



CLIMATE FOCUS

# Market developments in the CDM

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## Next 20 minutes ...

- Markets and Volumes
- Buyers and Sellers
- Conclusion



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# Climate Focus

- Support to carbon market participants
- Background World Bank and Senter
- CDM/JI, programme design, carbon asset development, policy support



## Markets and volumes

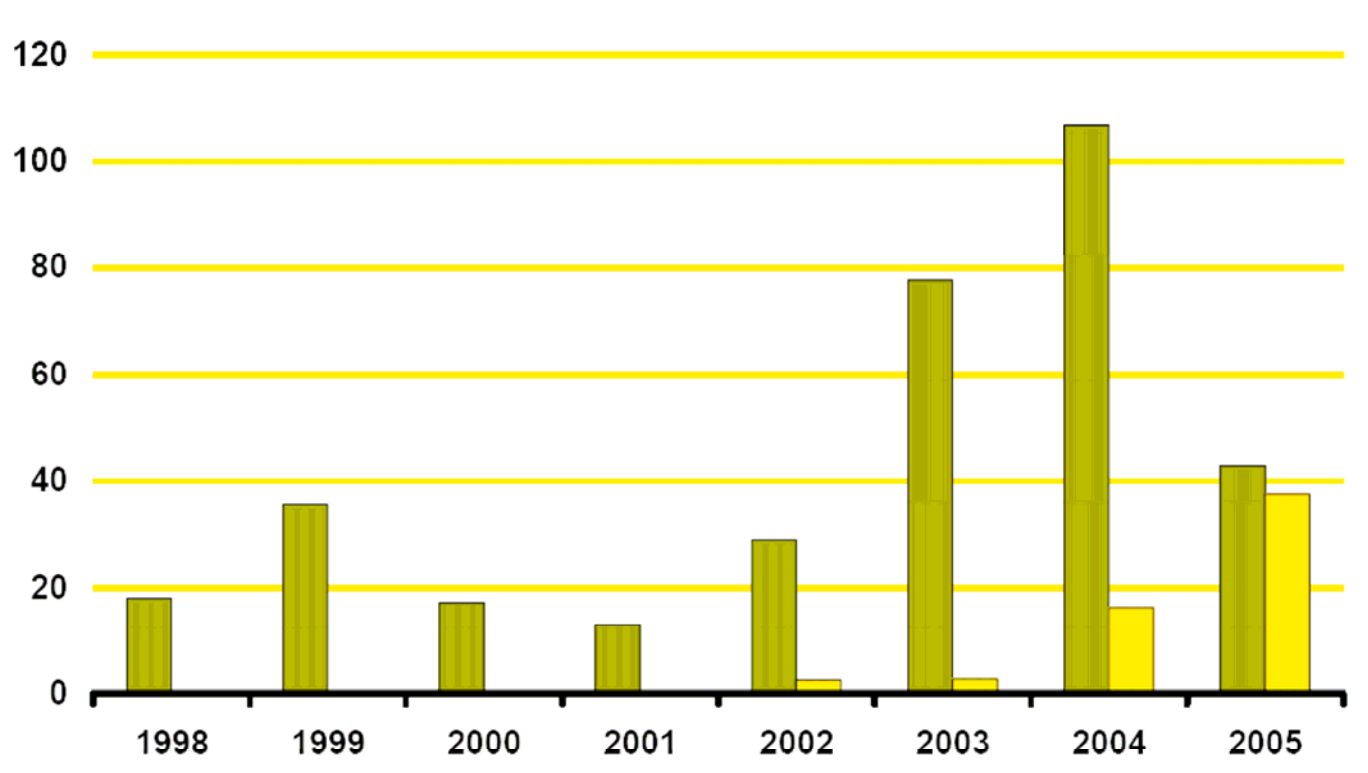
- EU Emissions Trading System
  - Credit based
  - 10,751 installations, 5,65 billion ton CO<sub>2</sub>
  - 25 member states of the EU
- Trade in CDM and JI credits
  - Defined in Kyoto Protocol
  - Project based
- Link between the two
  - Creates additional demand for credits



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# Emission reductions traded

Green: CDM/JI; Yellow: allowances



Source: WorldBank/IETA



## Who is buying?

- Annex I – governments
  - For Kyoto compliance
- European companies
  - For compliance in the EU ETS
- Non-European companies
  - For Kyoto compliance
- Financial institutes
  - For speculation
- Methods of buying:
  - Tenders
  - Funds
  - Bilateral

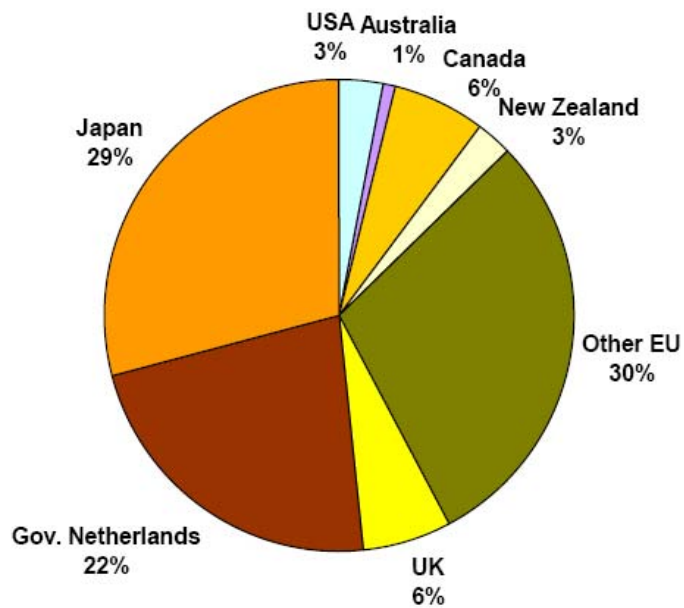


## Buyers developments

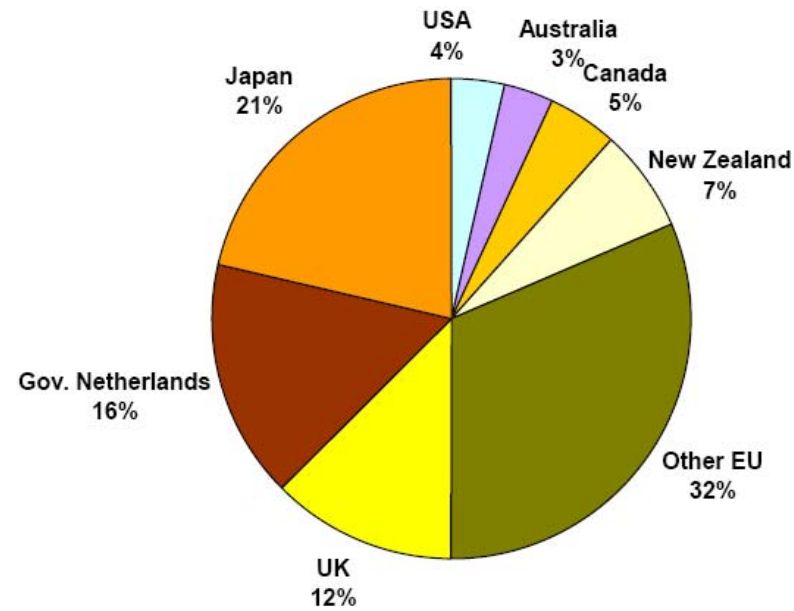
- Sharp increase in buyers
  - Switzerland's climate penny
  - Canada EUR 600 mio
  - Natsource
  - Belgian Federal tender
  - Many others
- Start of EU-ETS and linking directive
  - increase of corporate demand CERs



# Buyers



Jan. 2003 – Dec. 2004



Jan. 2004 – April 2005

Source: WorldBank/IETA



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## Pipeline at CDM-EB

	Number of Projects	Of which Renewables
Registered	5	2
Review	3	1
Request for register	5	4
Validated	80	51
In validation	24	22
Withdrawn	2	1
Total	119 (20.3 Mton)	81 (5.3 Mton)



## Sellers developments

- CDM: standing still
  - many projects
  - only five projects registered so far
  - slow accreditation
  - low capacity at EB
- JI: new opportunities
  - new JI countries UA, NZ
  - New member states: Landfill gas and N<sub>2</sub>O
  - Russia: still to be proven. Worth the effort.



## Mismatch in current market

- Prices in EU ETS are increasing (EUR 16)
- Prices in CDM/JI have been lower and keep lagging (EUR 5)
  - Risk perception by buyer
  - Unwillingness to pay more
- Low supply must drive the price up however
- Chances for project developers to sell now



## What's the demand

- 2005-7 CERs for EU ETS compliance
  - Non-CO<sub>2</sub> gasses: Landfill, HFC23
  - Short lead times
- 2008-12 CERs for Kyoto compliance
  - High volumes needed
  - Chances for renewables



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## Conclusions

- High demand, restricted supply creates good chances for project developers
- Act now, best chances for high volume, short lead time