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Carbon Trading

How the financial markets are responding

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How the financial markets are responding



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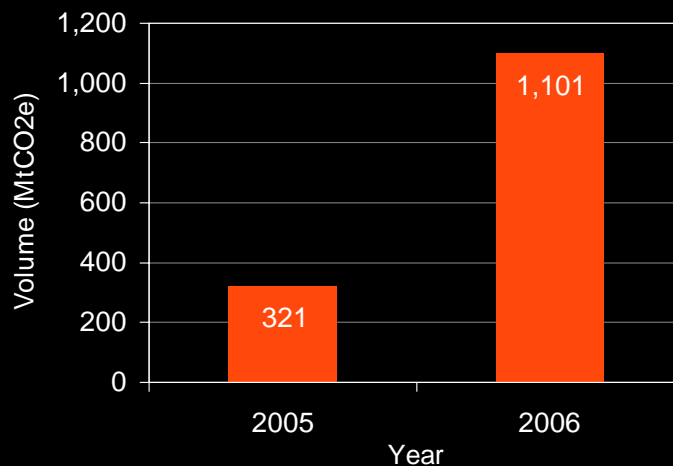


“In 2006, the carbon market grew to nearly US\$30 billion, three times greater than the previous year”.

Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



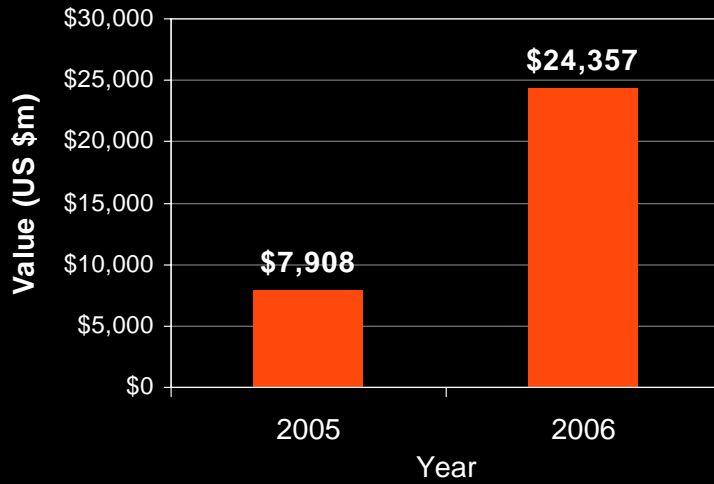
EU ETS Transacted Volumes



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



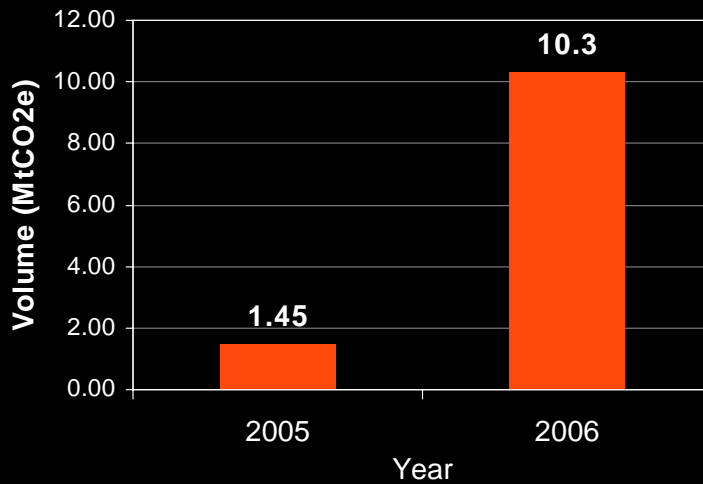
EU ETS Transacted Values



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



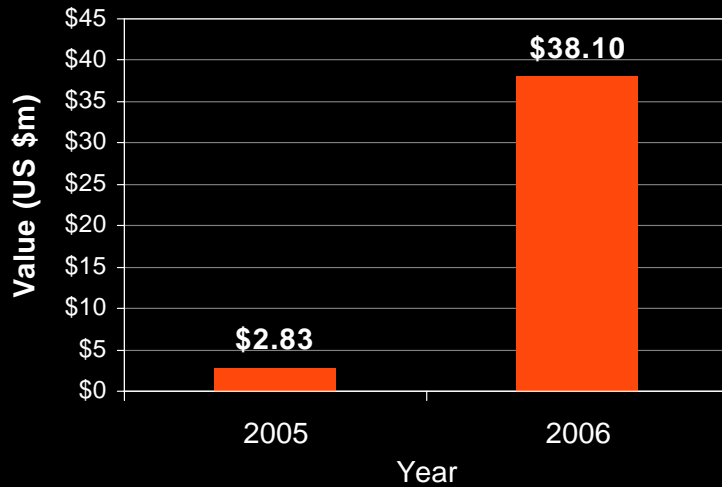
CCX Transacted Volumes



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



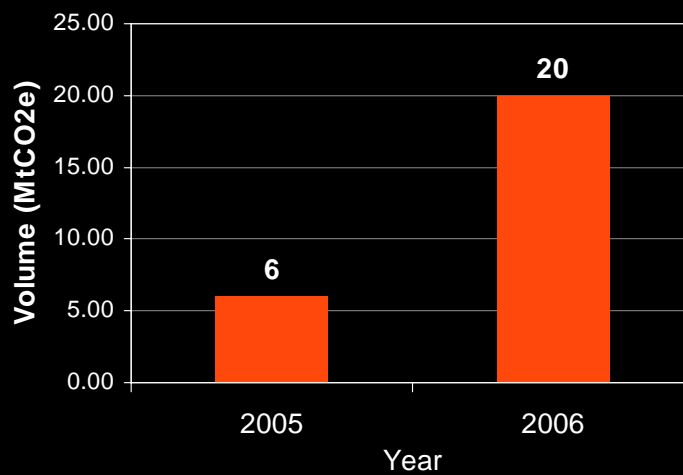
CCX Transacted Values



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



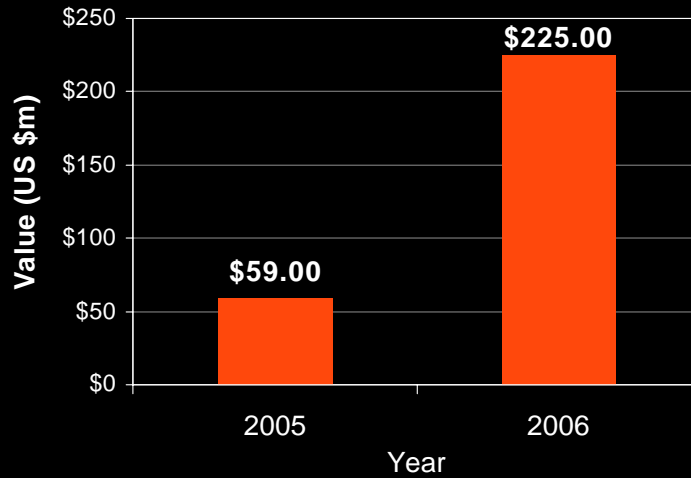
NSW Transacted Volumes



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



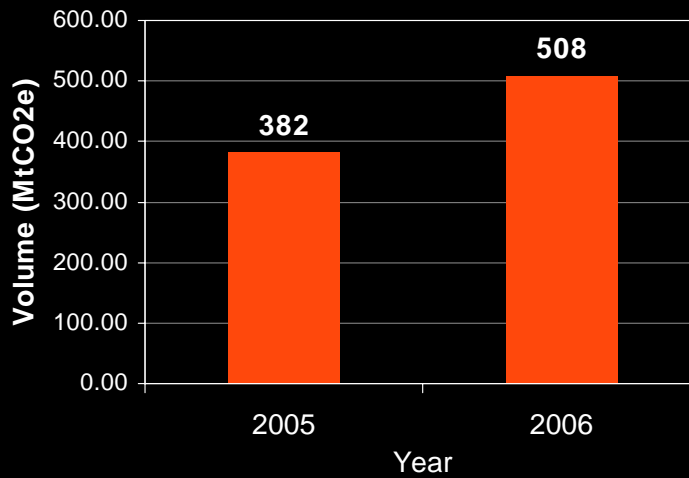
NSW Transacted Values



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



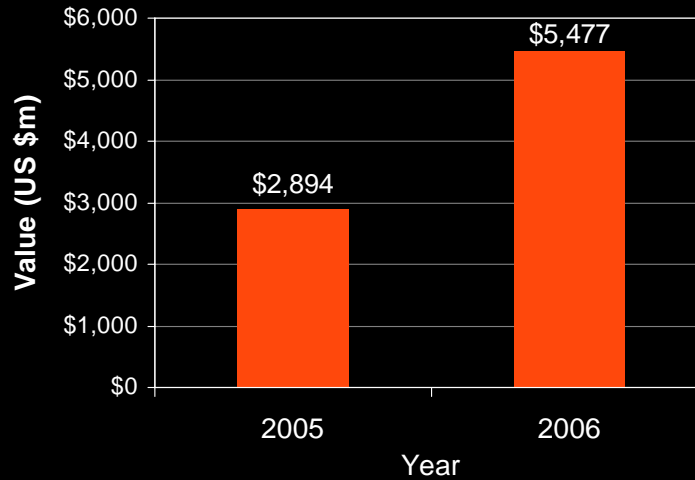
Project Based Transacted Volumes



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



Project Based Transacted Values



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.

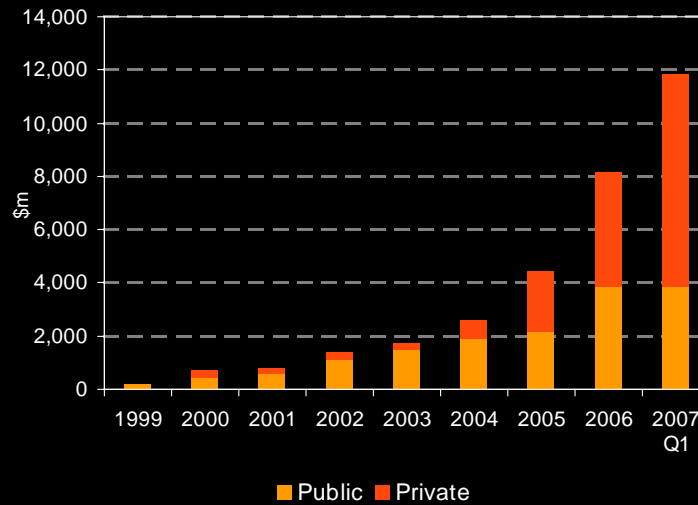


Fund Name	First Closing	Target Size
Acquila Capital – Climate Change Investment (announced Jan 2007)	N/A	€100m
Climate Change Capital Carbon Fund	Sept 2006	US\$1,000
Fondo de Carbono para la Empresa Espanola (FC2E)	July 2006	€100m
Private Energy Market Fund 2 (PEMF2)	June 2006	€50m
European Carbon Fund (ECF)	June 2005	€100m
Trading Emissions Plc (TEP), an AIM listed company	April 2005	£135m

Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



Total Cumulative Investment in Carbon Funds



Source: New Carbon Finance.



“In spite of the growth in carbon funds, **New Carbon Finance** analysis indicates that a further investment of \$11bn in CDM and JI projects will be needed between now and 2012 to Generate sufficient credits to achieve compliance with Kyoto and EU ETS targets.”

New Carbon Finance Press Release 4 April 2007.

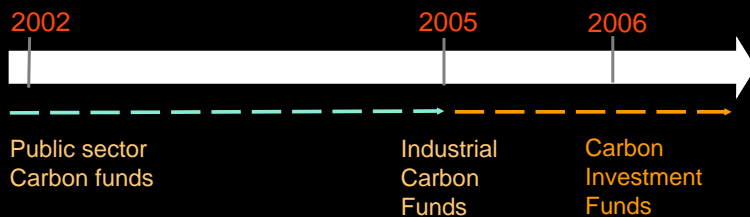


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How the markets are developing and what are the future implications for financial products?

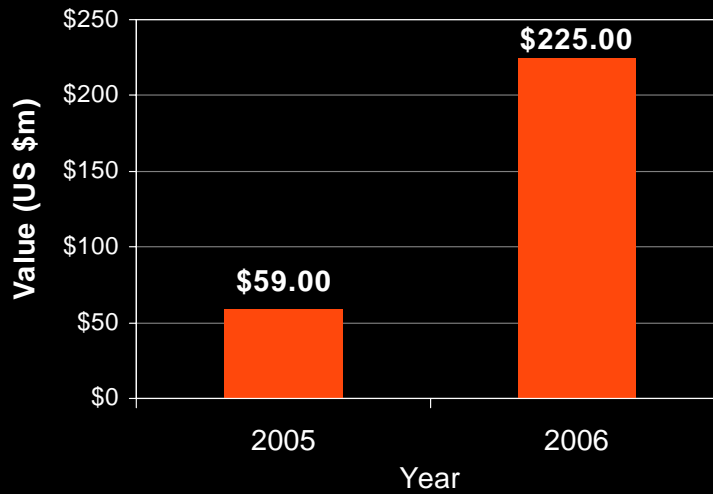


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NSW Transacted Values



Source: The World Bank and International Emissions Trading Association – State and Trends of the Carbon Market 2007, May 2007.



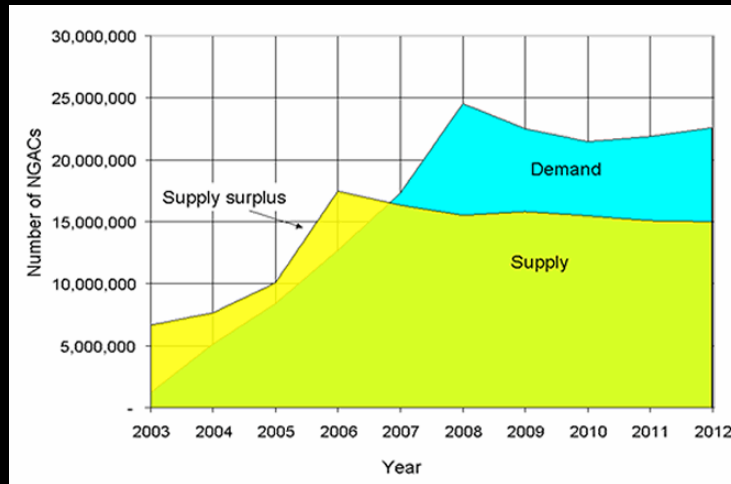
NGACs

NGACs AUD\$ per tonne of CO ₂ -e		Bid	Offer	Last/mkt
Spot	for Settlement 3 days	11.50	12.00	11.85
Cal 07	07 Feb 2008	12.65	12.85	11.60
Cal 08	09 Feb 2009	13.40	13.85	12.50
Cal 09	05 Feb 2010	14.50	14.50	13.50
Cal 10	04 Feb 2011	15.50	16.20	16.00
Cal 11	04 Feb 2012	16.00	18.00	17.00

Source: CO₂ Group.



NSW Scheme demand is projected to exceed supply



Source: IPART, NSW Scheme Regulator.



“Premiers and Chief Ministers expressed their expectation that the Prime Minister would make a commitment to the introduction of a national emissions trading scheme following receipt of the Task Group report in May 2007.

If the Commonwealth refuses to commit at this time, the States and Territories will introduce an emissions trading scheme by the end of 2010.”

Source: Council For The Australian Federation Communique – 9 February 2007.



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“A National emissions trading scheme to reduce greenhouse gases could be introduced as early as 2011 if the Howard Government adopts a joint industry and government blueprint to be delivered on Thursday.”

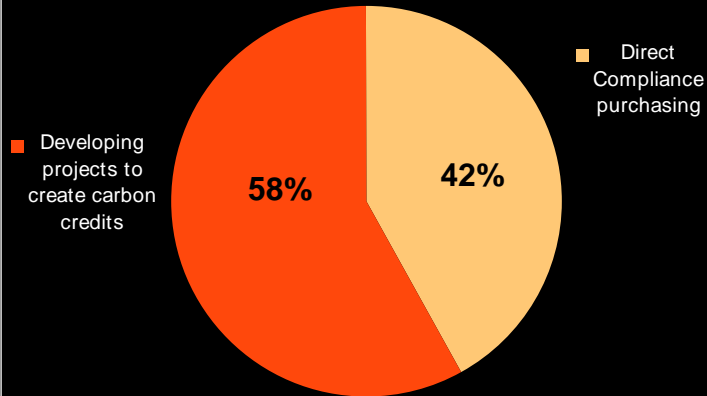
Source: The Australian 29 May 2007.



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“Using market-based incentives, we will reduce carbon emissions to 1990 levels by the year 2020. That’s a 25% reduction. And by 2050, we will reduce emissions to 80% below 1990 levels.”

Source: Governor Schwarzenegger, at signing ceremonies in San Francisco and Los Angeles. Press Release - Office of the Governor of the State of California.



“Although the financing gap to develop new carbon reductions projects has narrowed with the new money that has been raised, there remains a genuine need for further investment to meet 2012 targets.”

Source: Guy Turner, Director of New Carbon Finance Press Release 4 April 2007.



17 April, 2007

“Standard & Poor’s is to begin rating carbon funds, following “unsolicited demand” from carbon fund managers. The credit rating agency hopes to publish later this year its first ratings, which would most likely examine the likelihood of the funds defaulting, Mike Wilkins, head of infrastructure finance, told Carbon Finance.”



“The Reputex Climate Change Growth Index will identify and track companies best able to address climate change risks and maximise opportunities for growth.

For the first time, investors will be able to build issues such as carbon tax, water shortages and emissions targets into their investment decisions and better anticipate the best performing companies in the emerging climate change economy.”

Press Release – Reputex Announces World's First Climate Change Growth Index 16 May 2007



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Potential for retail financial products?



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- 93% of Australians have heard of global warming
- Of those, 92% consider it a very serious or fairly serious problem
- 24% of Australian consumers regard global warming as a major concern, from a list including terrorism and crime -17 points higher than the global average

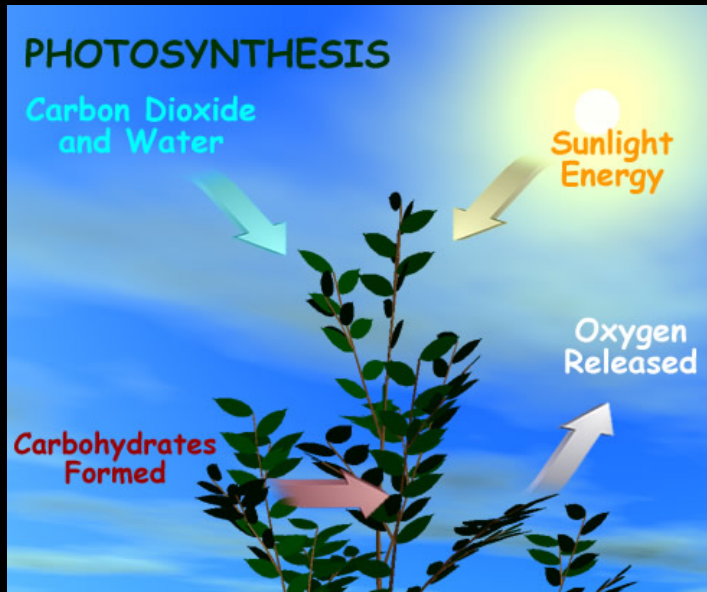
Source: <http://au.acnielsen.com/news/documents/GlobalWarmingreleaseFeb2>



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Carbon Themed Funds

- Feeder Funds
- Capital Protected Offerings
- Carbon Linked Instruments



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