / project financing options. There are also a few companies that have a higher 'revenue contribution' coming in from the carbon side than the actual manufacturing activity. Such developments have provided a further boost to the involvement of the private sector in the overall carbon management in the country.

The awareness & growth of the carbon credits & carbon management has therefore made it the 'Heartbeat of Indian Private Sector'. \_

## Market Price Updates

The last fortnight started with an increased in the price of carbon, busted by the increase of oil prices and German power; closing on Monday the 30<sup>th</sup> at €28.77 for EUAs and €20.88 for sec-CERs, €0.30 higher than the CERs closing price from the previous week. CERs saw an increase in the volume traded for post 2008 vintages, consolidating the contango term structure. This is at the back of the market expectations of ITL/CITL being connected by the 1<sup>st</sup> Dec 2008. Later in the week, EUAs dropped on the back of falling coal and German power prices, however, CERs keep the upward trend, as rumours of some EU countries were to connect before all 27 EU countries could do so; hence the spread of EUAs – sCER prices narrowed to €5.82. Some profit taking late in the week, produce some price falls and thin volume traded late in that first week.



Sources: EUAs-ECX; sCER-Reuters

At the beginning of the week of the 7th – 11th of July, EUAs prices went down, aimed to the fall in oil prices, reaching a 3-week low price on Tuesday. However, CERs prices saw an increase following the announcement of the "sure" linkage of ITL, which gave confidence to the market, complemented by a tight supply of CERs. The EUAs-sCER spread reached a value of €4.1558, compared with €7.17 just a month ago.

In mid-week, carbon prices saw some gains with coal prices falling, and at the end of the week, commodity prices from the energy mix that drives carbon prices were higher, with oil, gas, coal and power prices all up. The week close with CER prices at €22.52, up €0.70 from last week.\_

## Carbon Market Updates

- ECX CEO, Patrick Birley, said at a conference in Japan that the Japanese trial run of the carbon trading platform will likely boost the ECX business and they could look into linking the two platforms in the future together to provide a global solution.
- US will not come out with a climate bill this year said a key sponsor of future measures. A bill on CCS is being pushed forward rather than the climate bill. As this goes on, the state of California has release a Cap and Trade program to bring down the emission to 1990 levels by 2020. The program is to start by 2012. Pennsylvania on the other hand, has rejected the RGGI and it is ready to come out with its own action plan to fight climate change. The power generators in US are reeling with all the discussions about cap and trade market when it is a wrong time to come about since more generators need to be installed to generate more power for the arising demand and reliability of supply.
- European Parliament voted in favour of including the aviation industry under the new laws to cap the emissions from 2012. According to the law, both EU as well as foreign airlines using EU airports will be urged to reduce emissions by initially capping to 97% of emission levels of 2004-2006 levels and from 2013 reducing to 95 per cent.
- Port-authorities from 50 ports all over the world, businessmen, lawmakers as well as scientists met at Rotterdam. The Netherlands to chalk out the future caps on emissions for the shipping industry which is said to have emissions in the range of 1.5-4.5% of total emissions in the world and which it is said to grow by leaps and bounds in the coming years.
- ADB has announced a \$100 million carbon fund to encourage public and private sector firms to continue the efforts of offsetting their emissions.
- Man group and an Abu Dhabi state owned oil company has set up \$1.5 billion fund to develop emission reduction projects which could generate power from gas which it is usually flared during production of oil.
- World Bank unveils two carbon funds to assist poor countries to set up clean technology projects.
- Japan to assist Indonesia by providing low interest loan to the tune of \$300 million for low carbon projects under the \$10 billion "Cool Earth Partnership".
- VCS organization has approved three more registries for the VCS standard, adding to the already approved APX registry. These registries are New Zealand based exchange TZ1, Caisse des Depots, and NY Mellon registries.
- Arcelormittal, the world's largest steel company has started a venture capital fund to the tune of \$20 million for clean technologies and has announced a €100 million committed carbon funds for Renewable Energy and Energy Efficiency projects. \_

## CDM Market Updates

- EcoSecurities sees an increase of 21% in their portfolio of CER's. The total of CER's in their portfolio has been recorded at 29 million by the middle of this year. According to EcoSecurities, the increase was brought about by many of the projects submitted for registration being registered in April this year. Their rival company Camco International registered a faltering portfolio, with reduction of around a million CER's and they attributed the same to the increase in time taken by UNFCCC to register the projects and issue the CER's.
- UNFCCC issued 3.8 million CERs during last week, which falls short to the average number of CERs to be issued meet the supply forecasts of the future.
- Point carbon estimates the mid-year carbon market at €38 billion, which is equal to the whole of 2007. This is attributed to raising EUA and CER's prices
- JBIC has entered into a co-operation agreement with Government of Pakistan to develop more projects under the Clean Development Mechanism under UNFCCC in the country.
- China approves 51 more CDM projects for registration at UNFCCC.
- The auditors at UNFCCC for CDM projects are applying pressure on project proponents to go in for registration and issuance of CER's in the first year of operation of the project in order to segregate the non performing projects from the performing ones.
- EU Emissions registry will be linked to UN International Transaction Log (ITL) by December this year, it has been announced.
- EB40 decides that the benchmark IRR cannot be taken from tariff orders which are brought out by state electricity regulatory commissions in India.
- Czech Republic to auction 10 Mt of CO2 emission reductions AAU's under the CDM which are worth about \$100 million. The Czech Republic has a surplus of 150 Mt of AAU's of which they could sell around 100 Mt.
- Lehman Brothers Holdings has, for the first time, bought CERs from two Chinese Projects to the tune of 4.2 million CERs at €12.60 each.
- **CDM FACTS:**
  - *Registered Projects: 1117*
  - *Issued CERs: 163,371,026*
  - *Expected CERs: 1,290,000,000 (From registered projects until the end of 2012).\_*

Source: UNFCCC

## ASIA CARBON'S ACTIVITIES IN THE MARKET.

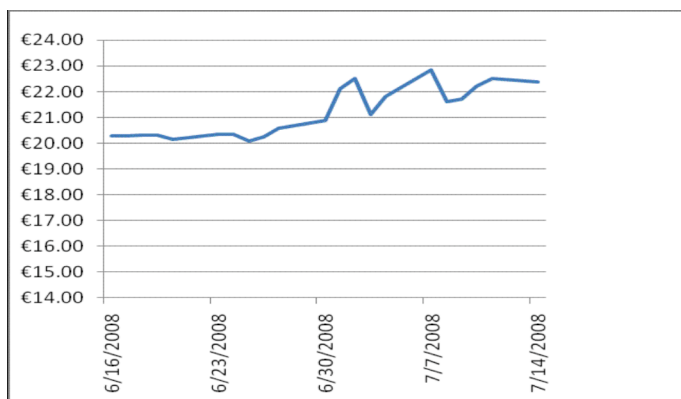
- Asia Carbon Emissions Management India.** A 40 MW Wind Project by BP has gone for Request for Review. The same can be viewed at the following link:  
<http://cdm.unfccc.int/Projects/DB/SGS-UKL1201725472.8/view>
- Asia Carbon Global's First Singapore CDM Project.** A Singaporean project obtained the Letter of Approval for a 10MW Food Waste Grid Connected Power Project. Singapore signed the Kyoto Protocol in April 2006, and by granting this letter of approval, this project is considered to contribute to the sustainable development of Singapore.
- Asia Carbon Emissions Management India** has recently uploaded one of its projects developed in the United Arab Emirates (UAE) for global stakeholder comments until the 10<sup>th</sup> of July 2008. The project title is: "Energy Efficient Natural Gas Fired Thermal Fluid Heating System at JBF RAK FZLLC, Ras Al Khaimah, UAE." The web link is the following:  
<http://cdm.unfccc.int/Projects/Validation/DB/XWYWXJ5TYKNSRPH1R15ZR4FUWQBC7F/view.html>.
- Asia Carbon Exchange signs MoU with JBIC** to host the Nikkei-JBIC Carbon Quotation Index within the Asia Carbon Global website.
- ACX-Change secures European buyer to purchase South Korean CERs.** These CERs, in excess of 76,000, were sourced from a small-scale hydroelectric power plant project in South Korea, the transaction was executed in last week's auction held on the 26<sup>th</sup> of July.

### Price Index Table

Source	Reuters	Platts	LEBA	ECX	CCX (USD \$)
Date	CERs	CERs	CER Index	EUAs	
30-Jun	€20.88	€20.87	€20.88	€28.77	\$4,85
1-Jul	€22.11	€22,00	€21,41	€29.33	\$4,75
2-Jul	€22.51	€22,30	€22,59	€27.99	\$4,65
3-Jul	€21.13	€21,00	€21,72	€27.45	\$4,10
4-Jul	€21.82	€21,85	€21,61	€27.64	n/a
7-Jul	€22.85	€22,97	€22,74	€27.51	\$4,40
8-Jul	€21.63	€21,60	n/a	€25.79	\$4,00
9-Jul	€21.71	€21,70	€21,78	€26.02	\$3,75
10-Jul	€22.22	€22,20	€21,65	€26.68	\$4,00
11-Jul	€22.52	€22,50	€22,63	€27.45	\$4,00

For  
2008  
Vintages

### Reuters' CER Price Index: 16 June – 14 July /08



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