

PRESENTATION GIVEN AT TRANS LINKS REDD WORKSHOP

JUNE 22, 2009

BRONX, NEW YORK, USA

HOSTED BY

THE WILDLIFE CONSERVATION SOCIETY



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Carbon Markets

Hopes - Expectations – Uncertainty

WCS REDD Meeting

June 22, 2009

Presented by Ray Victorine

TransLinks: Promoting Transformation by
Linking Natural Resources,
Economic Growth, and
Good Governance



Offsets are an imaginary commodity created by deducting what you hope happens from what you guess would have happened."

(Dan Welch quoted in *The Guardian*, June 16 2007)

Current Markets

Compliant Market

- Created under the Kyoto Protocol
- Cap and Trade System
- Market Value 2009: **\$119,500 million**
- Does not include Forest Carbon

Current Markets

Voluntary or Pre-Compliant Market

- Not based on regulation
- CSR and individual demand - story
- Includes broader terrestrial carbon options
- Potentially large US market
- Market Value 2009: \$705 million

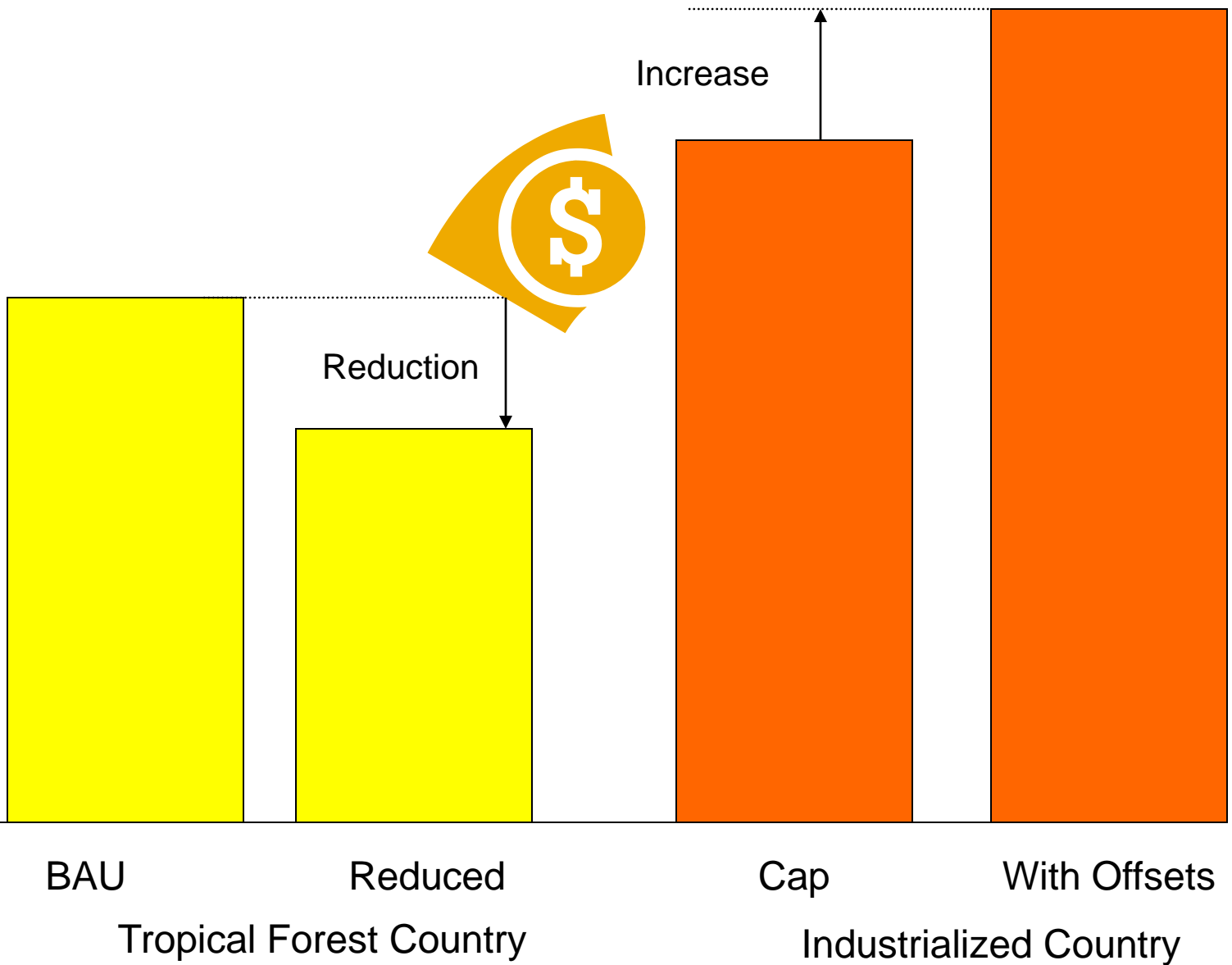


TRANS LINKS

Scientific American asked: Can a carbon market really save the orangutan?

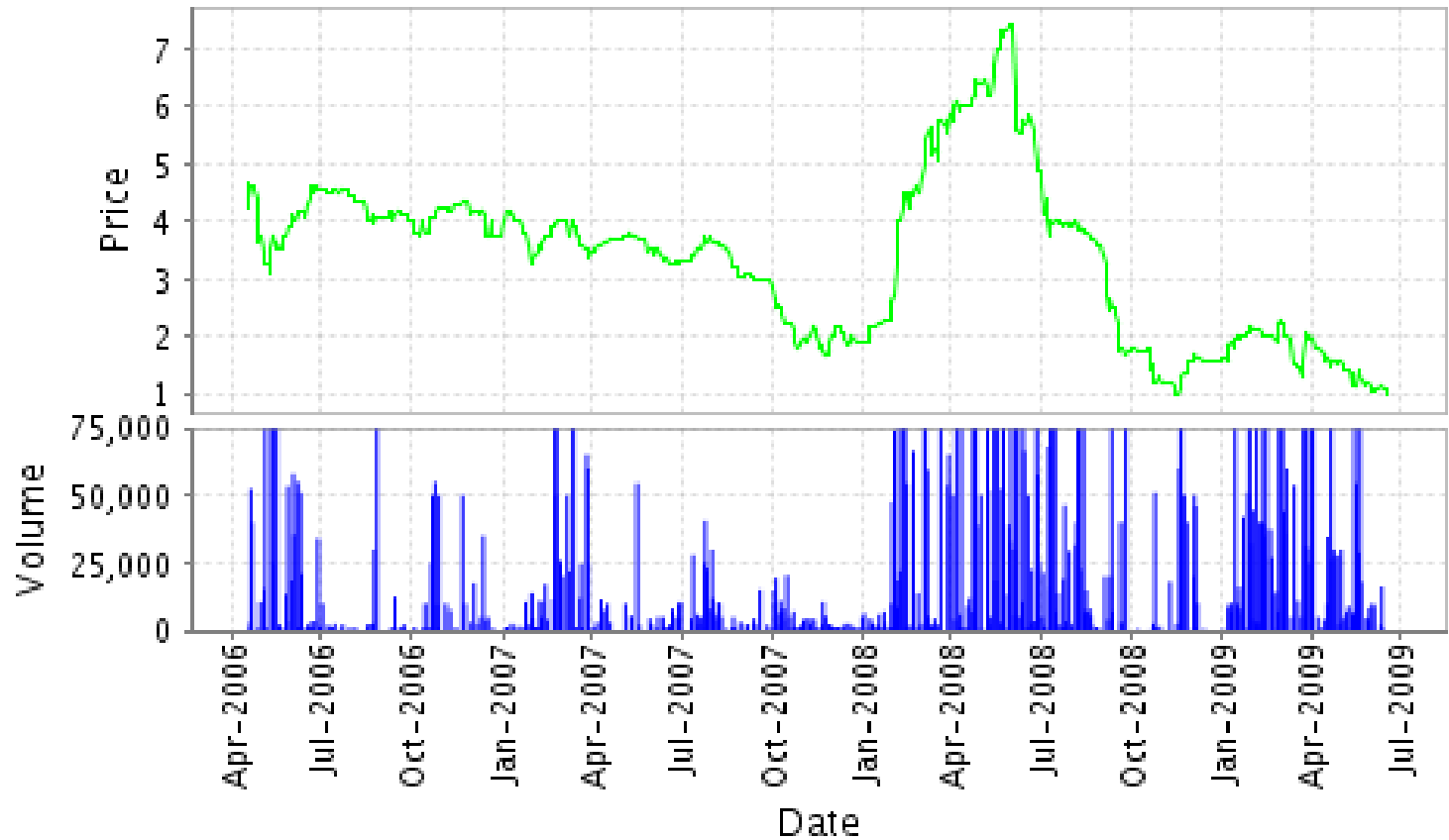


Carbon Market Offsets

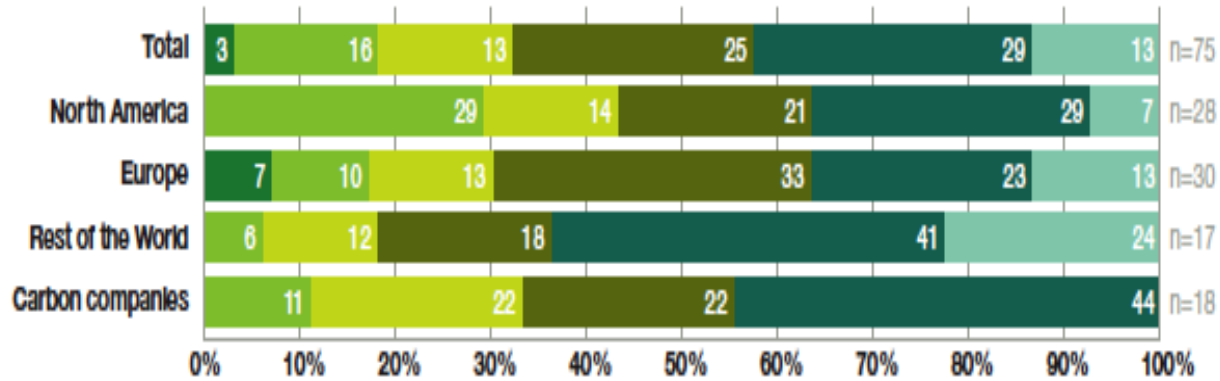


Price Volatility

CCX Carbon Financial Instrument (CFI) Contracts Daily Report



The price (per tonne CO₂) a company would expect to pay for forest carbon credits – split by region

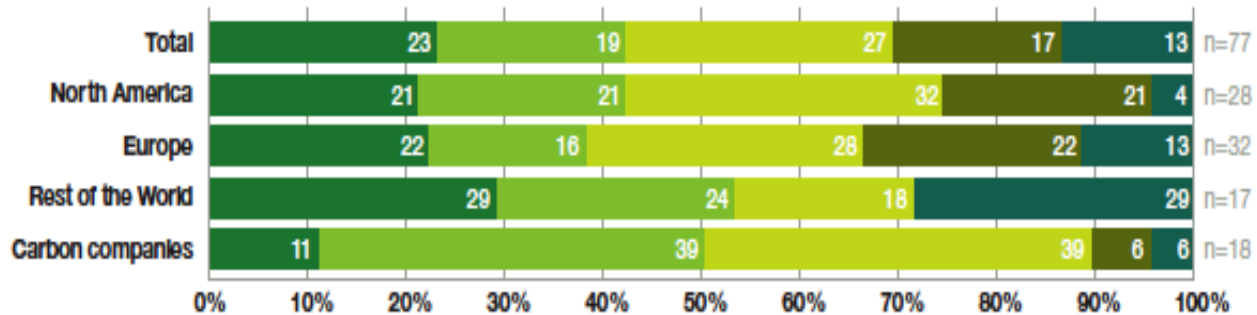


Key

n = sample size

- US\$ 1-2
- US\$ 3-4
- US\$ 5-6
- US\$ 7-9
- US\$ 10-12
- >US\$ 12

Price premium for carbon credits from projects also certified under the CCB standard



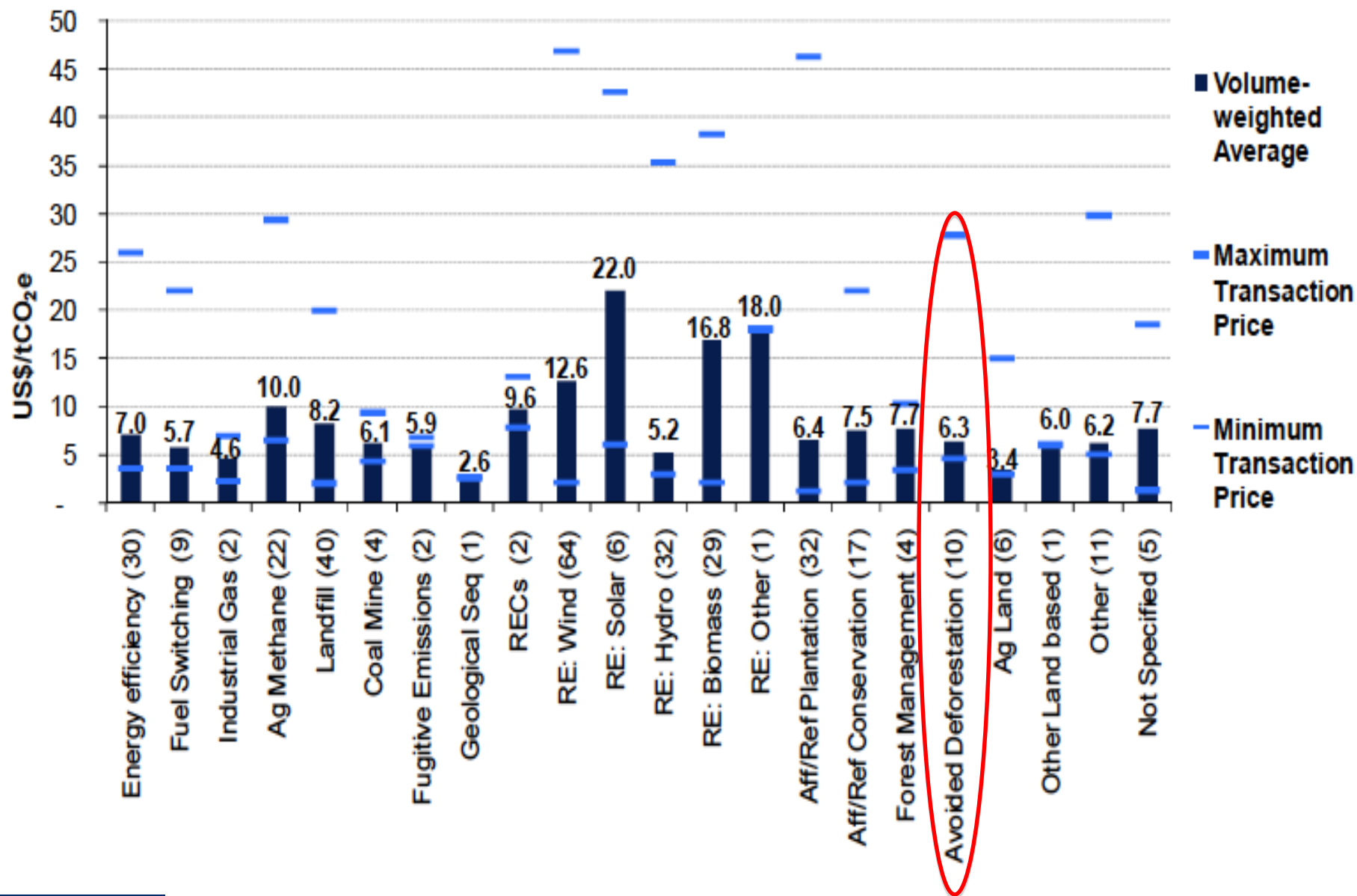
Key

n = sample size

- No premium
- US\$ 1 more
- US\$ 2-3 more
- US\$ 4-5 more
- >US\$ 6 more

Source: Ecosecurities

Credit Price Ranges and Averages by Project Type, OTC 2008



WCS Experience

Makira Sales:

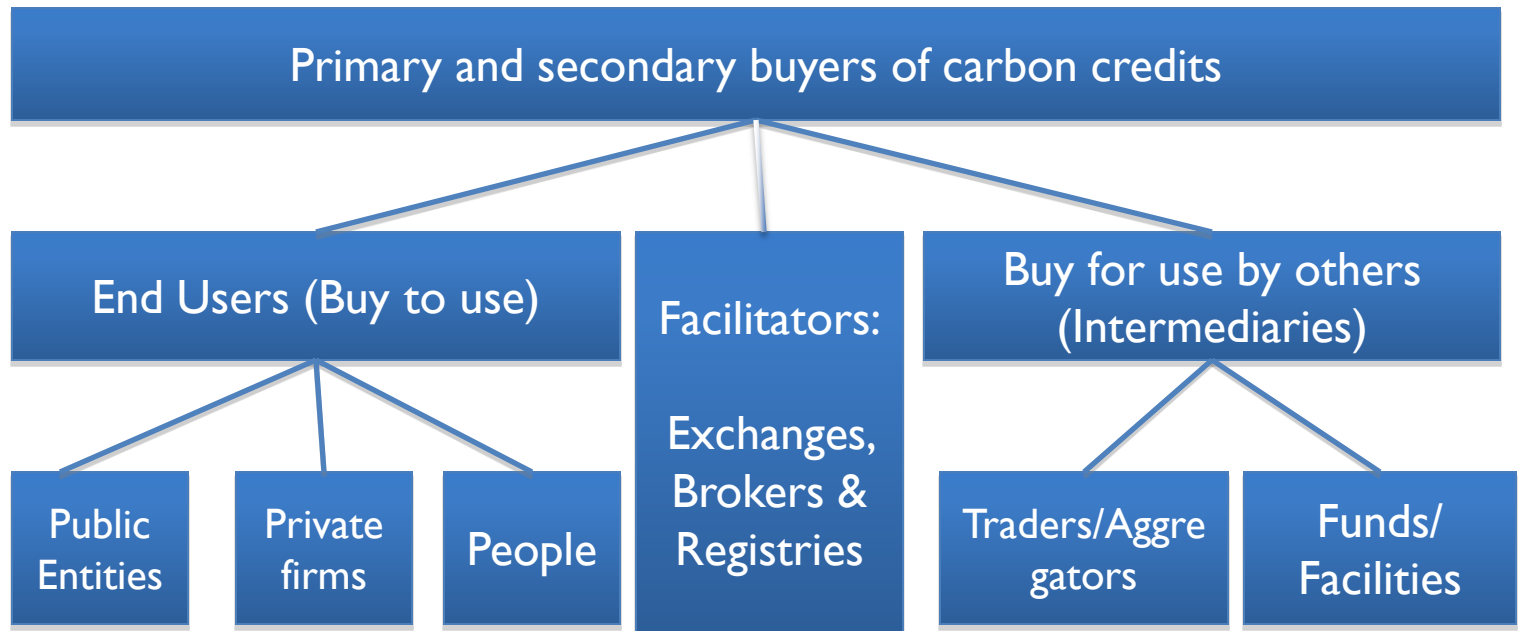
2006 CI Agreement: 40,000 tons @ \$5.00 per ton

Current CI Agreement: 100,000 tons @ \$7.00 per ton

WCS direct sales awaiting resolution of political situation in the country

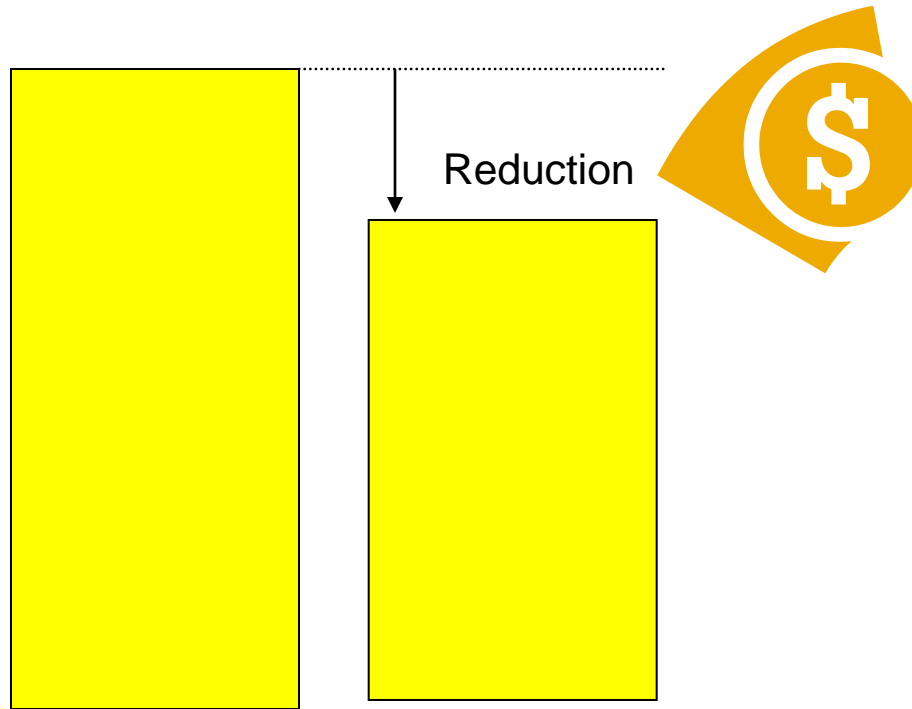
By end of 2009 Makira will have available to market in the range of 400,000 tons of CO₂.

Types of Buyers in the Market Place



Source: Ecosecurities

Non-Offset Financing



- Auction revenues
- Allowances
- Private donations
- Foreign aid
- Voluntary offsets
- Tax on aviation
- Tax on the timber trade
- other options....

BAU
Tropical Forest Country

Reduced
Industrialized Countries

With non-offset financing, the rules may be more relaxed

- For offsets, must have “a ton is a ton”
- With non-offset financing, could also give credit for other things
- Possible other things to be credited:
 - Standing Forests (keeping forests intact)
 - Biodiversity (Possible Premiums)
 - Development – indigenous and local peoples
 - Past reductions
 - Future reductions (insurance)

Some Take Home Messages

- Quality makes a difference – WCS brand and multiple benefits = higher prices
- To deliver multiple benefits need a floor price for ERs (financial planning)
- WCS as likely to be involved in market transaction as through ODA for REDD
- Despite current market uncertainty REDD in WCS landscapes provides a very important financing opportunity

The Carbon Team will be watching future developments

