



## CDM Newsletter

### Seventh Issue

June 2007

### Overview of CDM

In this sense, there are many different forms where the CERs can be negotiated, so the different risks associated can be well addressed and an up forward solution and commitment between the parties can be reached, as follows:

- Once the CERs are issued, they can be sold direct and immediately - i.e. a spot transaction;
- Selling of CERs that will come from a future activity of a CDM Project (could be an specific amount, by each verification period or even all the project's CERs) - i.e. a forward sale; and
- An agreement on the sale of options to purchase agreed volumes of CERs at a later date - i.e. an option agreement.

So it is important that when project developer meet the CER buyer's, each one tries to address the risk and the price during negotiation in a committed way, do not try to sell all possible CERs – this would give the developer a safety margin (if anything goes wrong), and yet could offer better finance performance for the future. On the other side, the buyer what to see who feasible and CDM like this project is, if it does count with the DNA approval, if the proposed does know the technology that is to be used, and so one.

In resume, it takes two to tango, and CDM Business is a long term relationship, up to the certification period (i.e. 20 years), and if we all start well, there is a better chance that a win-win situation is forged and a long lasting bound would be made between Kyoto business and achieving Sustainable development by fostering CDM projects. (Marcos Alexandre Teixeira - RGEDS – IST, *Selling of CERs and CDM Risks Management, a researcher's points of view-Part IV*)

### CDM information

#### **4 June 2007: “China’s National Climate Change Program” issued**

China’s government issued “China’s National Climate Change Program” on 4 June 2007. This program formulates concrete objectives, basic principles, areas of emphasis, and policy measures to address climate change for the period up to 2010. See detailed document at:

<http://www.ccchina.gov.cn/WebSite/CCChina/UpFile/File189.pdf>

#### **8 June 2007: G8 leaders reach “compromise deal” on climate change**

After arduous negotiations, the G8 summit produced a compromise declaration on climate change on 7 June 2007, agreeing to “consider seriously” Germany’s

suggestion that global greenhouse gas emissions be cut by 50% below 1990 levels by 2050. They also agreed to tackle climate change within the framework of the United Nations.

Angela Merkel, the German Chancellor and summit host, said on the same day that this was “the best compromise” that the G8 leaders could strike at present and that it was “a turning point” in global efforts to prevent climate change. The agreement sent a “strong signal” for the UN climate conference to be held in December in Bali, Indonesia and cleared the way to kick off the international negotiations for a post-Kyoto framework of greenhouse gas emissions before 2009.

In light of UN reports that provided scientific basis for greenhouse gas emissions as the cause of climate change, G8 leaders said in the statement that they must “dramatically” reduce global greenhouse gas emissions. Accordingly, they would “consider seriously” the suggestion raised by the European Union, Canada and Japan to cut carbon emissions to at least half of 1990 levels by 2050. Moreover they hope that all large-country, greenhouse emitters will strive for this target.

The statement said that, in order to achieve a new global agreement on emissions reductions by 2009, it was crucial for economic powers emitting the most greenhouse gases to reach consensus regarding their specific contributions to the global protocol before the end of 2008.

In a previously submitted draft resolution, Germany called for actions to limit the rise in global temperatures to two degrees Celsius this century and required a global reduction in emissions of 50 percent below 1990 levels by 2050. (Ban Wei, Jin Jing, [www.xinhuanet.com](http://www.xinhuanet.com))

## **22 June 2007: London has become the center of global carbon trading**

International Financial Services London (IFSL)’s new report on “Carbon Markets & Emissions Trading” showed that London was emerging as the key global centre of expertise in rapidly expanding carbon markets.

The volume of carbon dioxide emissions transacted worldwide more than doubled to the equivalent of 1.636 billion tons of carbon dioxide in 2006, over two thirds in allowance-based transactions and the remainder project-based. The EU’s Exchange Trading System (EU ETS) dominated international activity in allowance-based markets. London is central to the EU scheme as ECX (European Climate Exchange). Carbon Financial Instrument (CFI) contracts, which are traded on ICE Futures (Intercontinental Exchange) in London, made up 82% of trading on the EU ETS in 2006. The UK is also the leading investor in project-based transactions accounting for 50% of such investments in 2006, reflecting the large number of purchases made by financial institutions in central London.

The UK has developed a core of expertise through gaining first mover advantage from its voluntary exchange trading scheme which ran from 2002 to 2006. London's pivotal role is also reflected in over 60 companies to have joined the London Stock Exchange's Alternative Investment Market that are developing alternative technologies that will contribute to the reduction of carbon emissions. (Wang Tao, Economic Daily News)

### 26 June 2007: EB 32 - Meeting report published

The report of the 32<sup>nd</sup> meeting of the CDM Executive Board (EB32), including its annexes, is now available.

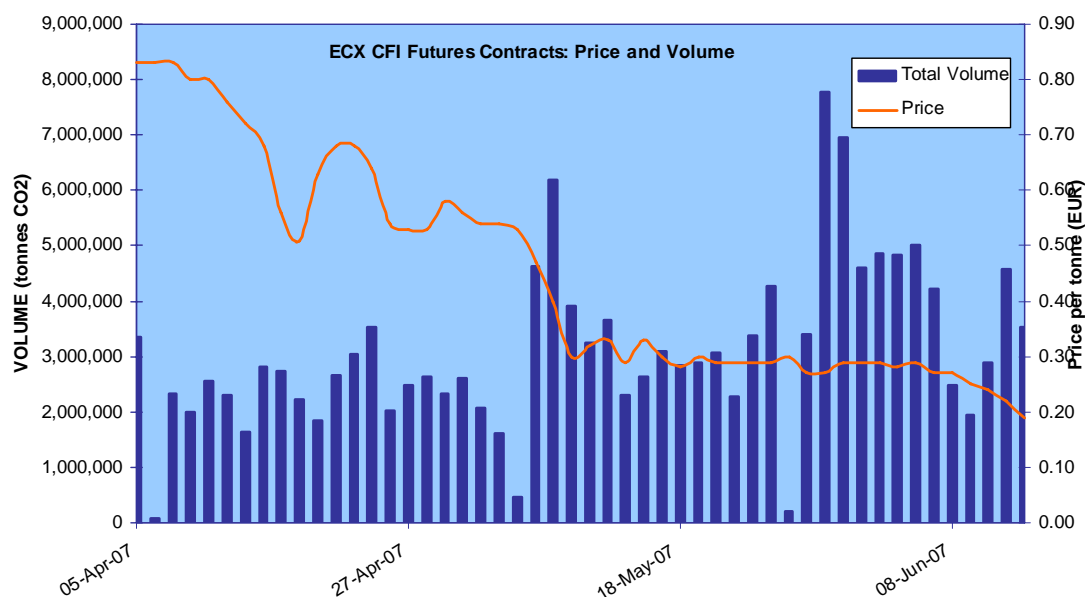
Please see < <http://cdm.unfccc.int/eb/> >

(CDM EB)

### CDM Marketing:

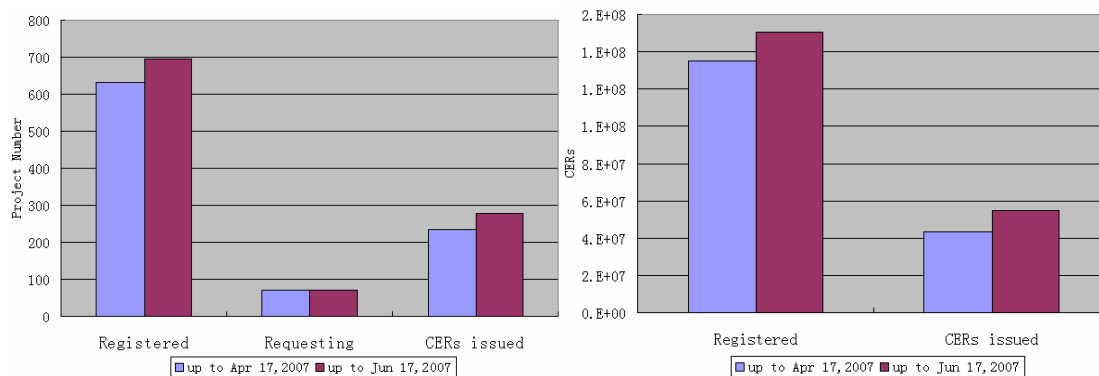
The selling price for CDM in China is currently 7.4 Euros per ton.

European Climate Exchange data (from <http://www.europeanclimateexchange.com>):

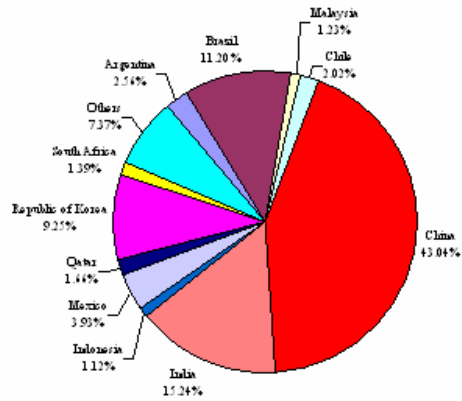


### CDM Statistics:

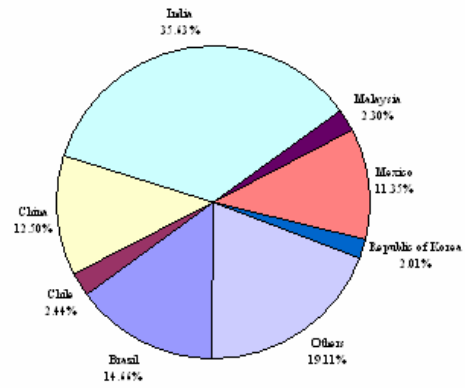
World: (Source: [www.unfccc.int](http://www.unfccc.int))



Expected average annual CERs from registered projects by host party, Total:150,475,129



Registered project activities by host party, Total:696



China: (source: <http://cdm.ccchina.gov.cn>)

