

The Global Carbon Market from the view of a Compliance Buyer

1st Workshop on the CDM Process in Libya
29 October 2009, Tripoli - Libya

Thomas Gulden, Climate Protection, RWE Power AG



RWE Group – Key facts

- > The RWE Group is one of Europe's leading electricity and gas companies (among the TOP 5 utility companies). Our major markets in power generation, sales and trading are located in Germany, the UK and Central Eastern Europe.
- > In Libya, RWE's upstream subsidiary RWE DEA is active in the exploration of hydrocarbons since 2003. The company's assets are located in the Sirte, the Cyrenaica and the Kufra basin.
- > RWE is represented on the Carbon Disclosure Leadership Index, which lists those companies, playing a pioneer role in climate protection, regarding reporting and overall strategy.
- > In 2008, with 66,000 employees, RWE generated €49 billion in external revenue.

Acceptance of a Carbon Constraint World

- > Early mover with participation in the Prototype Carbon Fund of the Worldbank in 2000.
- > RWE Trading started first forward European Allowance (EUA) deals in 2003.
- > Compliant under the European Emissions Trading Scheme (EU ETS) since 2005.
- > To date active in 122x Clean Development Mechanism (CDM) and 6x Joint Implementation (JI) Projects, either directly or through Joint-Ventures with Agrinergy and Carbon Climate Protection.

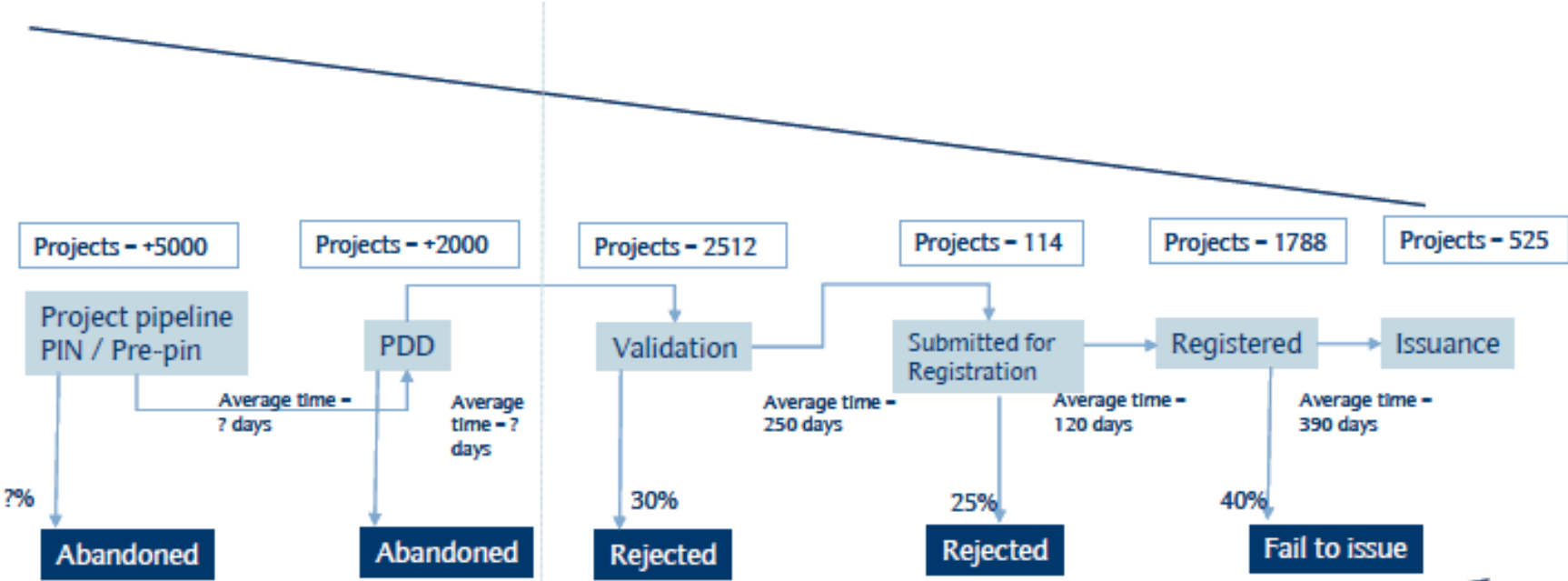
Adaptation by RWE to the carbon constraint world was quick and is based on a long-term strategy.

Pipeline of CDM projects & regional distribution

	Number of Projects		2008-2012 kCERs	
Latin America	819	17,5%	391.400	14%
Asia & Pacific	3.646	78,0%	2.255.535	81,0%
Europe & Central Asia	48	1,0%	21.409	0,8%
Africa	112	2,4%	84.157	3,0%
Middle-East	48	1,0%	33.319	1,2%
Total in the CDM pipeline	4.673	100%	2.785.819	100%

Source: UNEP RisØ Centre, October 2009

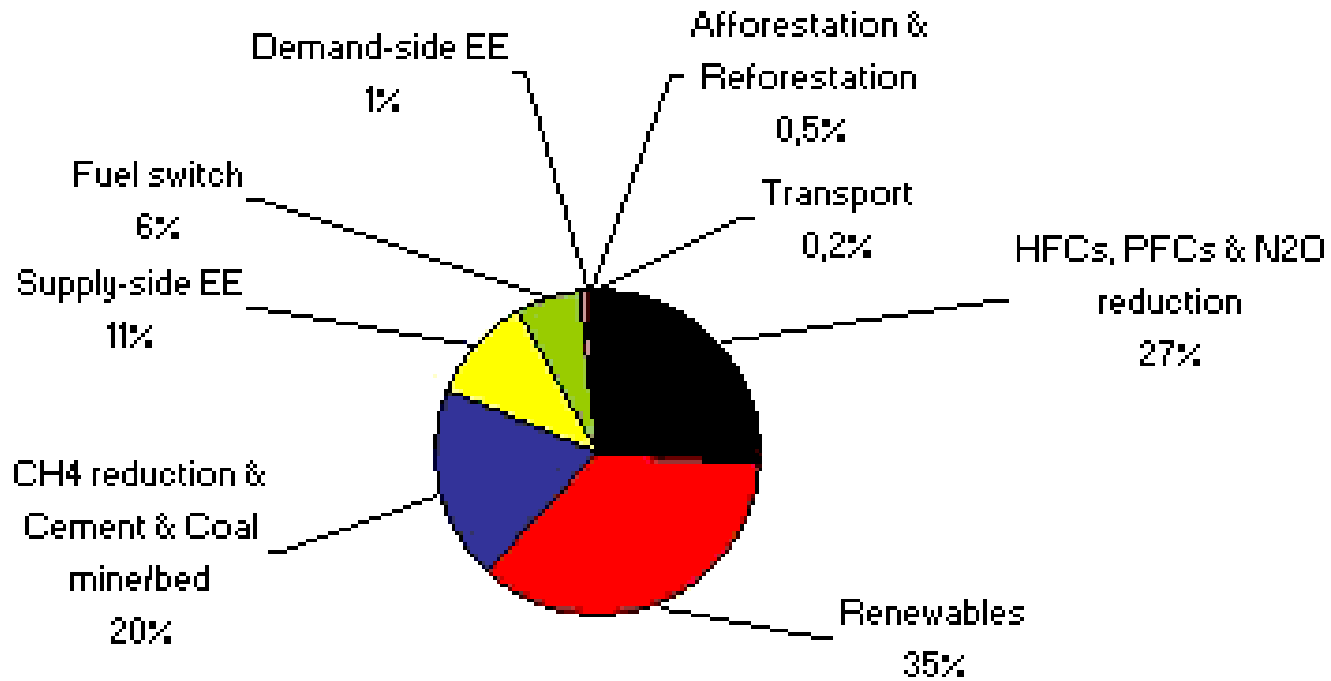
Success Rates: Idea to Certificate Issuance



As of 01-09-09

Source: Barclays Capital

Current sector distribution of CDM projects

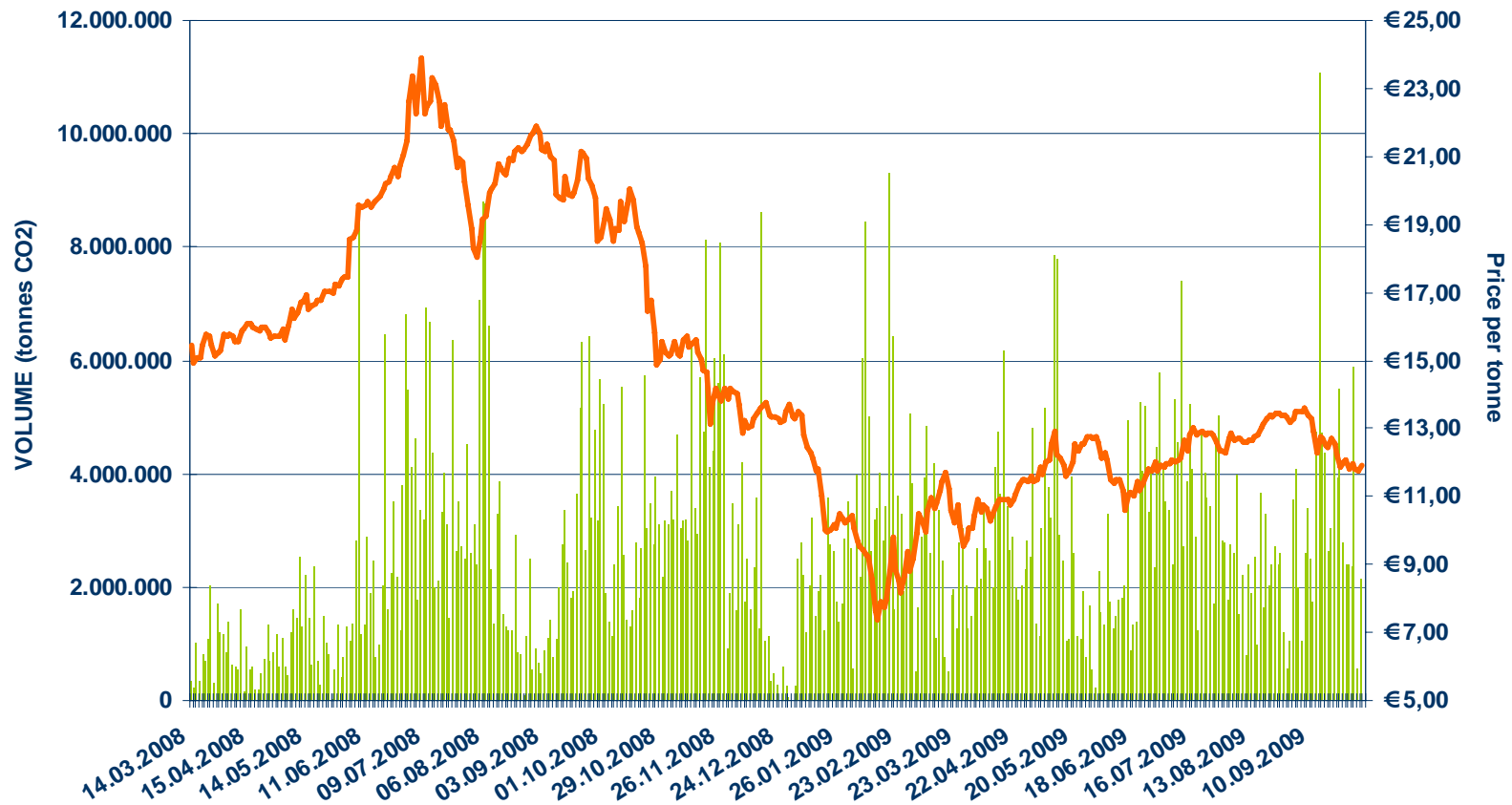


Source: UNEP RisØ Centre, October 2009

Price Developments: CER Future Contracts

ECX CER Futures Contracts: Price and Volume

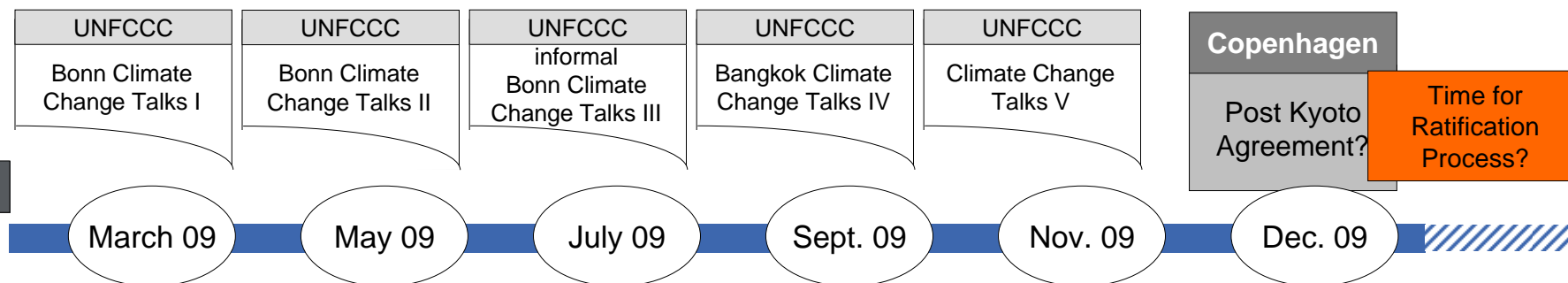
Total Volume Dec09 Sett



<http://www.ecx.eu/CER-Futures>, October 2009

State and Trend of a Post Kyoto Agreement

- > Dec. 2007, President of the UNFCCC, after COP 13 in Bali:
„I am delighted to say that we have finally achieved the breakthrough the world has been waiting for: the Bali Roadmap!“
- > Apr. 2009, Executive Secretary of the UNFCCC, after Climate Change Talks I in Bonn:
„[Countries] now have the necessary clarity to move into intensified negotiations based on texts.“



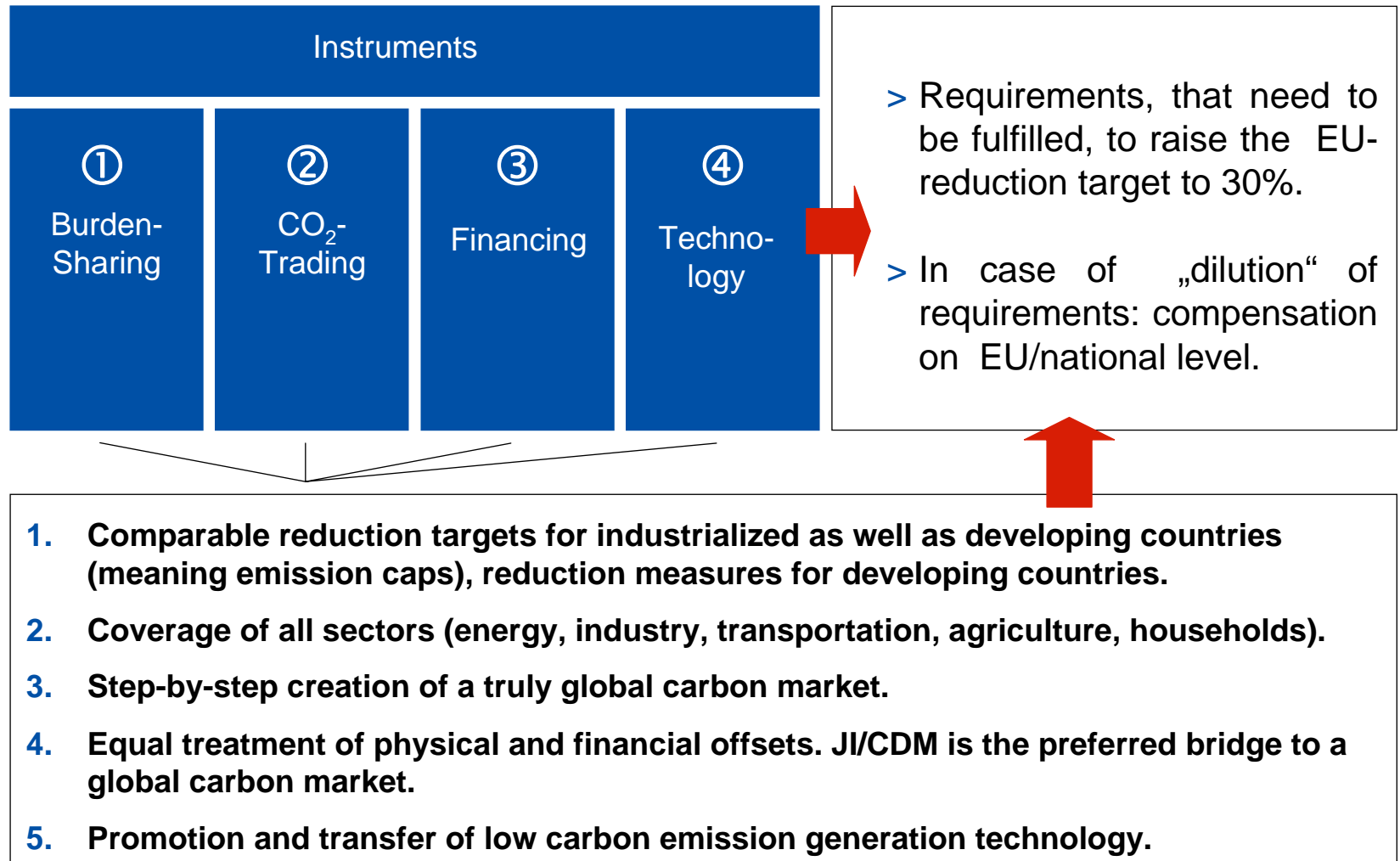
State and Trend of the EU ETS

- > Since January 2005 ~11.000 Installations in the energy and industry sector participate in the mandatory EU ETS.
- > EU Commission proposed a review of the EU ETS Directive in December 2008:
 - EU ETS Phase III from 2013 to 2020.
 - Introduction of auctioning as the dominating allocation method for the future.
 - Comitology process on 13 issues to start early 2010.
 - Redemption capacity for the use of CDM and JI credits from 2008 to 2012 expanded to 2008 to 2020.

Uncertainty about CDM/JI Project Quality eligible in the EU ETS Post 2012

- > No International Post Kyoto Agreement
 - Exclusion of project types for EU ETS eligibility possible, but to which extent?
 - Discrimination of CDM/JI host countries possible, but to which extent?
- > International Post Kyoto Agreement established
 - CERs/ERUs only allowed from host countries which ratified the Agreement, but
 - future emission reduction obligations by CDM host countries?

A consistent Global Carbon Market is essential



Conclusions

- > The EU ETS is the main global carbon market driver right now.
- > EU ETS Review for Phase III is on a good way forward, but
 - depending on an Post Kyoto Agreement 2012, and therefore
 - uncertainty through possible limitations of eligible project types and CDM/JI Host Countries.
- > Uncertainty provides carbon market distortions and hinders long-term investments in new emission reduction projects.
- > Consequently, Libya could support these developments by implementing CDM as soon as possible and help providing security for an ongoing global carbon market post-2012.

Thank you very much for
your attention!

