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Carbon Advisory Business

Beyond Carbon

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Climate change and related developments have had significant impacts on business as we know it. With increased weather unpredictability, upcoming regulations and changing customer preferences, there is an imperative need for businesses to evolve and adapt themselves in order to sustain and grow.

Corporate, today, need to capitalize the opportunities and work towards mitigating risks posed by climate change. Of the various developments, the most prominent opportunity arising for corporate in the developing world is the Clean Development Mechanism (CDM) established and developed under Kyoto Protocol in order to assist emission reduction projects in developing countries.

India is one of the largest generators of CERs with the highest number of registered CDM projects in the world. The revenues, generated through the CER sale, have helped in promoting several Green House Gas (GHG) reduction projects, such as Renewable energy projects, industrial efficiency projects etc.

But CDM is only one of the several possibilities posed by climate change. Climate change related initiatives, both regula-

tory and voluntary, have caused a multitude of issues for corporate, from sectoral GHG inventORIZATION (CSI – Cement and WSA – Iron and Steel) to Energy efficiency targets (National Action Plan on Climate Change).

Such initiatives, along with various factors such as unpredictable fuel prices, changing customer preferences, competitive and market necessity, corporate need to reinvent themselves and integrate climate change consideration into their core functions and operations. This needs a holistic understanding of climate change impacts and developing a strategy to ensure overall risk and impact mitigation. Corporate need to look beyond CDM, into the whole gamut of climate change risks and opportunities.

Internally, companies need to estimate and reduce their GHG emissions, increase operational efficiencies, and assess possibilities for renewable captive power generation and sourcing.

Externally companies need to improve supply and procurement policies, assess market requirements for new products and develop these. More significantly, companies need to report the initiatives taken up by them in order to promote stakeholder confidence.

In order to achieve climate leadership, companies need to develop a climate action plan, with primary focus on internal and external emission reduction, developing policies on climate change both upstream and downstream of the supply chain and capacity building. They need to develop abatement cost curves, encapsulating internal and external factors to enable for the optimum emission reduction. This should evaluate all possible abatement possibilities such as demand and supply side energy efficiency, green energy sourcing and generation, GHG reduction possibilities, carbon cost etc., in order to arrive at the optimum combination of initiatives for GHG reduction and hence going beyond carbon.

Inside this Issue:

Australia delays CPRS by one year	2
UK sets World's first carbon budgets	2
EVI in News	2
Sustainability Issues in Indian Chemical Industry	3
Carbon Market Updates	4

Australia delays CPRS by one year

Australia's government put back its much-vaunted carbon-emissions trading scheme, CPRS (Carbon Pollution Reduction Scheme) by a year, bowing to industry demands for more relief amid a recession while opening the door to an even deeper long-term reduction.

Lacking the political backing to implement the world's most sweeping cap-and-trade scheme outside Europe, Prime Minister Kevin Rudd said the regime would be delayed until mid-2011, but he still aimed to push laws through parliament this year.

The setback was not unexpected after months of hardening resistance to Rudd's plan, a cornerstone of his election platform. Some carbon industry players said the delay could help clear

away uncertainty that had stymied early trade and clouded the outlook for corporate costs.

The new draft included several short-term concessions to big industry in Australia, one of the world's biggest emitters per capita: a low fixed carbon price capped for a year at A\$10 (\$7.36), with a transition to full market trading in July 2012; and increased eligibility for free emissions permits, including 95 percent for the heaviest export-oriented polluters.

But Rudd also left open the possibility of deeper reductions. While maintaining his interim 2020 emissions reduction target at 5 to 15 percent below 2000 levels, he said the government could increase the cut to 25 percent if other rich nations agreed to similar reductions at Copenhagen

UK sets World's first carbon budgets

The UK became the first country in the world to bind itself into an ambitious long-term framework to limit its greenhouse gas emissions.

The Chancellor announced the UK's first three 'carbon budgets', also set out new measures designed to help low carbon industries capitalize on the opportunities presented by the UK's legally binding target to cut greenhouse gas emissions to at least 80% below 1990 levels by 2050. The main announcement were:

- Legally binding carbon budgets for the first three five-year periods 2008-2012, 2013-2017 and 2018-2022.
- A revised target to reduce emissions to at least 34% below 1990 emissions by 2018-22.
- Aim to meet the carbon budgets announced

through domestic action alone, and consistent with this, setting a zero limit in the non-traded sector on offsetting through international credits for the first budget period.

- £405 million to support low-carbon industries and advanced green manufacturing.
- An additional £375 million to support energy and resource efficiency in businesses, public buildings and households over the next two years, and £70 million for decentralized small-scale and community low-carbon energy.
- £525 million (\$757m) of new financial support over the next two years for offshore wind farms.
- Extending support for combined heat and power through climate change levy exemptions, helping bring forward £2.5 billion of investment and 3 GW of capacity by 2015.

EVI News



A two day management development programme, "Green Business" was organized by Birla Institute of Management Technology (BIMTECH) in association with EVI on 24-25 April, '09 at New Delhi.

The objective of the programme was to provide an in-depth understanding of climate change focusing on both international and domestic policies, to help executives identify business risks from climate change and make their businesses more profitable by adopting energy and emission management and reporting practices.

EVI, the knowledge partner, was responsible for developing the complete course content (nine modules) which included case studies, industry examples and a road map for Indian Industries for making their businesses green.

Sustainability Issues in Indian Chemical Industry

The chemical industry in India is fragmented and dispersed. Multi product and multifaceted – which really makes it complex and a challenging task to address sustainability issues. Some of the key issues and challenges in the Indian Chemical industry are as follows:

- *Pollution & waste management* - The sector has been labeled to be one of the most polluting industries. Sustainability in chemical industry is all about control of pollution, waste management and prevention of accidents.
- *Small & Medium Enterprises (SMEs)* - Nearly 50% of the total industrial output in India is contributed by the Small and Medium Enterprises. They also account 60-65% of the total industrial pollution. SMEs in India cannot afford to adopt and maintain adequate hazardous waste treatment and disposal technologies. Economic incentives - lower taxes, lower import duty and incentives to SMEs for converting to green methods of manufacturing need to be given.
- *Supply chain accountability* – The larger companies are now starting taking concern about their supply chain of their production cycle. Companies have so far failed to take cognizance of the raw materials and services that are sourced for the manufacturing of products. Need to develop indicators for the chemical industry per se for the processes and the products separately. Life Cycle Analysis of every product of chemical industry needs to be undertaken.
- *Lack of Research & Development (R&D) & Low resource efficiency* – R&D on green chemistry initiatives & innovation has now started picking up as a priority area of the Indian industry. First stage would be to start doing this in-house but to the extent that capacity can be released and attention can be provided for looking at the supply chain.
- *Lack of transparency* - Data and transparency issues were not addresses by the Indian chemical industry effectively. But slowly the companies are moving towards being more transparent. Some companies have started reporting on their non-financial performance in the form of a Sustainability Report. Examples include SRF, Jubilant Organosys, Kensai Nerolac etc.
- *Low stakeholder engagement & Ignorance of risk* – The industry is in a 'state of denial' and shows resistance to work collaboratively with communities to improve the situation.
- *Need for capacity building* - Since improper handling of chemicals is an issue better housekeeping, training on sustainability opportunities for the top management and the workers are essential.
- *Need for internationally competitive standards in India*- Compliance of legislations like REACH & ROHS should be gradually enforced.

Sustainability is yet to be integrated into Indian chemical industries, by and large, although there are several isolated instances. Companies need to realize its benefit commercially due to these new initiatives. Unless companies take it upon themselves to demonstrate leadership in creating sustainable business practices, this industry will miss huge potential opportunities.

“We have not inherited this earth from our forefathers but borrowed it from our future generations”

- American Proverb

Carbon Market Updates

Aseem Chaturvedi

Compliance Market

EUAs saw considerable movement in the past month. After reaching a 3-month high in April at over €14, prices fell back again to €13 levels in line with the rise and fall in crude oil and electricity prices. Some of the upward buoyancy was also provided by utilities making last-minute purchases to cover the April 30th deadline for submissions.

The Dec09 contract saw a higher rise as utilities have now started buying in order to hedge 2010 power contracts, and spot demand is low as compliance deadline has passed. Prices

soared to over €16 as oil prices rose again, leading to rapid selling and profit-taking which consolidated the price back to €14 levels.

CERs also moved in line with rising oil and power prices, reaching a high of around €12.50 in the beginning of May. Volumes traded stayed low, however, and prices eventually

next 2 years, hence prices for primary CERs have also increased considerably. Spot CERs prices are predicted to stay in the range of €11-€12.5 for the remainder of the year.

Voluntary Market

CCX prices fell over the past month, although volumes traded were high. The continued debate about the Waxman-Markey bill in Congress has

buoyed expectations of a federal cap-and-trade being agreed to in 2009-10.

VER prices continue in

the US\$ 5-7 levels, with Gold Standard VERs in the €6-8 range. Emphasis is on newer vintages, mostly 2008 onwards. Interest in 2007 and older vintages does continue on CCX, however.

Commodity	16/04/09 Close		15/05/09 Close	
	BlueNext Spot	ECX Dec09	BlueNext Spot	ECX Dec09
EUA	€13.50	€13.93	€13.71	€14.08
CER	€11.01	€10.91	€11.76	€11.58
CCX CFI 2008	US\$ 1.60		US\$ 1.20	



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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

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