



State of the Voluntary Carbon Markets: 2008 and 2009

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Ecosystem Marketplace
OAS Ecosystem Services Workshop
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About Ecosystem Marketplace

- A program of the non-profit organization Forest Trends
- A free information and analysis service for Emerging Markets for Ecosystem Services
- Coverage of Payment for Ecosystem Service (PES) transactions--carbon, biodiversity, water markets
- Consistent information critical for building these environmental markets/ transactions
- News updated daily, with commissioned articles and newsletters, quantitative & qualitative market assessments



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Presentation Outline

1. WHAT ARE THE VOLUNTARY CARBON MARKETS?

2. GLOBAL VOLUNTARY CARBON MARKETS

- Key findings of report
- Voluntary market volume/value over time
- Project types and locations selling credits
- Average credit prices
- Utilization of third-party standards, registries
- Buyers motivations and buyer types
- The voluntary markets in 2009

3. VOLUNTARY CARBON MARKETS IN LATIN AMERICA

- Project types and locations selling credits
- Reasons for limited transaction volume

4. Q & A

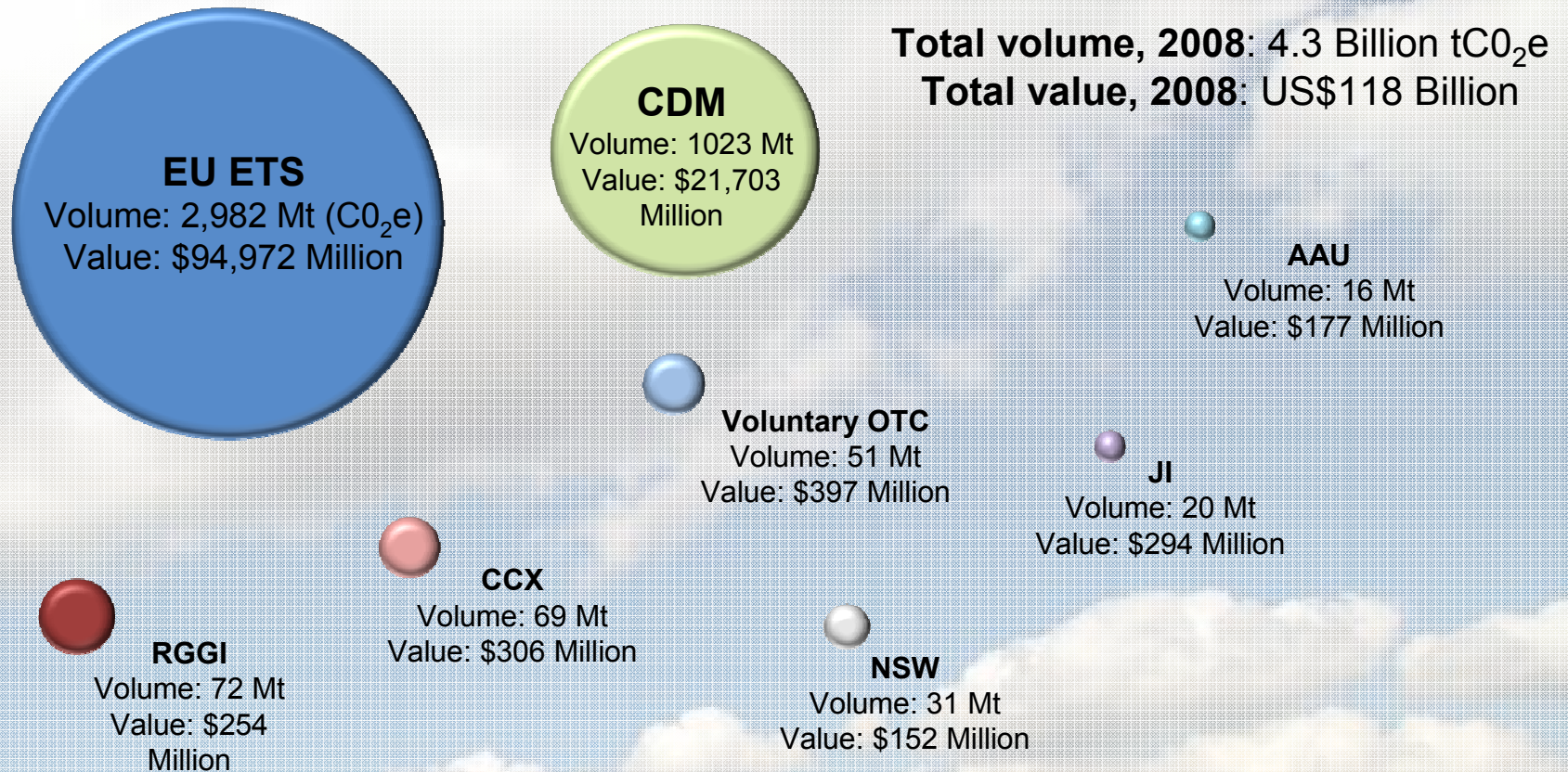


What are the Voluntary Carbon Markets?

- All trades of carbon credits for reasons other than compliance with regulation.
- Two voluntary markets:
 - Chicago Climate Exchange (CCX) - est. 2003
 - Voluntary Over-the-Counter (OTC) Market - est. 1988
- Types of credits traded: offsets and allowances
 - Credits created for the voluntary markets specifically (known as Voluntary Emissions Reductions, or VERs)
 - Credits created for CCX (known as Certified Financial Instruments, or CFIs)
 - Credits created for the Kyoto markets (Clean Development Mechanism, or CERs; Joint Implementation, or ERUs; EU ETS, or EUAs)
 - Credits created for other regulated markets (e.g. RGGI in Northeast U.S.)
- Another breakdown: “pure” vs. “pre-compliance”



Universe of Carbon Markets



Source: "State of the Voluntary Carbon Markets 2009," Ecosystem Marketplace, New Carbon Finance



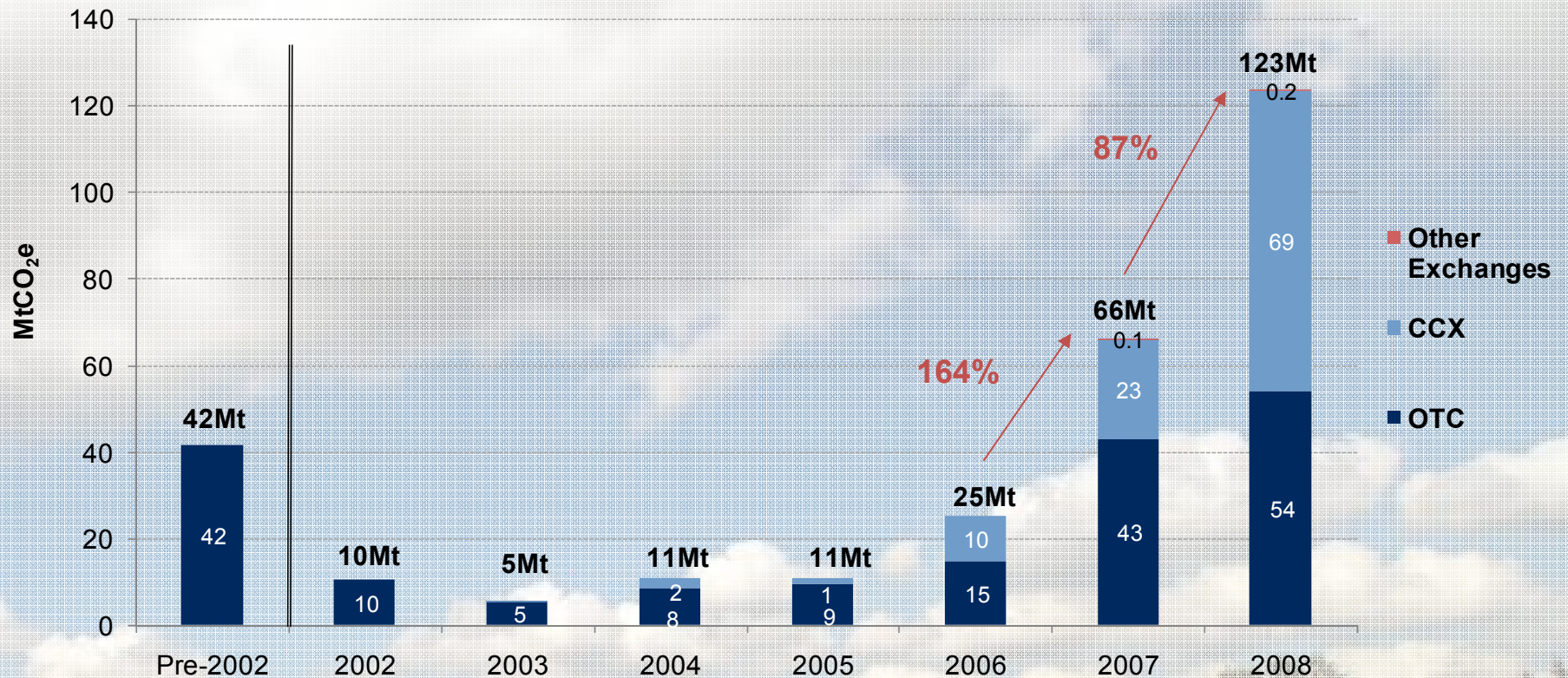
Key findings

- The voluntary markets doubled in transaction volume and financial value between 2007 and 2008
- In 2008, the market responded to criticism of offset quality
- Tremendous infrastructure development & market maturation
 - Consolidation around the most popular voluntary carbon standards
 - Increased linkage between standards, credit accounting registries, and exchanges
 - Increase in market analysis
- Corporate Social Responsibility (CSR) and Public Relations (PR) remain the core buyer motivations, but intermediaries are scaling up and the pre-compliance market is growing
- Increasingly sophisticated buyers



Voluntary markets nearly doubled in volume in 2008, led by CCX growth

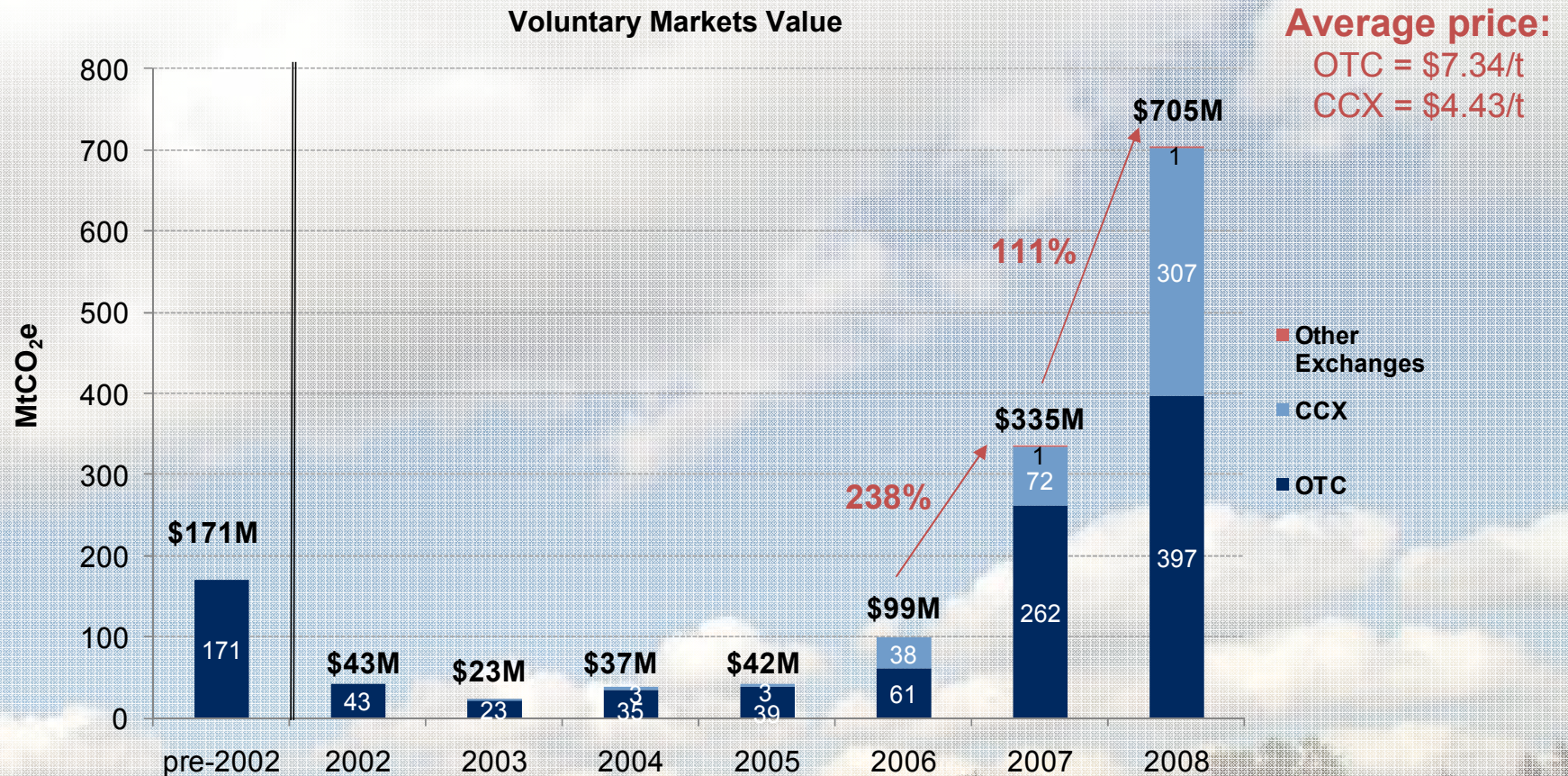
Voluntary Markets Volume



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Voluntary markets' value more than doubled in 2008, led by OTC credit price premium

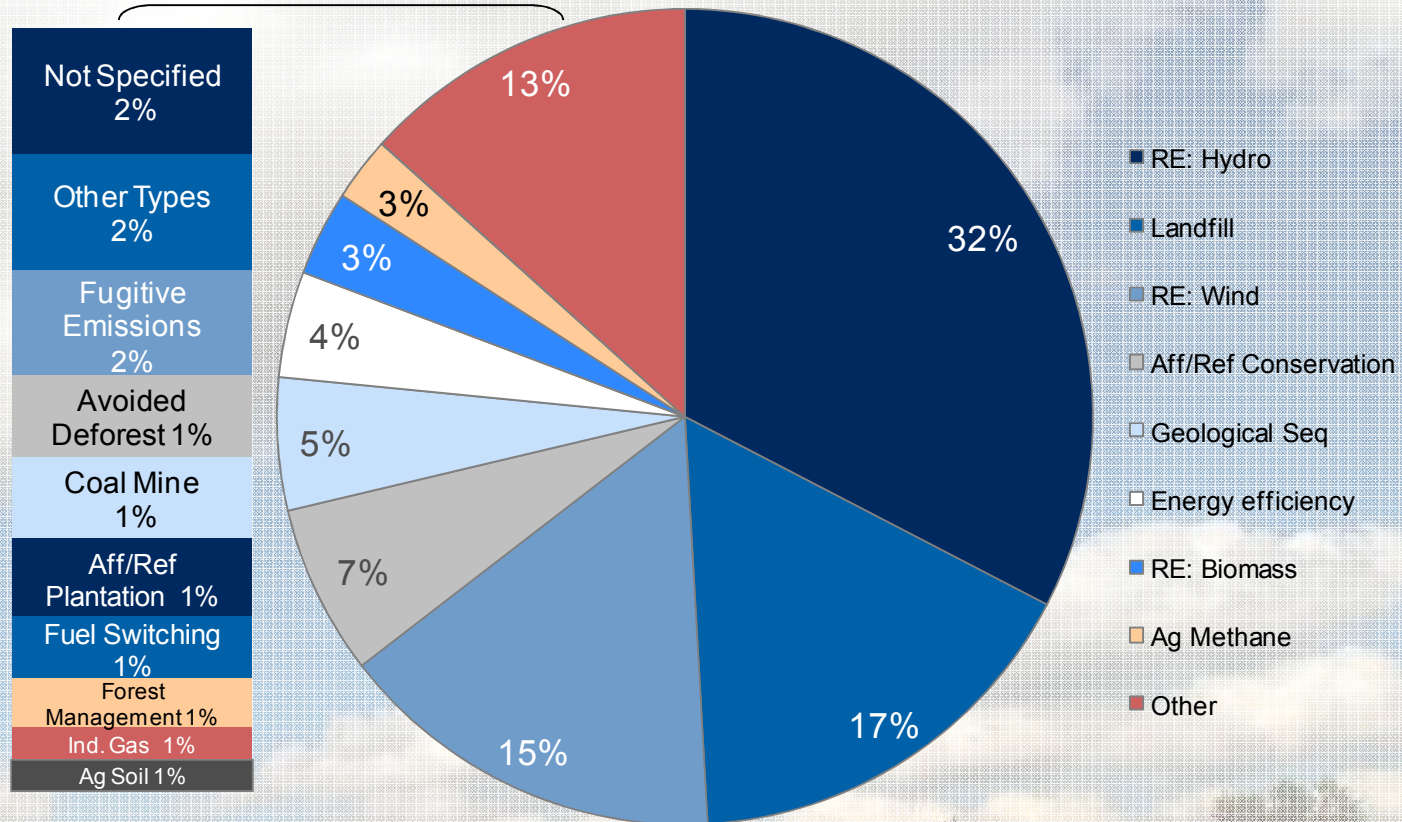


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Renewable Energy and Methane Capture supplied most credits transacted (OTC)

Transaction Volume by Project Type

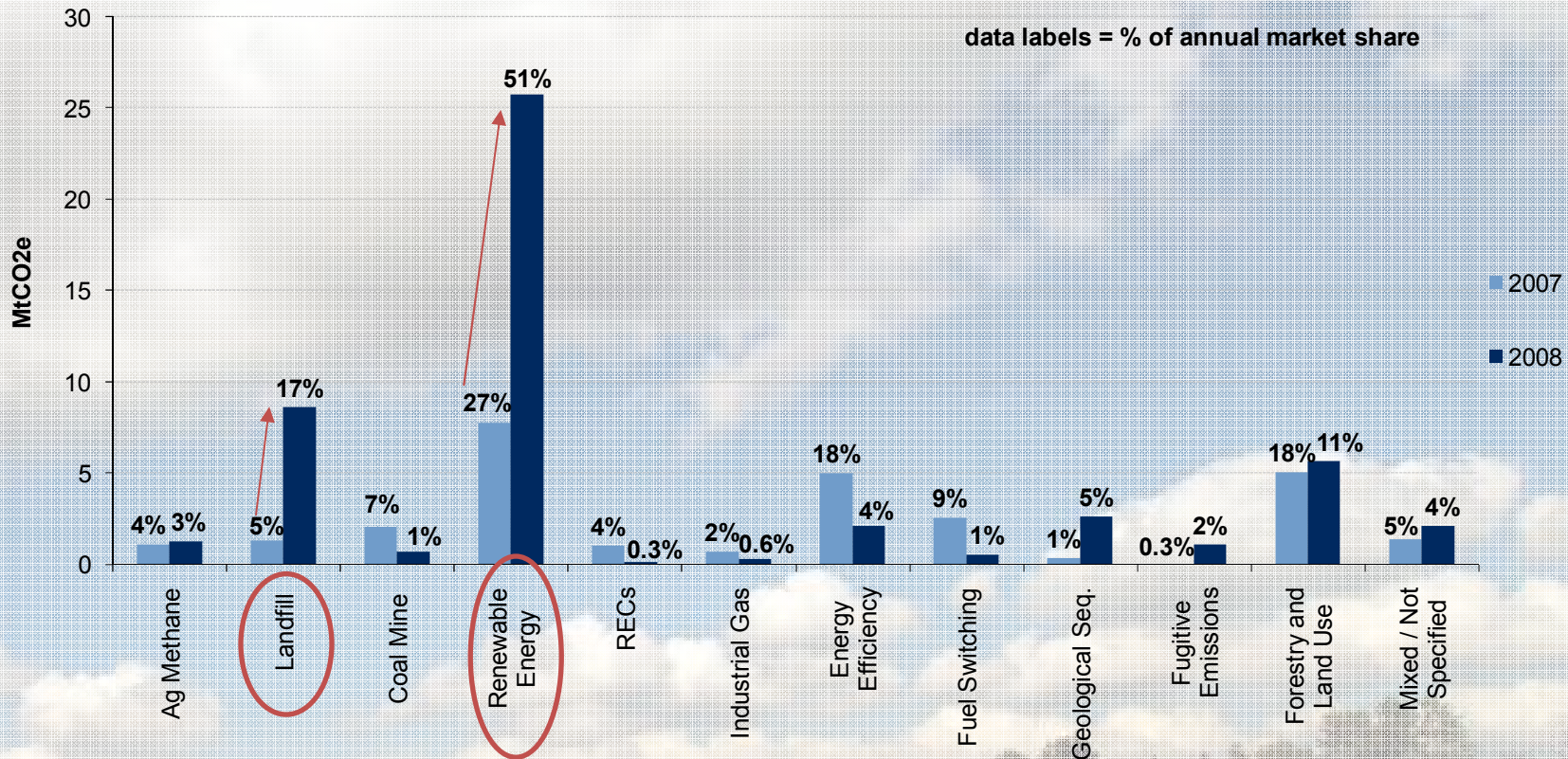


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Renewable energy was the major winner capturing over half the volume, landfill gas second (OTC)

Transaction Volume by Project Type

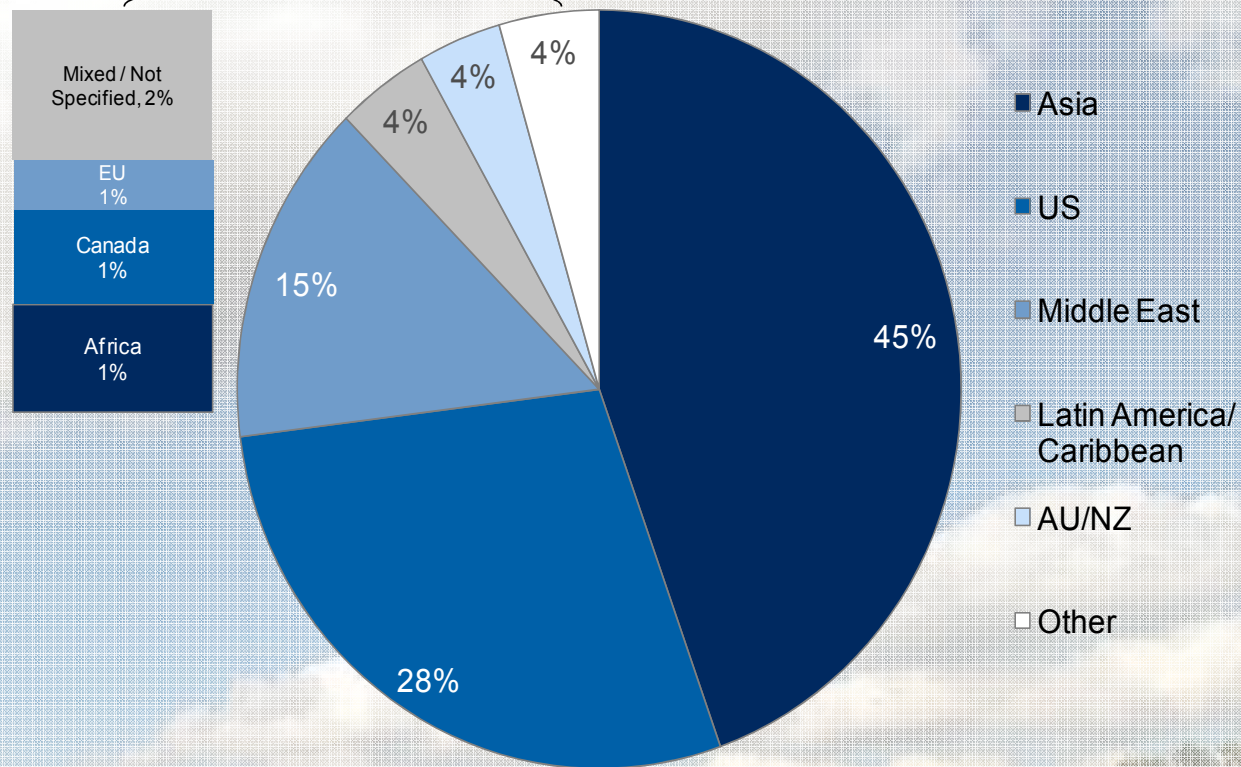


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Asia and US: Most common project locations (OTC)

Transaction volume by project location

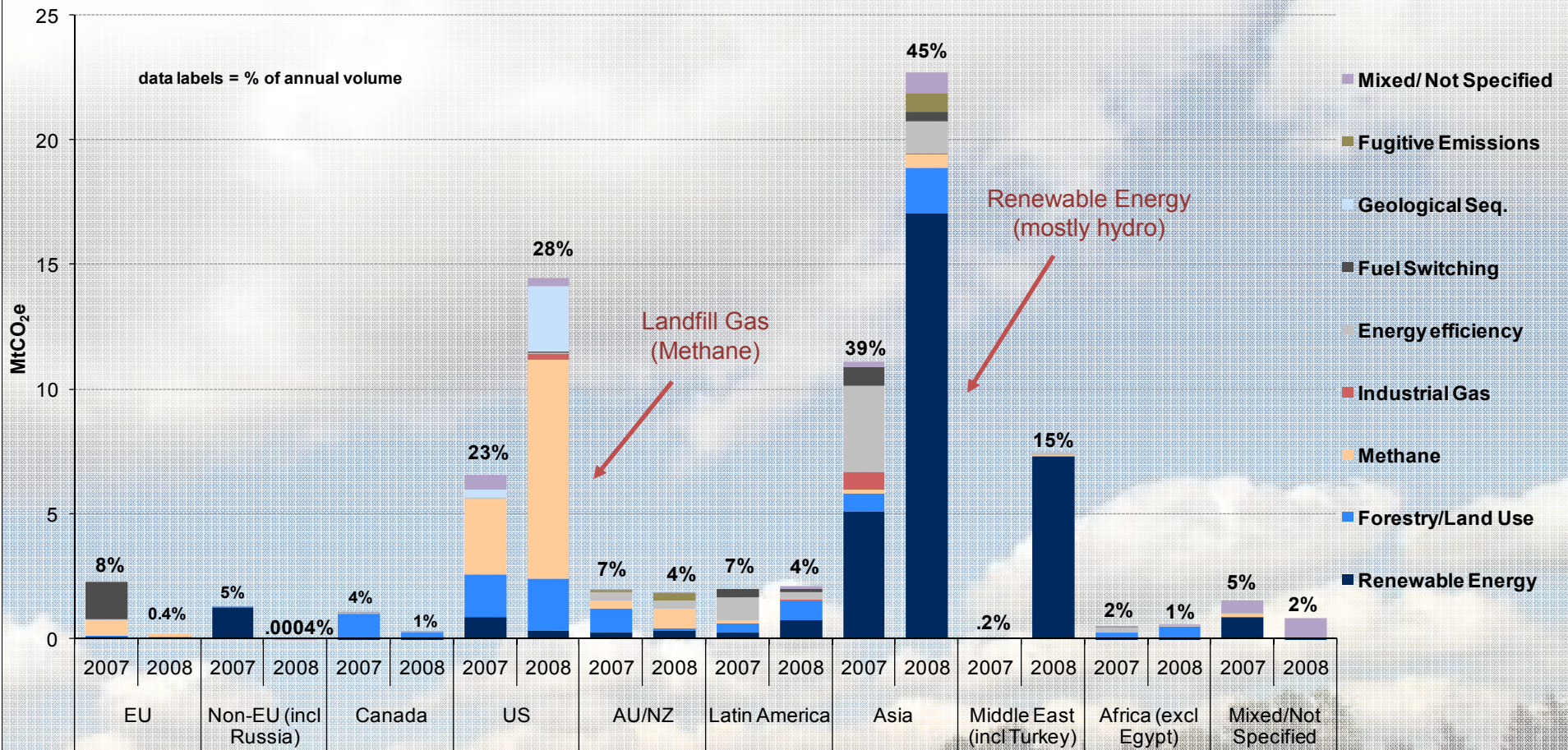


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Project Type by Project Location, 2007 vs. 2008 (OTC)

Transaction Volume by Location and Project Type

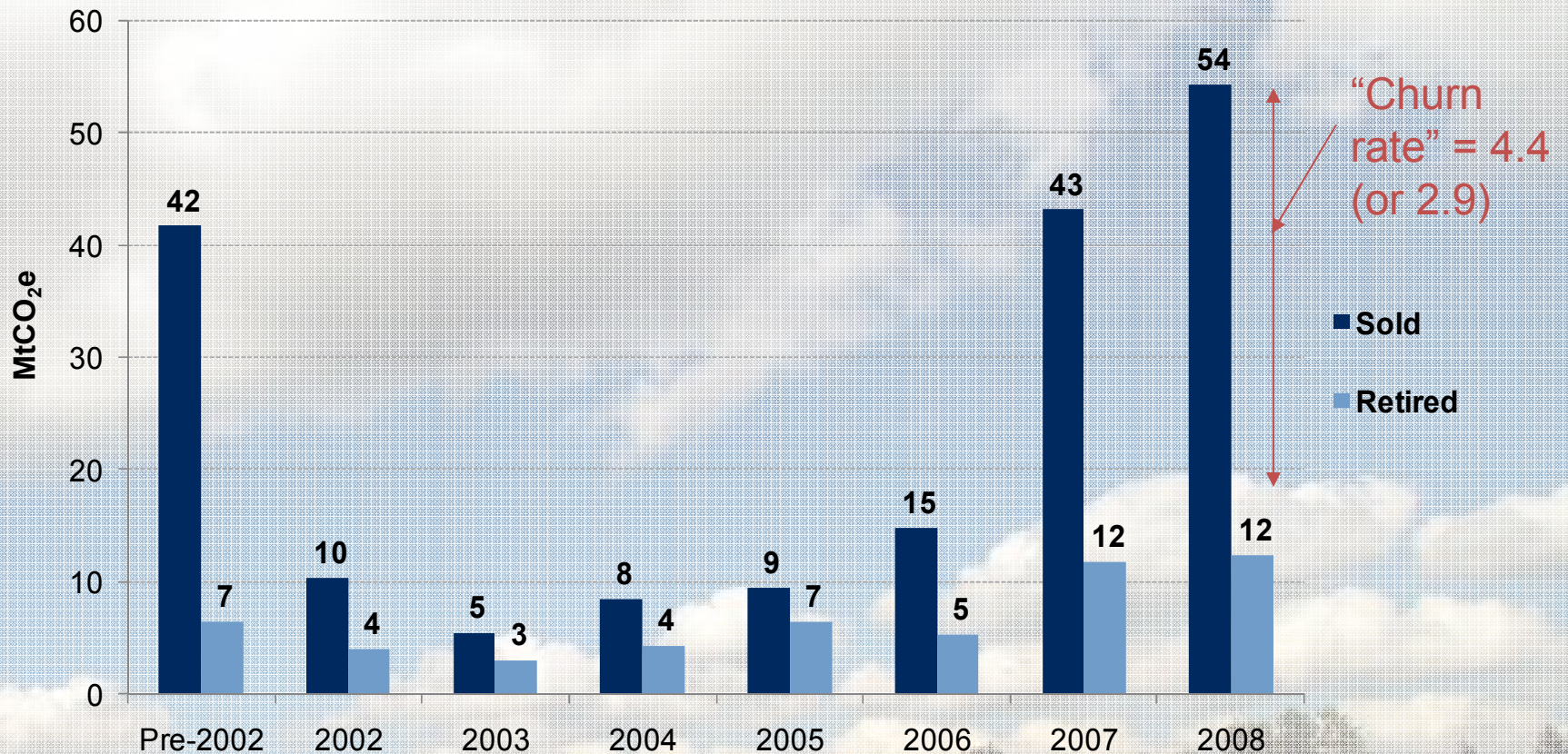


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



The main goal is credit retirement, which has stayed level since 2007.

Historic Transaction Values and Retirement

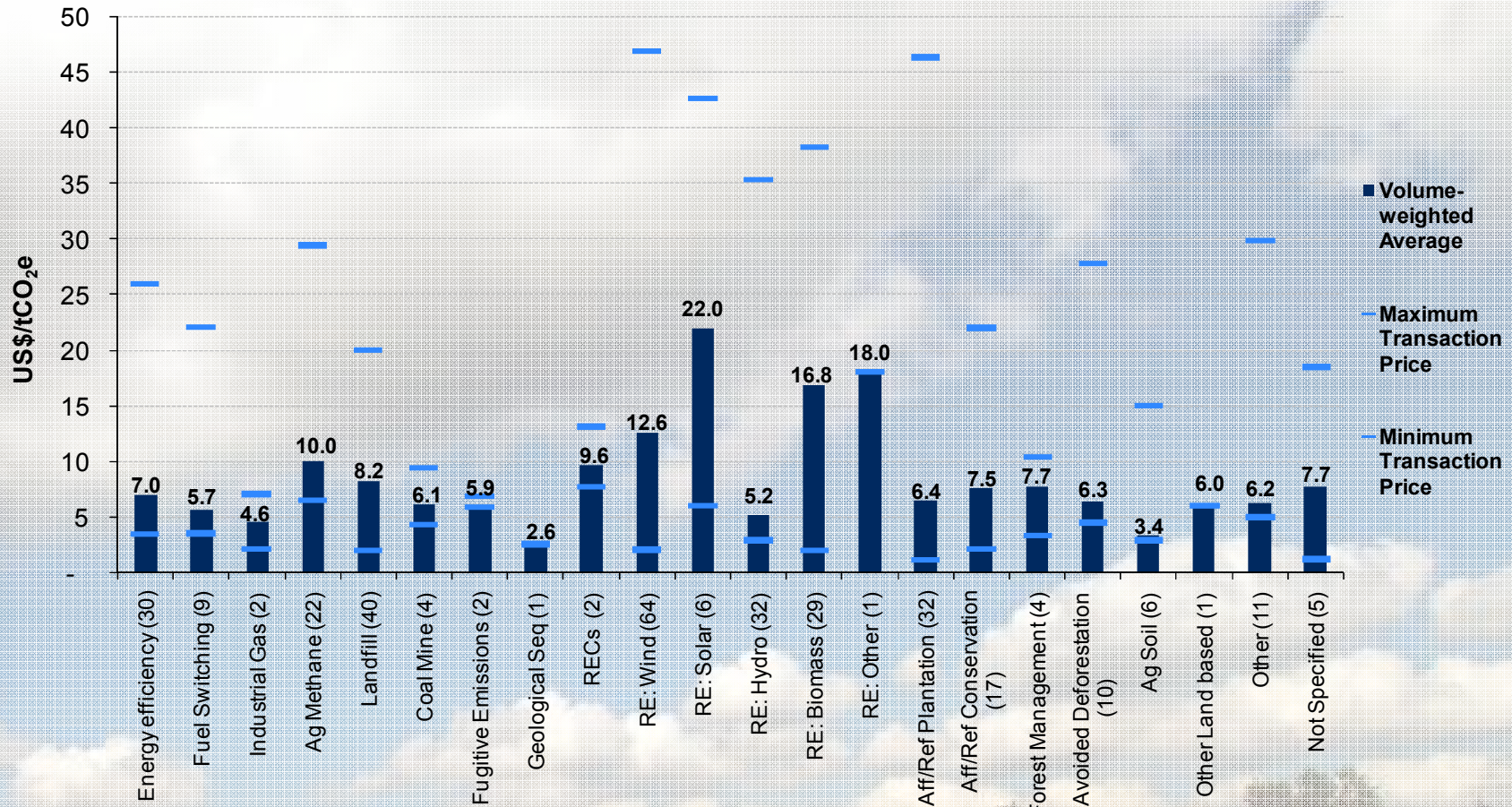


Source: “State of the Voluntary Carbon Markets 2009”, Ecosystem Marketplace and New Carbon Finance



Project type has a clear price influence

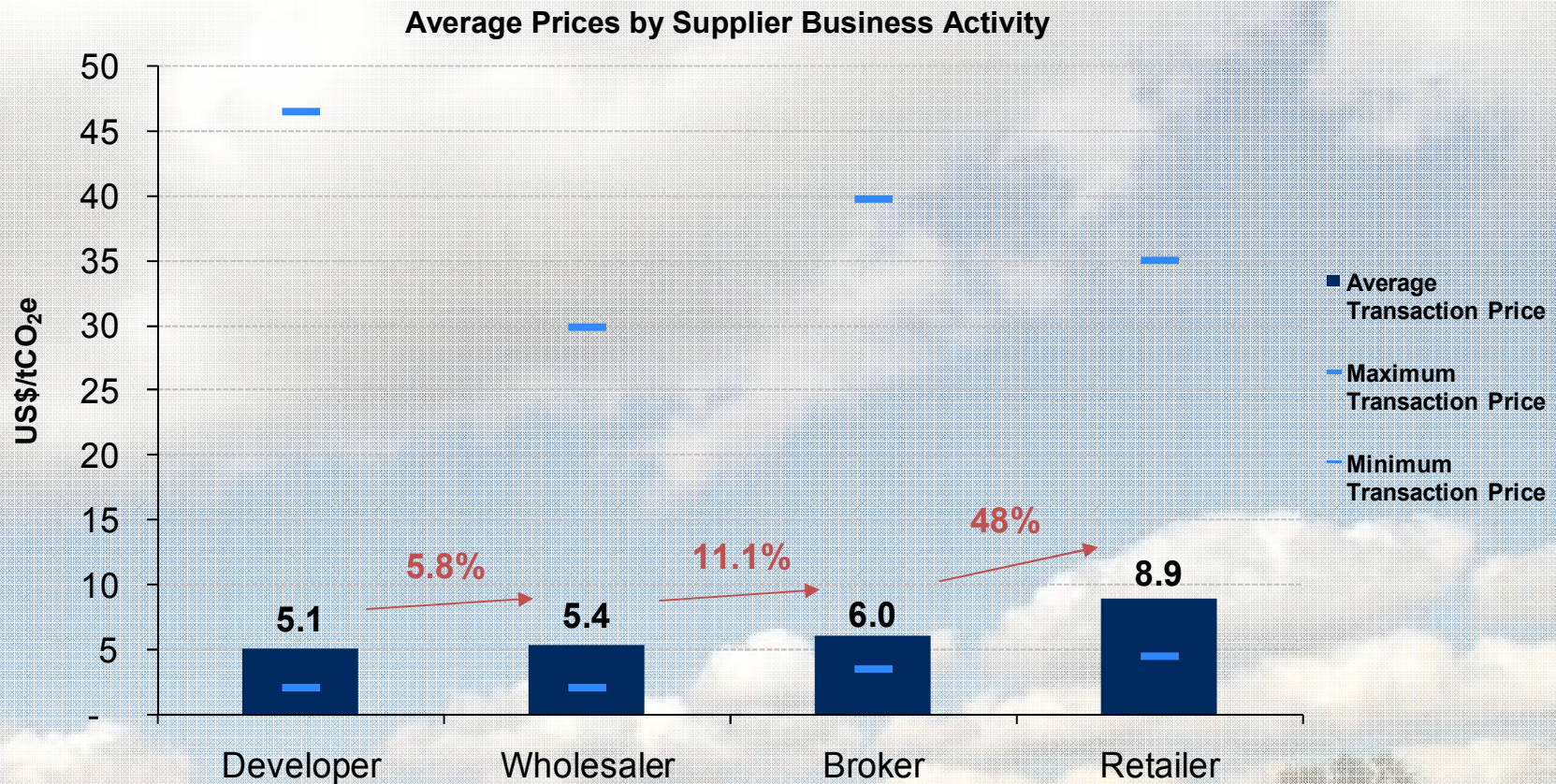
Average Prices and Price Ranges by Project Type



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



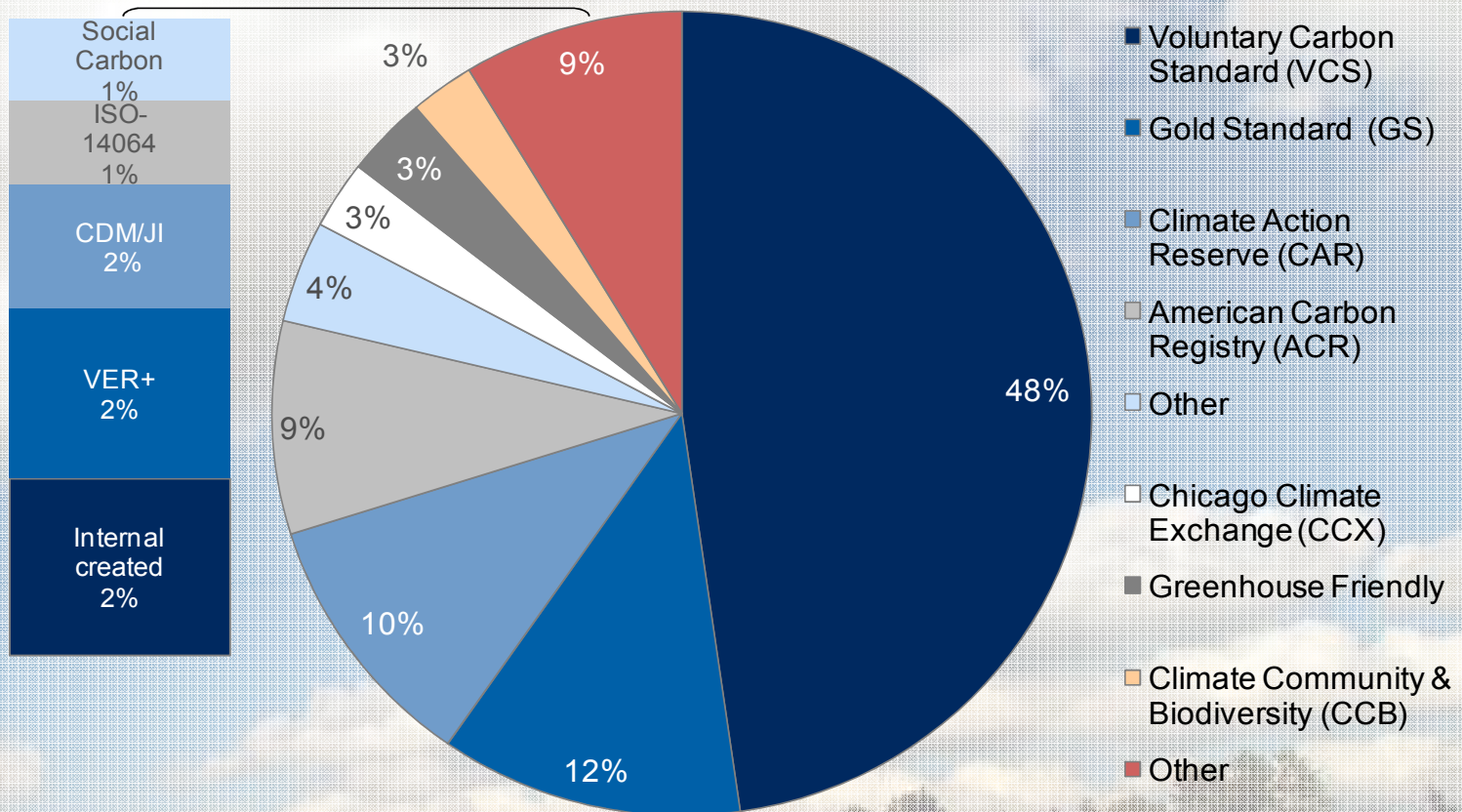
Average prices increase along the value chain although retail prices have declined from 2007



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Over 96% of transacted credits were third party verified

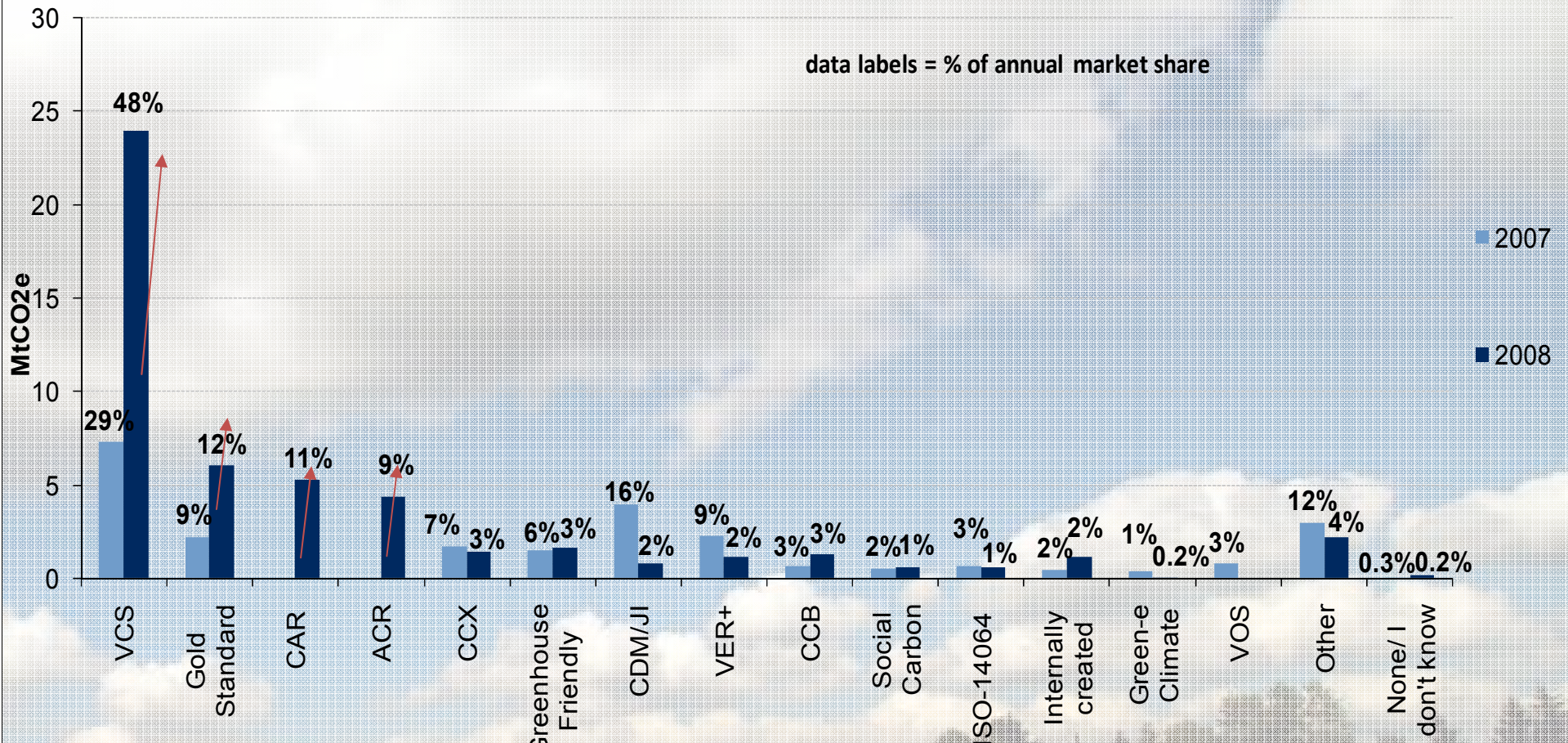


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Four Dominant Standards in 2008

Transaction Volume by Standard

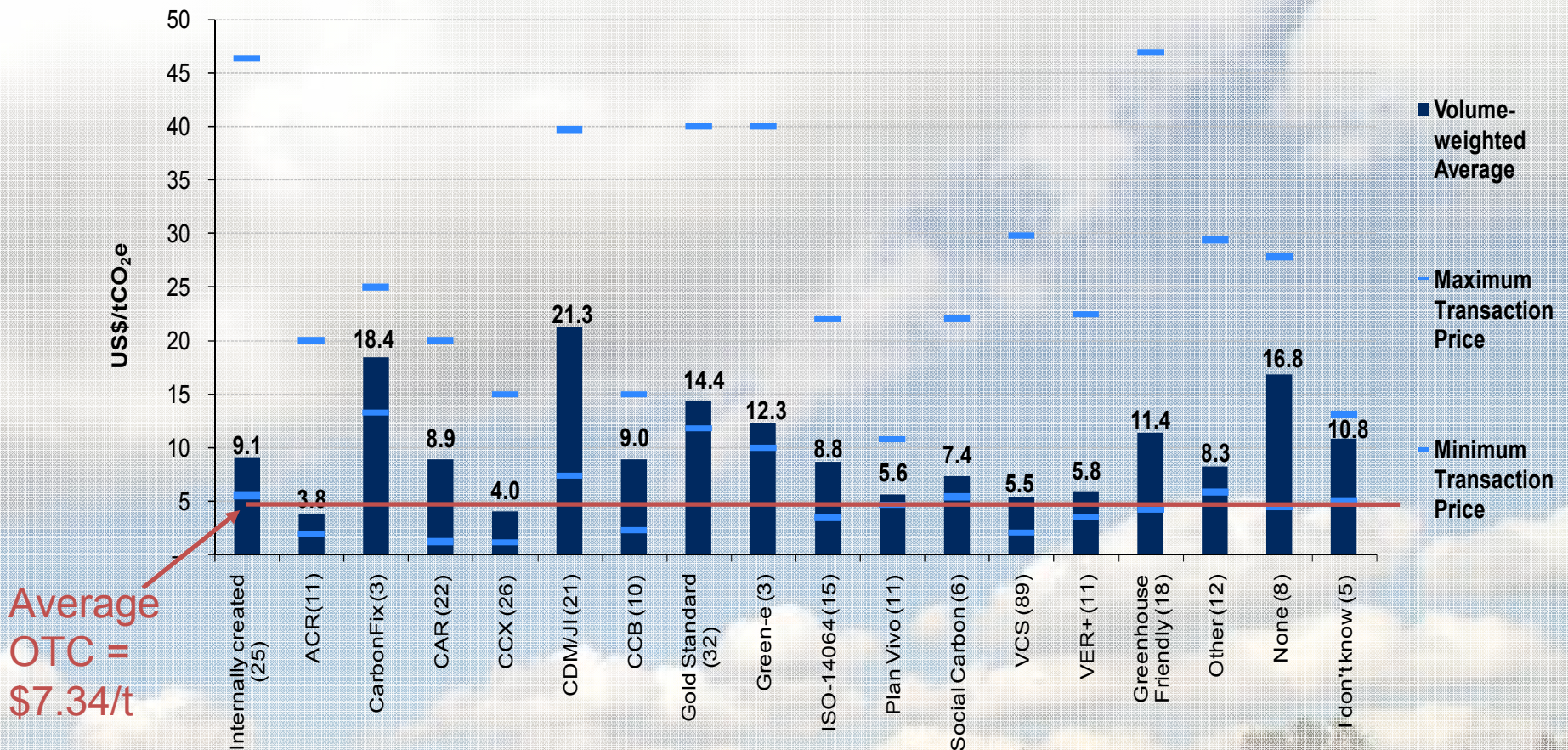


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Prices (somewhat) consolidate around standards

Average Prices and Price Ranges by Standard

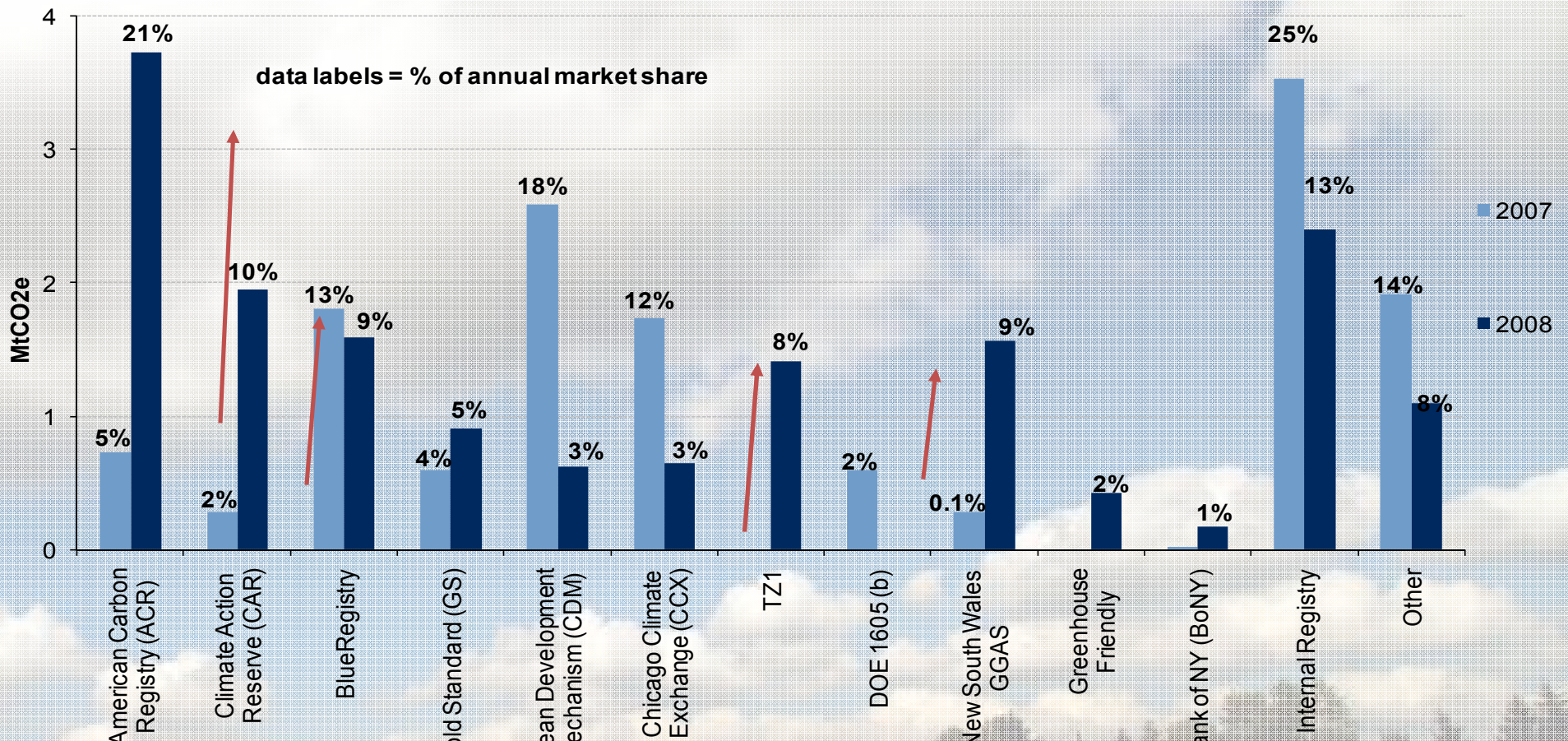


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Registries Increasingly Integrated

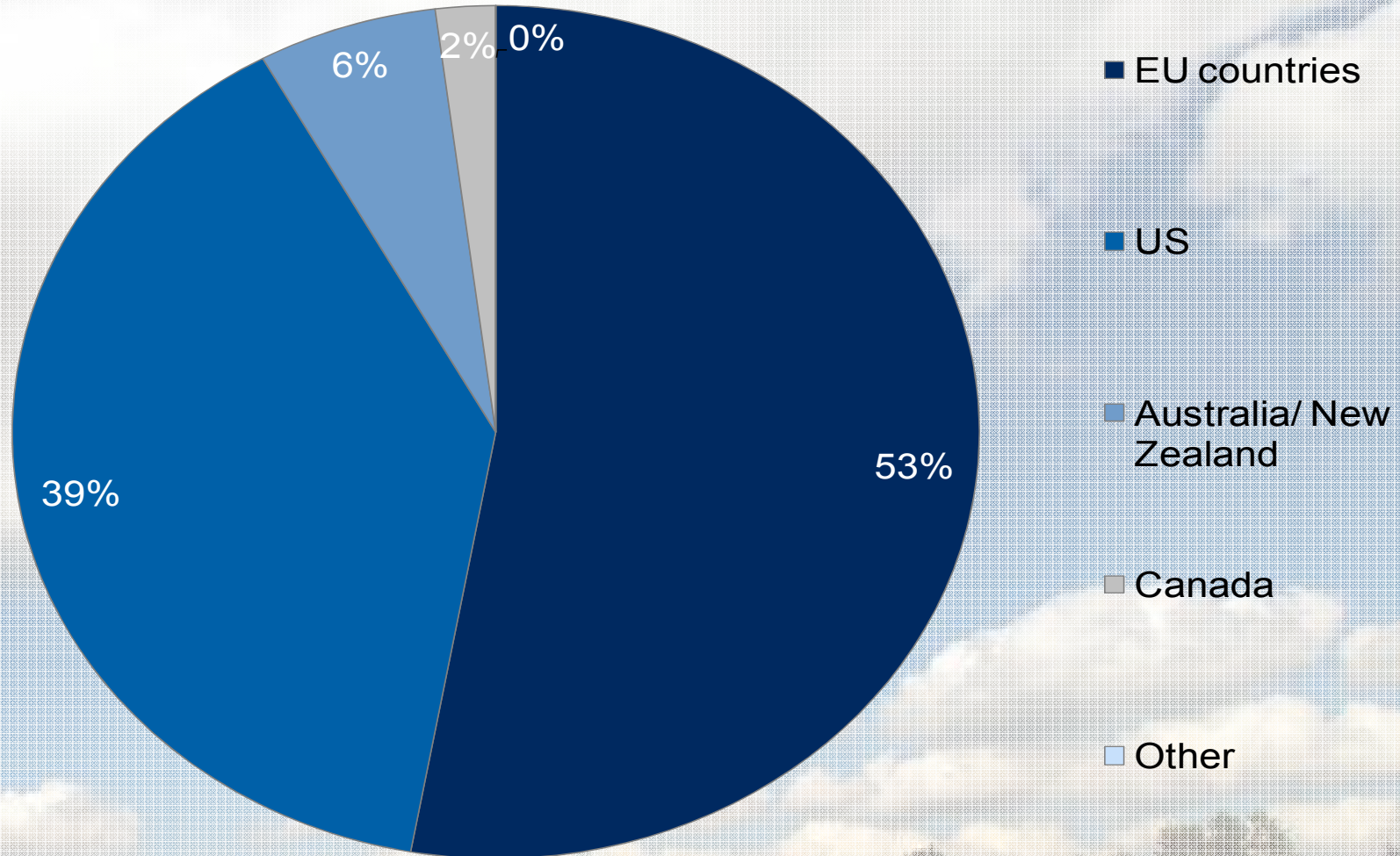
Transaction Volume by Registry



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



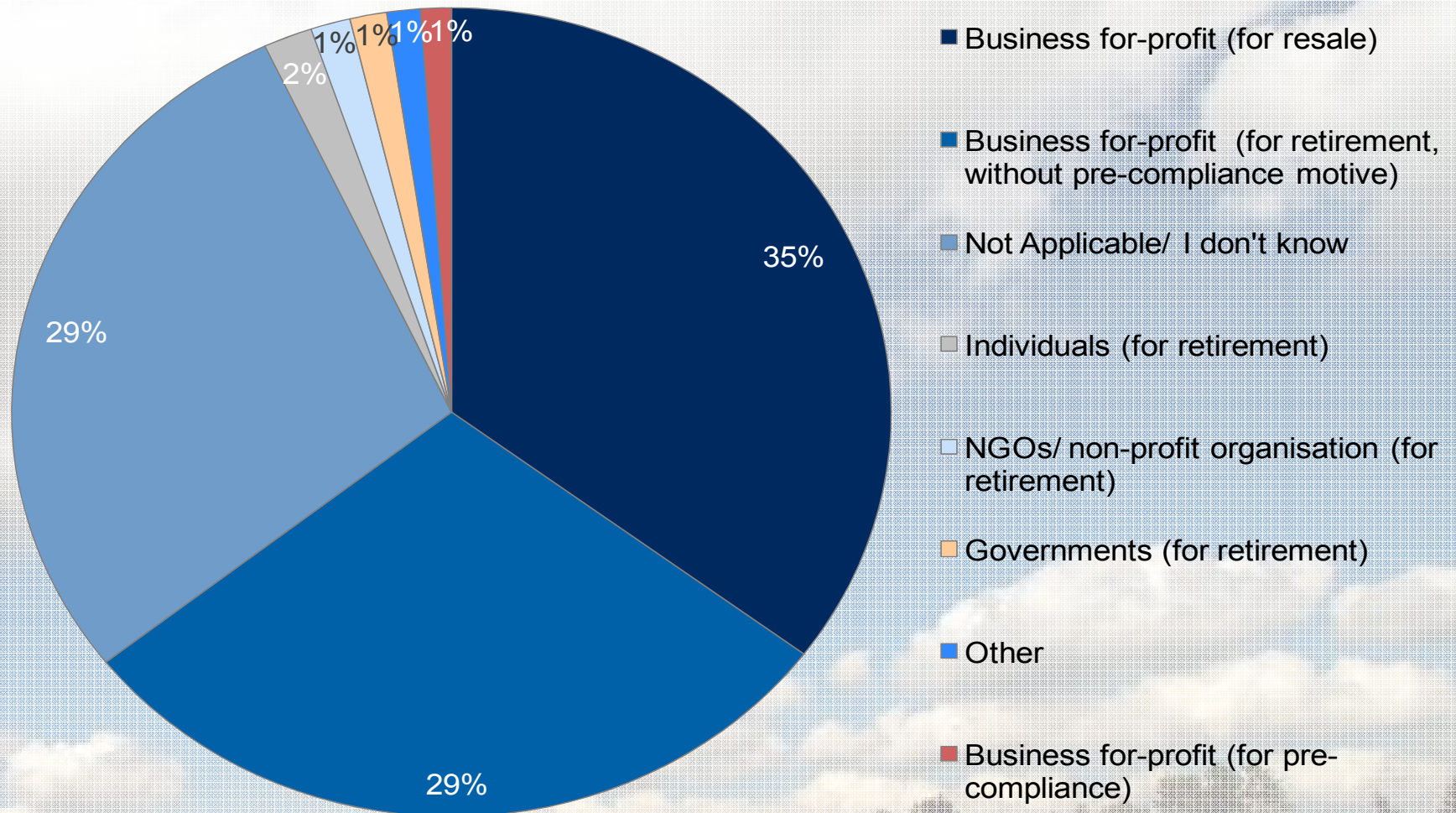
The buyers: EU and US supplied 92% of demand



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Type of Buyer

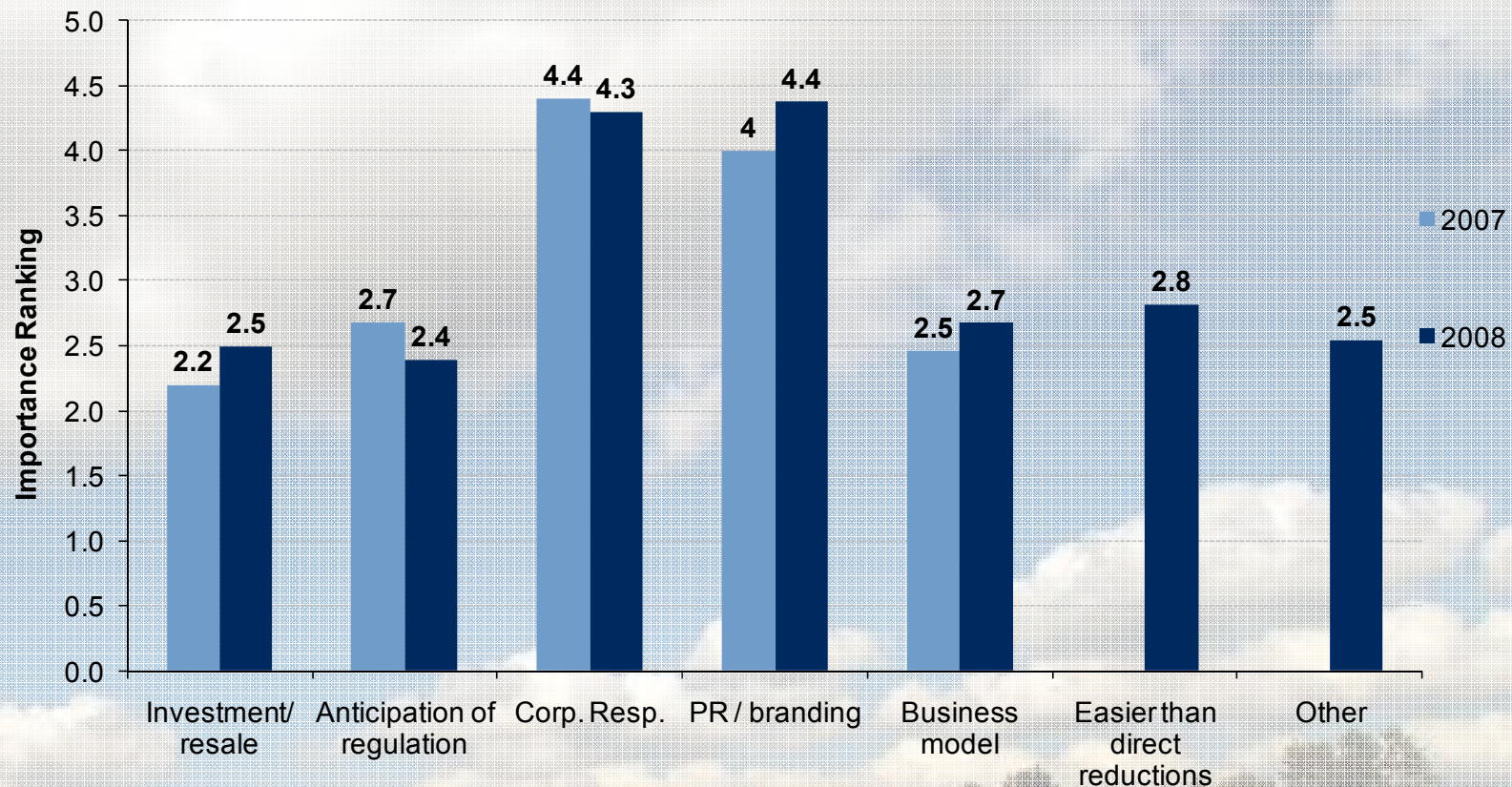


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



However, sellers still think that CSR and PR are the main motivations of their buyers

Customer Motivation according to Sellers

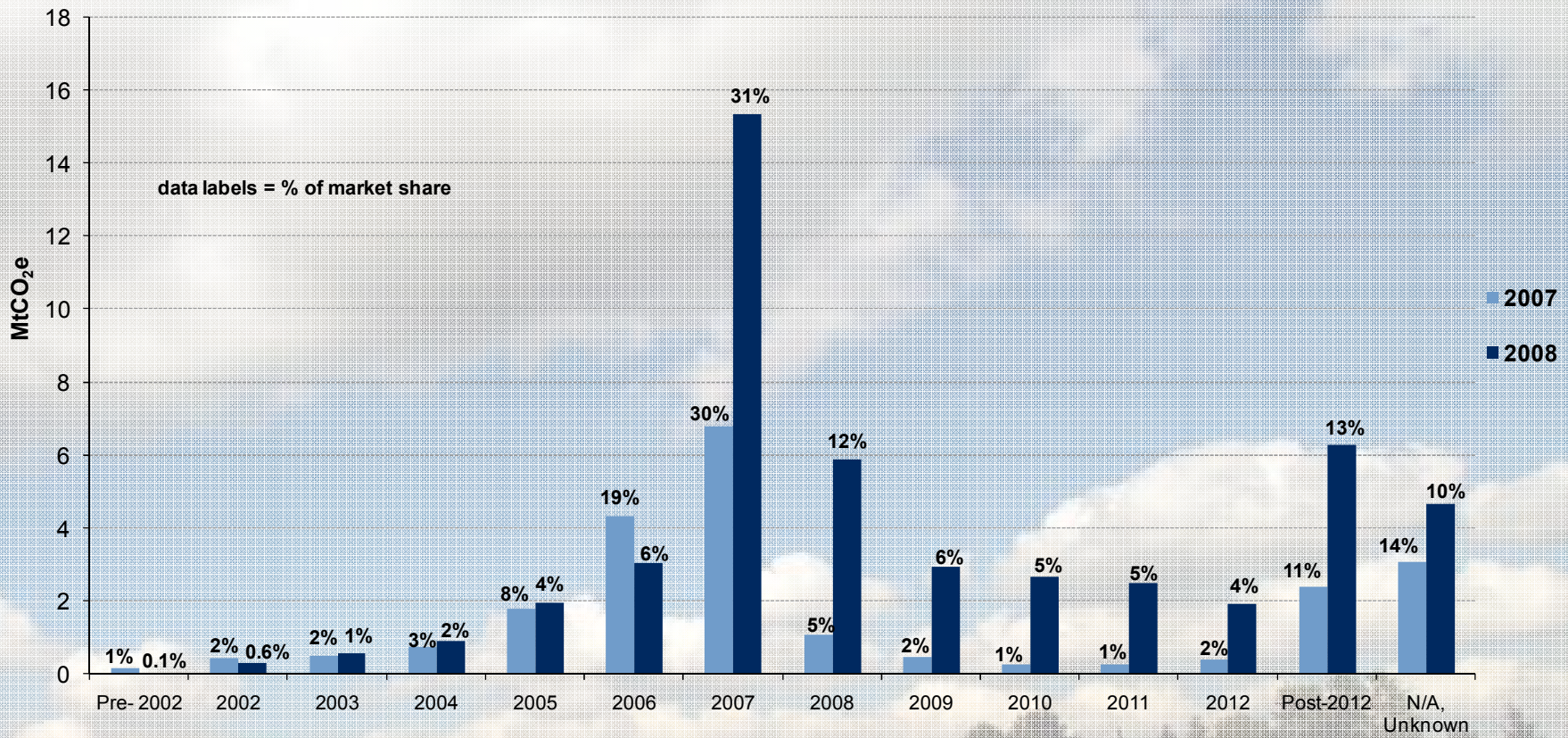


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Similar to last year, 2007 vintage and beyond are by far the most popular – 86% of the transactions

Vintage by Credit Transaction Volume

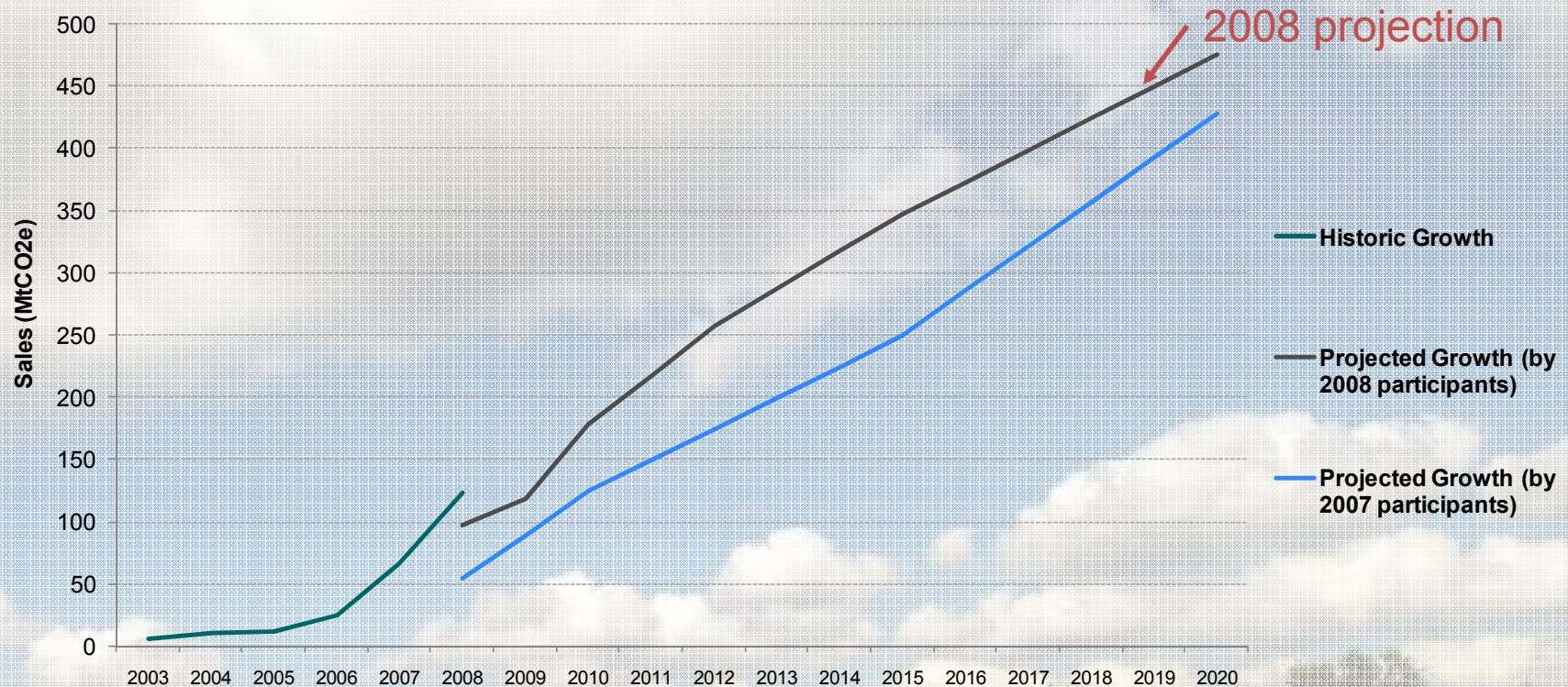


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Voluntary carbon markets expected to reach 257 MtCO₂e in 2012 and 476 MtCO₂e in 2020

Projected Market Growth for the Voluntary Carbon Markets, according to Participants

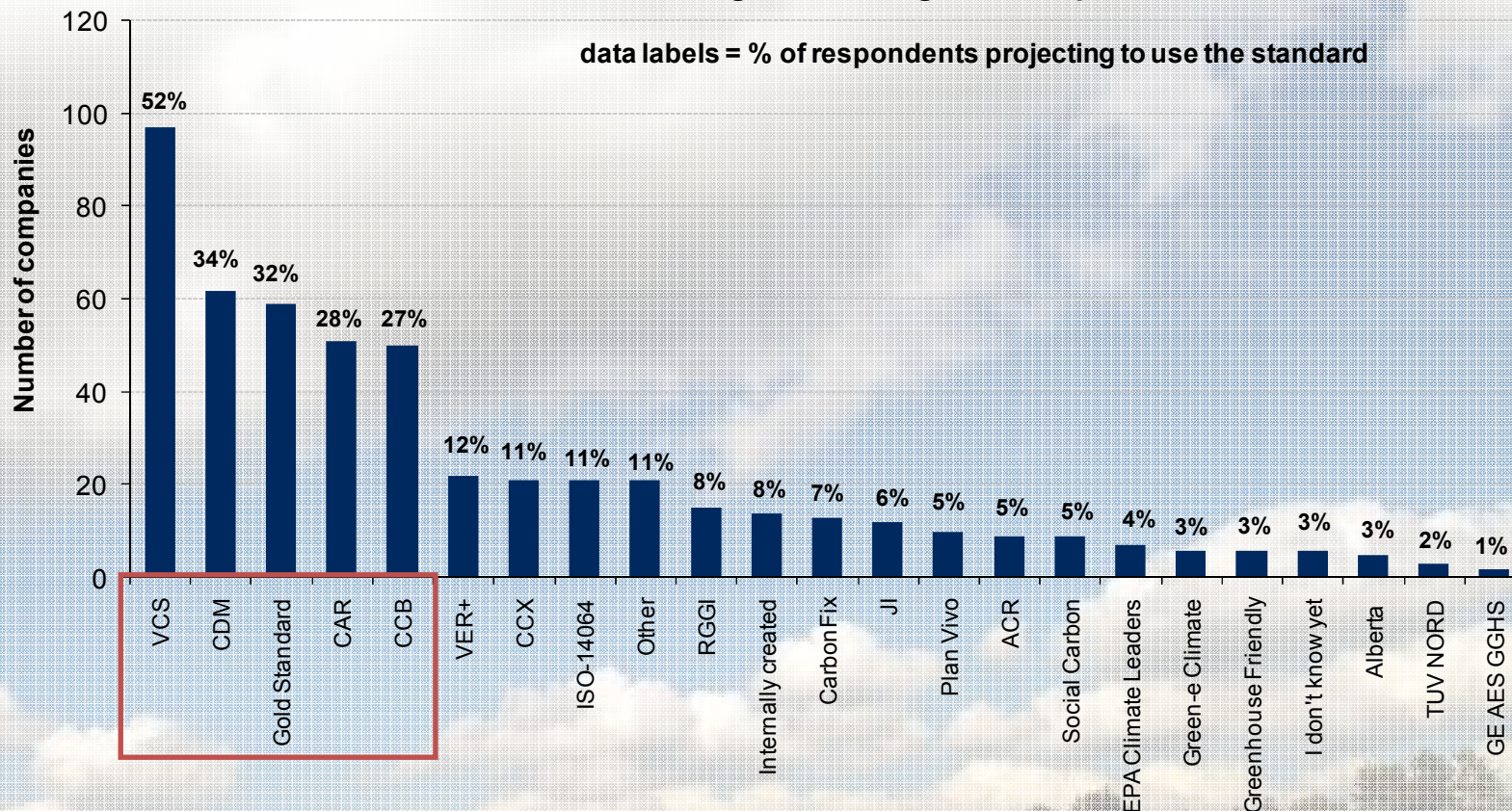


Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance

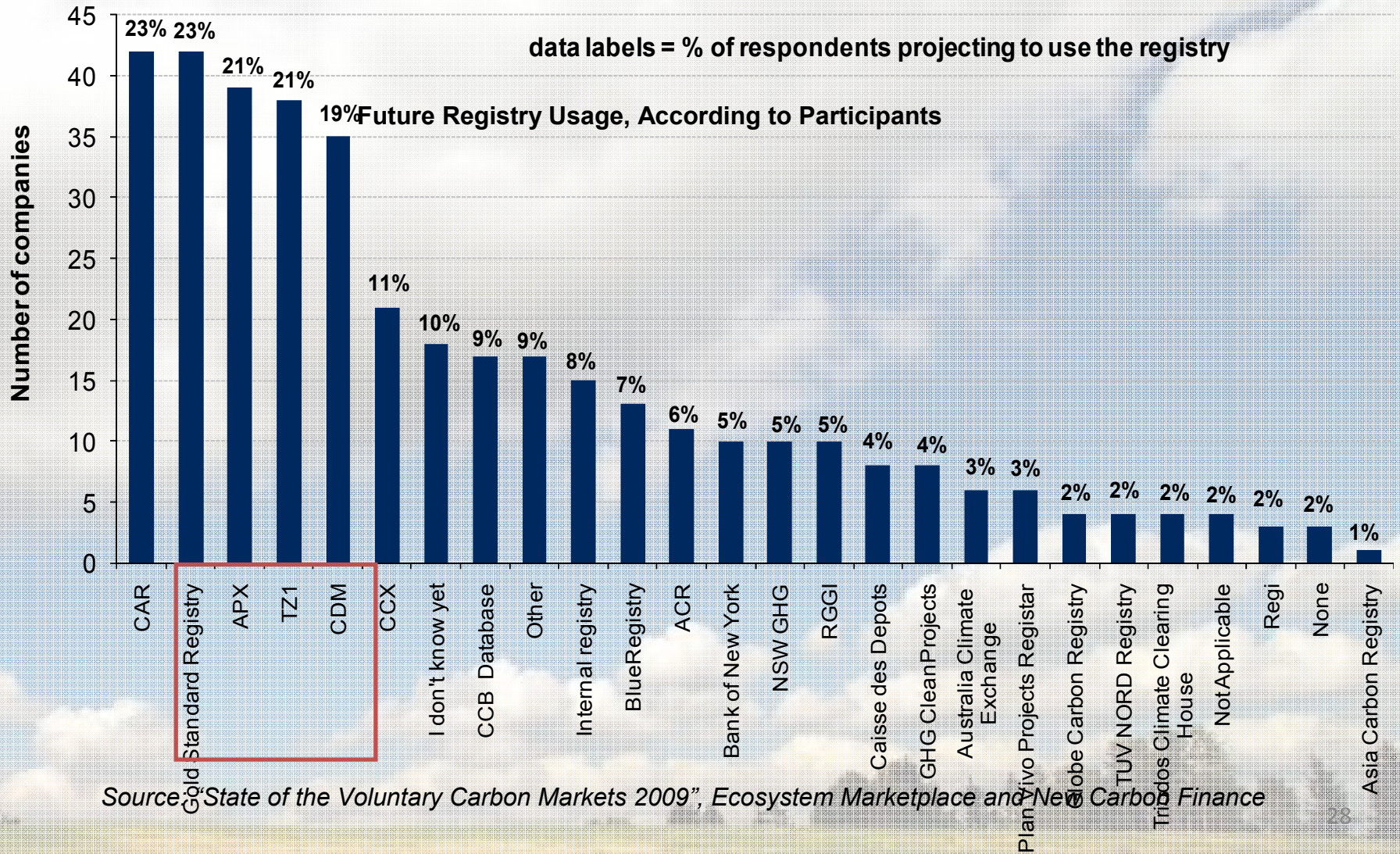


VCS, CDM, GS, CAR and CCB are poised to win the Standards' battle for longevity

Future Standard Usage, According to Participants



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance

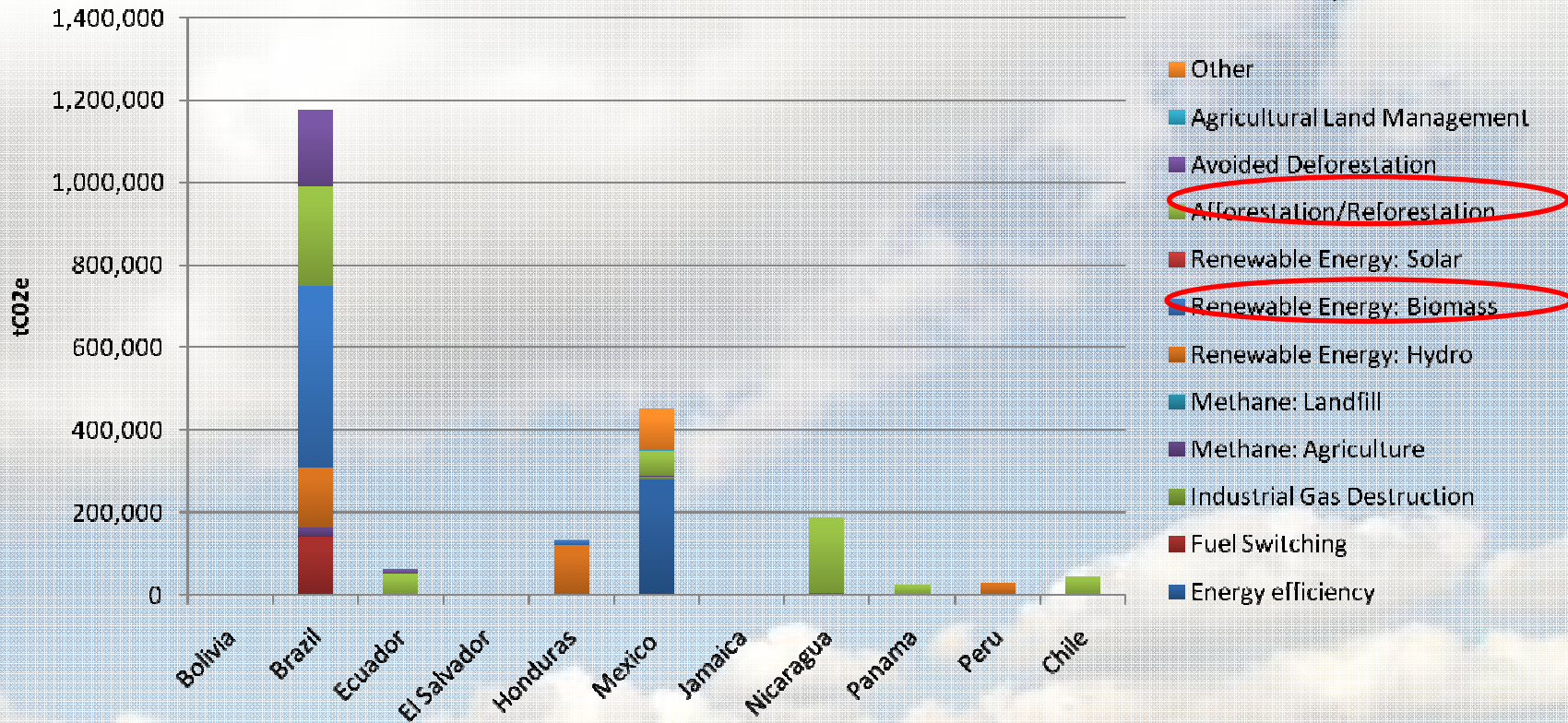




Brazil and Mexico lead Latin America in OTC market

Latin America transaction volume by project type

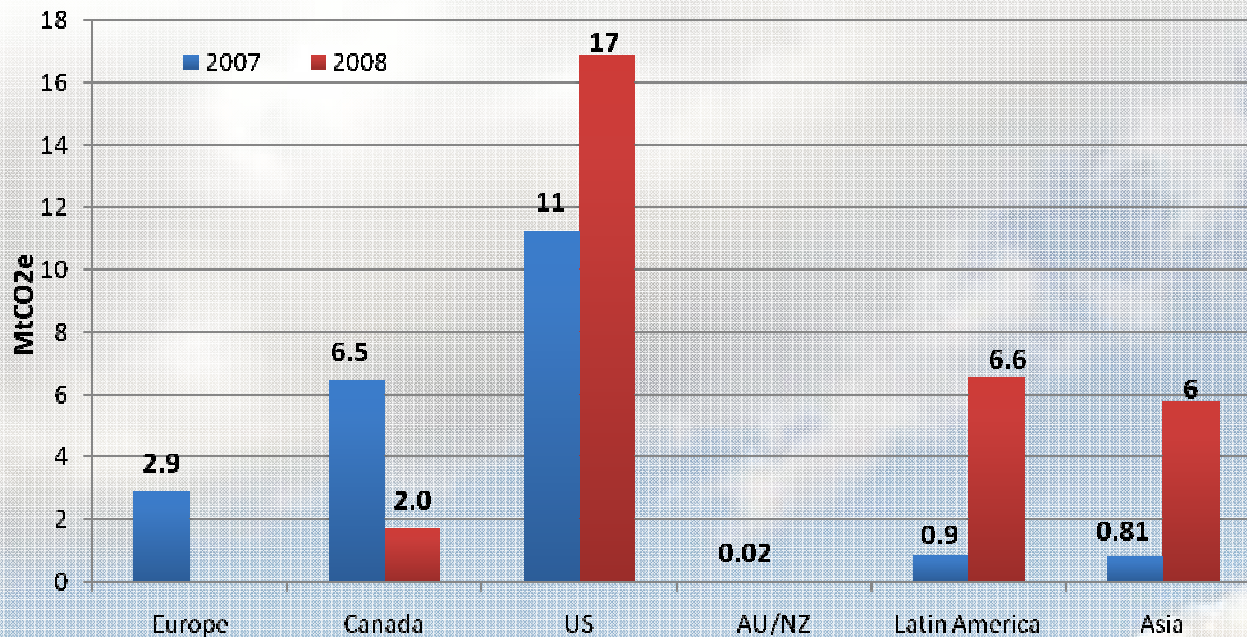
Total volume, 2008: 2.2 MtCO₂e
 Total value, 2008: \$15.53 Million



Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Latin American Registered CCX volumes grew in 2008



Total Reg. Volume, 2008: 6.6 Mt
 Total Reg. Value, 2008: \$29.2 Million (est)

- L.A. countries that registered credits on CCX in 2008:
 - Uruguay: 4.0 Mt
 - Chile: 1.4 Mt
 - Brazil: 0.88 Mt
 - Mexico: 0.27 Mt

Source: "State of the Voluntary Carbon Markets 2009", Ecosystem Marketplace and New Carbon Finance



Reasons for limited Latin American VER transaction volumes

- It's an issue of supply, not a lack of demand.
- Limited government capacity to support CDM
 - Supplementary CDM laws that restrict eligible CDM project types (e.g. Brazil has restrictions on landfill gas project types)
 - “Low-hanging fruit” already harvested
- Investment risk associated with smaller-scale projects
- Lack of understanding of CDM, VER markets
- Need for capacity building
 - Katoomba Group Ecosystem Services Incubator



Main “take away” lessons

- The global voluntary carbon market is maturing and growing rapidly.
- Voluntary offsetting is very important for CSR/PR purposes and fills a unique niche alongside compliance markets.
- The growth of the voluntary markets in the next 1-3 years is heavily dependent on the scope of regulation. The pre-compliance subset of the voluntary market will grow in 2009 and 2010. Standards are key to determining which offsets are likely to be used in a cap-and-trade scheme.
- The voluntary market is likely to continue to exist even after a U.S. cap-and-trade scheme takes effect. Regulation will never cover all emissions sources.
- More than their volumes or value, the greatest contributions of the voluntary markets may be their incubation of new project types (e.g. REDD) and providing policymakers and the public an understanding of how offsetting can fit into a climate change abatement strategy.
- Growth in the L. American VER supply is associated with development of L. American CDM projects.



Questions?

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