

The EVI Newsletter

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Carbon Advisory Business

India's Energy Saving Certificate Trading Scheme

The National Action Plan for Climate Change has eight missions to tackle climate change which includes the National Mission for Enhanced Energy Efficiency (NMEEE). The objective of this mission is to achieve energy saving of 10000 MW by 2012. To achieve this target, the mission has proposed issuing of *energy saving certificates* to energy intensive industries and facilities. These certificates will be issued to the industries (designated consumers) that realize energy savings above the benchmark specified to them. Failing to meet these improvement targets will attract penalties.

The Bureau of Energy Efficiency of India is the nodal agency for this and is in the process of setting specific energy consumption targets for different plants. The targets will vary across the plants of the notified energy intensive sectors and will be based on the scope of improvement of each unit. The duration of achieving this target will be three years (2009-2012) and BEE envisages around 10% improvement in specific energy consumption.

To facilitate the energy efficiency measures, the NMEEE has proposed the *Performance Achieve and Trade (PAT) mechanism*. This essentially allows the certificates earned by a particular unit to trade with other units that fail to achieve their improvement target.

Major benefits of this could be:

1. Energy Saving Certificates can help reduce payback periods and thereby encourage emergence of large number of energy efficiency projects.

2. Energy Saving Certificate trading will enable energy efficiency to be acquired more cost-effectively by attracting increased private sector participation.

3. Improved energy efficiency can also provide a competitive edge for businesses in difficult economic conditions by developing new products and creating more employment opportunities.

4. Appliance manufacturers and retailers, commercial and industrial energy end users, aggregators for residential measures, etc. will also find themselves in optimal position in this market.

5. Energy efficiency will lead to reduction in emissions from fossil fuel-generated electricity that contributes to climate change,

acid rain, and smog and other health effects.

6. The energy conserved in the process will help India meet the energy demand particularly of rural areas.

A major concern in achieving the energy saving target is the availability of latest technologies at an affordable price and necessary finance. Since the targets will be based on the existing best technological practices of India, industries should not face problem in implementing these technologies. In addition, fiscal incentives such as tax exemptions, reduction of VAT, carbon finance, etc. will also be made available.

The biggest challenge before the government is to help create such market in a transparent way with an efficient institutional framework. Finally, the trading scheme plans to include large units only whereas a huge scope of energy efficiency lies in the SME sector of India. A mechanism to include SME sector would be a logical extension.

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EU Releases 2008 Verified Emission Data

The EU emissions trading scheme (EU ETS) installations were short by 145 Mt in 2008 (they emitted 145 million tonnes CO₂ more than they were allowed). This figure is based on data for 10,391 installations accounting for approximately 85% of the total installations currently included in the trading scheme. It shows that EU ETS installations emitted – in total – 7.7% more CO₂ than the number of allowances they received for free.

Whilst emissions were down in all sectors, following the recent economic downturn, the largest relative change is found in the Cement, Lime and Glass sector (9%) and the Pulp and Paper sector (9%), possibly indicating that

these are the sectors that have been worse hit by the recession. The Power and Heat sector emitted 6% less, Oil and Gas 1% less and Metals also 1% less, though final numbers are likely to show that the reductions in the metals sector are larger than the 1% indicated by current estimates.

These numbers tell us two things. They confirm that the recession is leading to lower emissions, with both industry output and power demand down. They also show that the carbon market works as intended. The emission reductions in the power sector are partly a result of the high carbon price during for the first half of 2008. Although the recession plays the lead role in today's story, it is obvious that the EU ETS is leading to emission reductions.

Waxman-Markey Draft Climate Bill

The Waxman-Markey discussion draft, "The American Clean Energy and Security Act of 2009," is a comprehensive energy legislation. The legislation will create millions of new clean energy jobs, save consumers hundreds of billions of dollars in energy costs, enhance America's energy independence, and cut global warming pollution.

The legislation has four titles: (1) a "clean energy" title that promotes renewable sources of energy and carbon capture and sequestration technologies, low-carbon transportation fuels, clean electric vehicles, and the smart grid and electricity transmission; (2) an "energy efficiency" title that increases energy efficiency across all sectors of the economy, including buildings, appliances, transportation, and industry; (3) a "global warming" title that places limits on the emissions of heat-trapping pollutants; and (4) a "transitioning" title that protects U.S. consumers and industry and promotes green jobs during the transition to a clean energy economy.

The bill's highlights include:

(a) *Reduction Goals:* Greenhouse gas reduction

of 3% off of 2005 levels (2005 levels = 7,206 million) in 2012, 20% off of 2005 levels in 2020, 42% off of 2005 levels in 2030 and 83% off of 2005 levels in 2050.

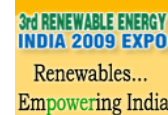
(b) *Covered Entities:* Any electricity source, excluding emissions resulting from the use of petroleum-based or coal-based liquid or gaseous fuel, natural gas liquid, renewable biomass, petroleum coke or hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, nitrogen trifluoride, or any other fluorinated gas that is a ghg purchased for use at that entity. Any stationary source that produces or imports covered pollutants which when combusted produces 25,000 tons or more of carbon dioxide equivalent in 2008 or any subsequent year.

(c) *Offsets:*

i) *Value-* A covered entity may satisfy a percentage of its compliance by holding 1.25 offsets in lieu of an allowance,
 ii) *Market cap-* Total market not to exceed 2 billion/yr split evenly between domestic and international,
 iii) *Offsets Allowed-* Reductions occurring after January 1, 2009 are eligible. International offsets are allowed if the U.S. is a party to an agreement with the host nation and the project activity is within a developing country. The bill includes offsets generated from international REDD projects.

EVI News

The **3rd Renewable Energy India (REI) 2009 Expo** is being organized at Pragati Maidan, New Delhi from 10-12 August 2009.



The Expo has expanded its format to include, Energy Efficiency, Cogeneration and Geothermal energy besides Solar, Wind, Hydro & Bio energy sectors. The event is a global platform, featuring app. 325 exhibitors, 225 speakers, 2,500 delegates and 15,000 trade visitors from 30 countries.

EVI would make this event **Carbon Neutral** for the second year in succession. EVI, as a Strategic partner to the event, would estimate, reduce and finally offset the emissions caused due to this event. EVI would also issue the **i-climate certificate** to the 3rd REI 2009 Expo.

What is "Gold Standard CDM" ?

The Gold Standard Foundation is a Swiss based non-profit foundation. The Gold Standard for CDM (GS CER) was developed in 2003 by World Wide Fund for Nature (WWF), SouthSouthNorth, and Helio International. The Gold Standard was designed to ensure that carbon credits are not only real and verifiable but that they make measurable contributions to sustainable development worldwide. The Gold Standard Foundation offers a quality label to CDM/JI and voluntary offset projects, fetching premium prices.

To be eligible for Gold Standard Certification, a project must necessarily:

1. Be an approved Renewable Energy Supply or End-use Energy Efficiency Improvement project type.
2. Be reducing one of the three eligible Green House Gases: Carbon Dioxide (CO₂), Methane (CH₄) and Nitrous Oxide (N₂O).
3. Not employ Official Development Assistance (ODA) under the condition that the credits coming out of the project are transferred to the donor country.

In order to reduce the risk of unwanted secondary effects in the carbon market, the Gold Standard requires an extensive stakeholder consultation where the community defines the most important indicators of social, economic and environmental success.

To comply with the Gold Standard, some information going beyond the standard requirements for CDM or voluntary offset projects must be provided in the project design document (PDD). The Gold Standard Technical Advisory Committee, then can decide to audit validation and, upon deviations from the criteria, reserves the right to deny Gold Standard registration in consultation with the Gold Standard Foundation Board. Successful validation leads then to registration to the Gold Standard.

To maintain the project's registration and to earn Gold Standard-certified credits, project proponents monitor emission reductions and sustainable development impacts. The monitoring reports are again checked by DOEs, to make sure the benefits expected are realized. After the issuance of credits, serial numbers of CDM EB-issued credits are linked with the Gold Standard label.

First AR CDM project from India gets registered

The first AR CDM project from India and third in the world gets registered. The project is located in Haryana and the plantation area is affected by Aeolian (wind blown) sand, spreading across eight villages, comprising of 369.87 ha belonging to 227 farmers; which is generally left fallow. Large areas of land are currently without any vegetation due to frequent dust storms of various intensities.

The cultivation and shifting sand dunes prevent the potential natural regeneration of forest in this area. The project expects to generate 11,596 carbon credits per year over a 20 year crediting period. Considering the 1.73 million ha available lands under shifting cultivation in north eastern India and 0.26 ha under encroachment, North East India has also a good potentiality for for-

estry based CDM projects, which could be a good source of sustainable income and socio-economic development.

"Sustainability is about simultaneously looking after the three Es: the Environment, the Economy and Everyone."

- Anonymous

Carbon Market Updates

Compliance Market

EUAs fluctuated over the past month as the date for the EU disclosure of 2008-09 emissions drew closer. Volumes were high around March-end as participants closed out their short-positions.

Overall traded volumes have been low however due to the

Copenhagen conference and then the Easter break, which reduced the active trading days. Poland issued EUAs in April first week, which led to an increased supply and decreased prices. Prices bounced back however, on unexpectedly low trading volumes. The EU emissions data has shown the market has been short by about 40 mTCO₂,

which gave a bullish signal to the market.

CERs also fluctuated in anticipation of the EU emissions data release, but failed to rally as much as EUAs. On the Spot ex-

change, the EUA-CER spread has widened from €0.63 to €2.58, a jump of over 400%. Much of this has been increased focus on EUAs as prices were expected to dip with Poland releasing more supply into the market. Some of the more risk-averse Buyers now prefer EUAs over CERs as there is still a lack

Voluntary Market

CCX prices saw a marginal increase and much fluctuation over the period. Volumes traded went from high to low as there was much speculation on the Waxman-Markey Bill and what percentage of the proposed 2 billion offsets would be permitted from outside the US.

VER prices continue in the US\$ 5-7 levels, with Gold Standard VERs in the €6-8 range. There has been some increased interest as the VCS Registries are now operational.

Commodity	16/03/09 Close		15/04/09 Close	
	BlueNext Spot	ECX Dec09	BlueNext Spot	ECX Dec09
EUA	€12.06	€12.58	€13.48	€13.93
CER	€11.43	€11.42	€10.90	€10.92
CCX CFI 2008	US\$ 1.50		US\$ 1.70	



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Emergent Ventures India is a global Consulting firm providing Climate Change Mitigation solutions. our solutions entail emissions reduction & management advisory, clean technology implementation, development of renewable energy projects and carbon finance. At EVI, we pride ourselves on a potent mix of rigorous analytical skills, boundless creativity, and a roving eye for "Sustainable Solutions for the Environment." We work with more than 150 clients and are managing more than 75 million Carbon Credits for our clients. We provide services to clients in Pakistan, Thailand, Indonesia, Malaysia, Bangladesh, Sri Lanka, Africa and Europe. Recognizing that clients must adapt to the low-carbon society of the future, EVI helps companies understand potential risks & opportunities arising from climate change and provides solutions in the area of risk mitigation and clean technology adoption. Our insights into clean technologies for greater Energy Efficiency are drawn from a deep well of knowledge resulting from tireless, meticulous research. In collaboration with our clients, we strive to turn those insights into on-the-ground sustainable development by using innovative financial solutions like Carbon-backed financing and debt-equity sharing, making otherwise expensive technological changes possible by attracting greater investment