



## **The Gold Standard Foundation: How to Maintain the Premium Value of a Project in a Global Recession**

*Panel session*

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TFS is an **international commodities broker** in energy, finance, and emissions, and is one of the three largest brokerages in Europe. Our commodities include:

**Energy:** Emissions, Coal, Natural Gas, Distillates, etc, and

**Finance:** FX, Options, Swaps, etc, and

**Other:** Pulp and Paper, Freight, Precious Metals

TFS Green has received **awards** by the industry:

- 2009 TFS received an unprecedented 16 Winner or Runners Up awards in the 2009 Environmental Finance Awards, including "Best Primary Originator for GHG Emissions Kyoto Projects Credits"
- 2008 "Broker of the Year" award by Energy Risk
- 2008 Appointed Joint Exclusive Broker to the Asian Development Bank 
- 2008 "Deal of the Year" award by Energy Risk, 1<sup>st</sup> Gold Standard CDM in China
- 2008 "Best Broker" by Point Carbon





- TFS has brokered projects across a wide range of technologies, including Renewable Energy – Hydro, Biomass, Wind, Waste Heat Recovery, Landfill to Energy, HFC, N<sub>2</sub>O, as well as others
- Recent deals include:
  - First Gold Standard Programmatic CDM project in Mexico, using energy efficient light bulbs
  - First Gold Standard CDM Project in China, Windpower
  - First CDM project in Singapore, United Nations registered
  - Hydropower projects in Vietnam
  - Biomass cogen projects in Thailand
  - 4 windfarms in China generating >2 Million CERs until 2012
  - Wide range of renewable energy projects in Southeast Asia, Asia, Latin America, Africa

- **Market conditions** – benchmark prices for the EUA / SCERs
- **Stage along project cycle** – the more advanced, the more exposed to market volatility
- **Project size** – transaction costs, larger is more cost-effective
- **Quality label** – **Gold Standard** or normal label
- **Technology** – reliability e.g. landfill methane, agriculture
- **Other revenue generators** – power purchase agreement (RE)
- **Strategic Fit** – Renewable energy tends to be core focus for utilities looking for strategic fit or synergy in new markets
- **Project owner** – financial strength / operational track record
- **Terms + conditions** – payment of CDM devt. costs, upfront payment, price structure (fixed/floating price), guarantee

➤ **CERs:**

Premium of EUR1 above market, approximately 5% - 10% premium

➤ **VERs:**

Premium of ~150% above market

As an example, a renewable energy VER certified to the VCS, issued, would be in the range of EUR3.50

→ compared to a GS VER which today is value at around EUR8.50.

This is for wholesale volumes of VERs, typically 10,000 and higher.

***Factors maintaining value:***

- Strong risk mitigation incentive for post-2012, where it is not as certain what eligible credits may look like
- Natural synergy with emerging post-2012 focus on Least Developed Countries, where the project types tend to be more aligned with sustainable development e.g. community level, small scale techs
- Provides a common standard of high environmental integrity, which will become more important with a possible bottom-up approach post-Copenhagen, where a range of national emissions trading schemes are interlinked.
- Even in a recession, the marketing impact of the GS is retained as there is no equivalent alternative which can reduce corporate risk for companies which do not fully understand the carbon markets (e.g. if they are using GS credits to green their products and services).
- In the case of GS VERs, demand still outstrips supply, although this may change, causing the premium to normalise



# Thank You

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