



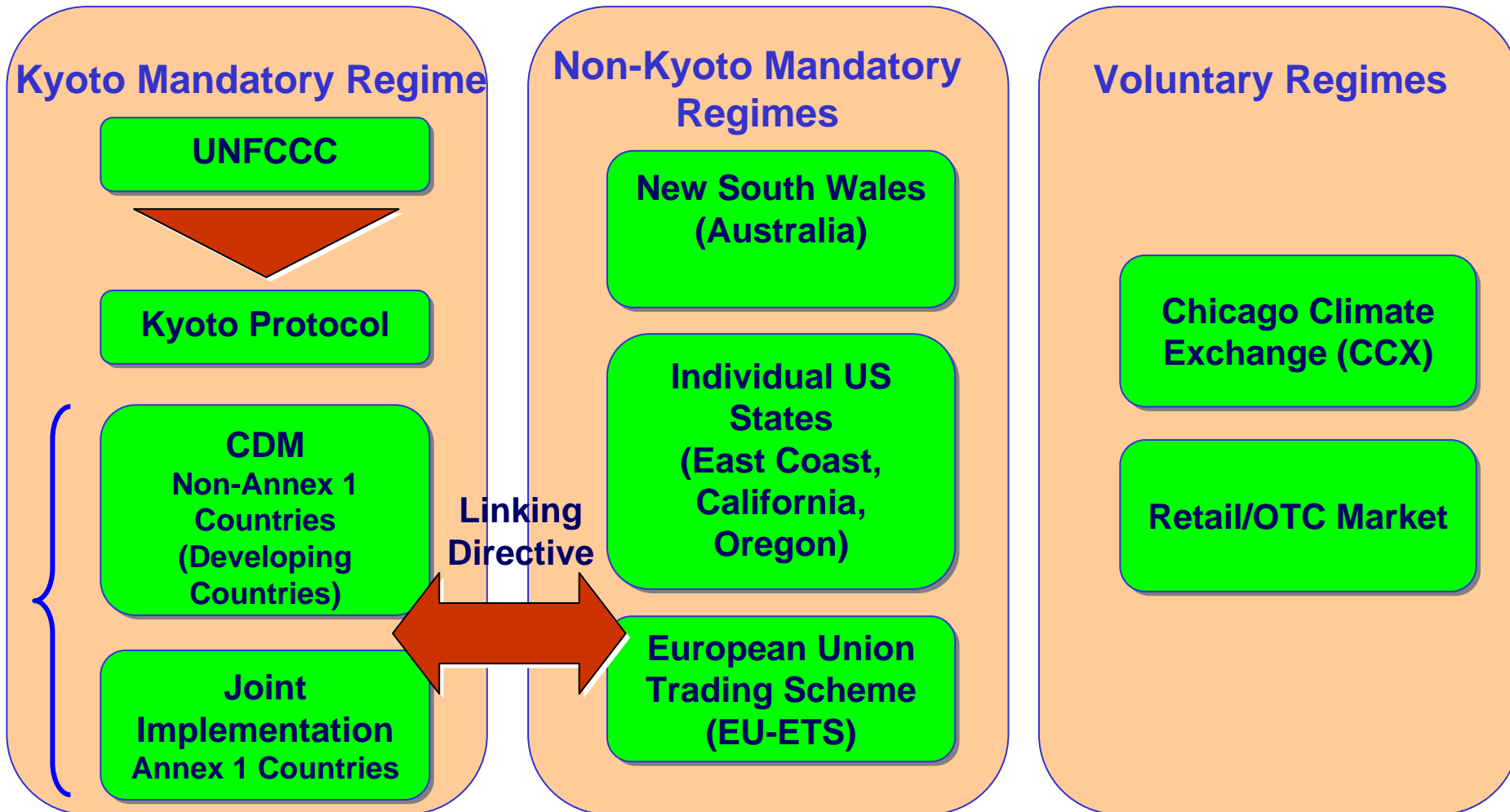
# Voluntary Market Overview

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September 24, 2008  
Randall Spalding-Fecher

CD4CDM Third National Workshop, Port Louis, Mauritius

# Voluntary market is one part of larger carbon market



# Marché Volontaire

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- Ouvert aux entreprises, gouvernements, ONG, et individuels afin de compenser leurs émissions en achetant des crédits provenant du MDP ou du marché volontaire
- Crédits appelés VERs (Verified or Voluntary Emissions Reductions)
- Volume des transactions plus faible sur le marché volontaire
- 17% des crédits vendus sur le marché volontaire en 2006 proviennent de projets MDP (Hamilton, 2007)
- Croissance du marché volontaire de 200% entre 2005 et 2006
  
- Do not need host country approval

# Différence entre Marché Volontaire et Marché régulé

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## Marché régulé

- Acheteurs sur le marché régulé :
  - Pays de l'Annexe 1 du Protocole de Kyoto
  - Entreprises incluses dans des systèmes d'échanges de quotas
  - Acteurs soumis à des obligations de réduction d'émissions
- Motivation principale : respecter la loi

## Marché Volontaire

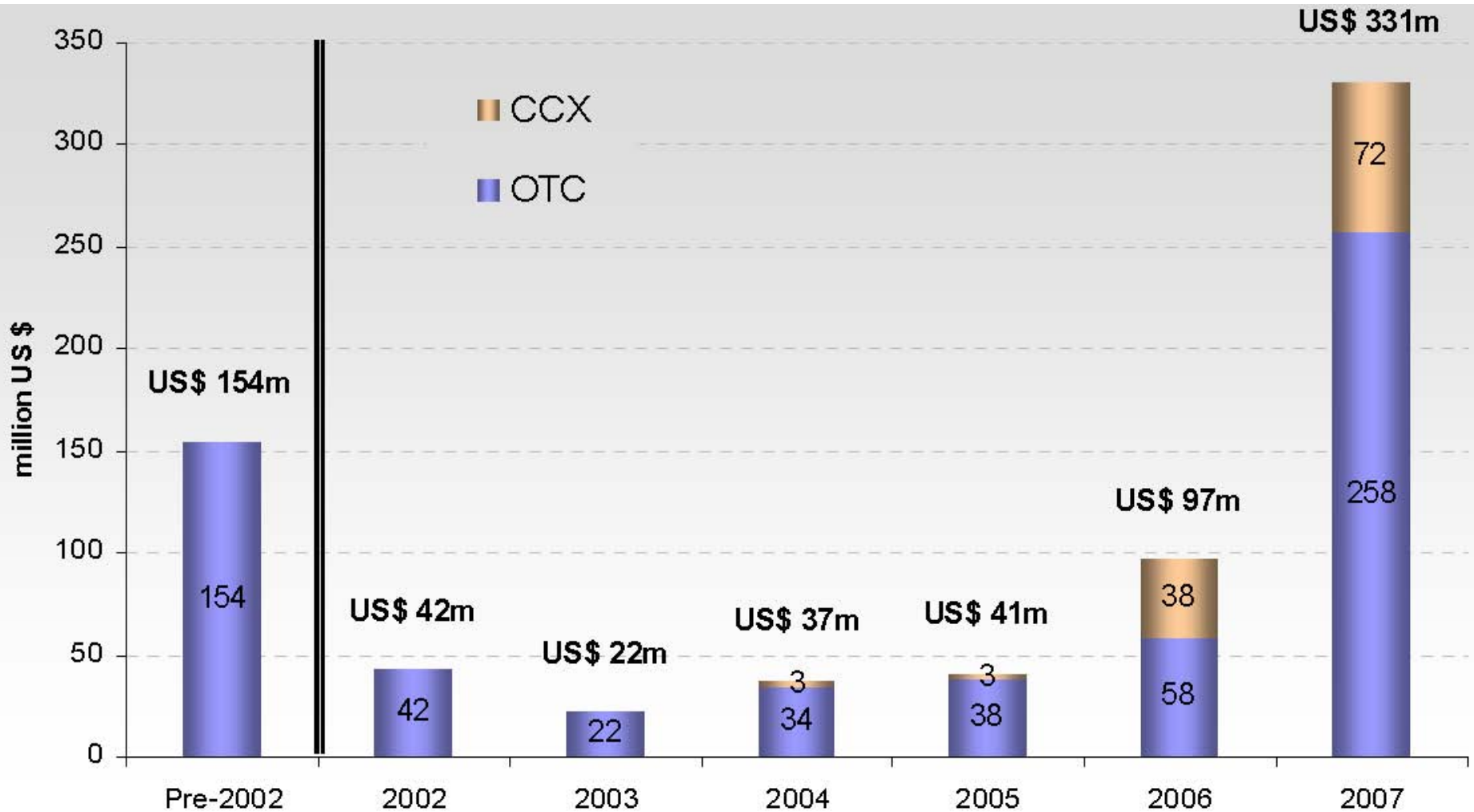
Acheteurs sur le marché volontaire

Entreprises  
Motivation : RSE

Individus, surtout pour compenser des déplacements en avion  
Motivation : bonne conscience, faire qqchose pour le climat

Différents standards ont été créés sur le modèle du MDP ces dernières années

# The voluntary market has grown rapidly...



Source: Ecosystem Marketplace and New Carbon Finance

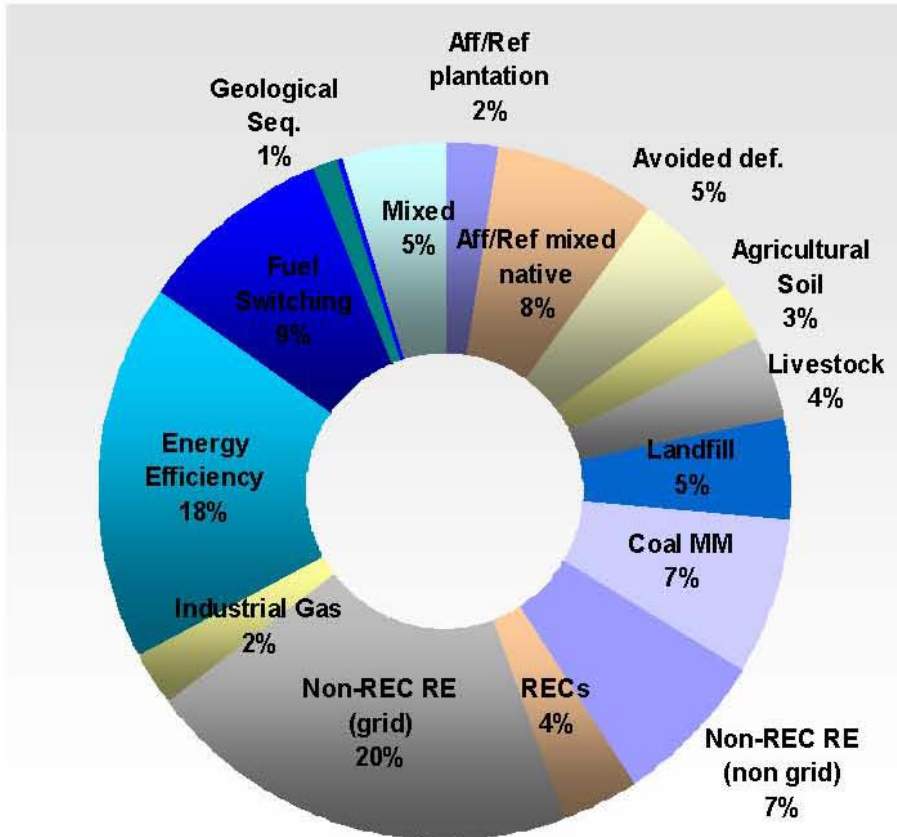
## ..but still a small part of the total carbon market

Markets	Volume (MtCO <sub>2</sub> e)		Value (US\$million)	
	2006	2007	2006	2007
Voluntary OTC Market	14.3	42.1	58.5	258.4
CCX	10.3	22.9	38.3	72.4
<b>Total Voluntary Markets</b>	<b>24.6</b>	<b>65.0</b>	<b>96.7</b>	<b>330.8</b>
EU ETS	1,1044	2,061	24,436	50,097
Primary CDM	537	551	6,887	6,887
Secondary CDM	25	240	8,384	8,384
Joint Implementation	16	41	141	495
New South Wales	20	25	225	224
<b>Total Regulated Markets</b>	<b>1,702</b>	<b>2,918</b>	<b>40,072</b>	<b>66,087</b>
<b>Total Global Market</b>	<b>1,727</b>	<b>2,983</b>	<b>40,169</b>	<b>66,417</b>

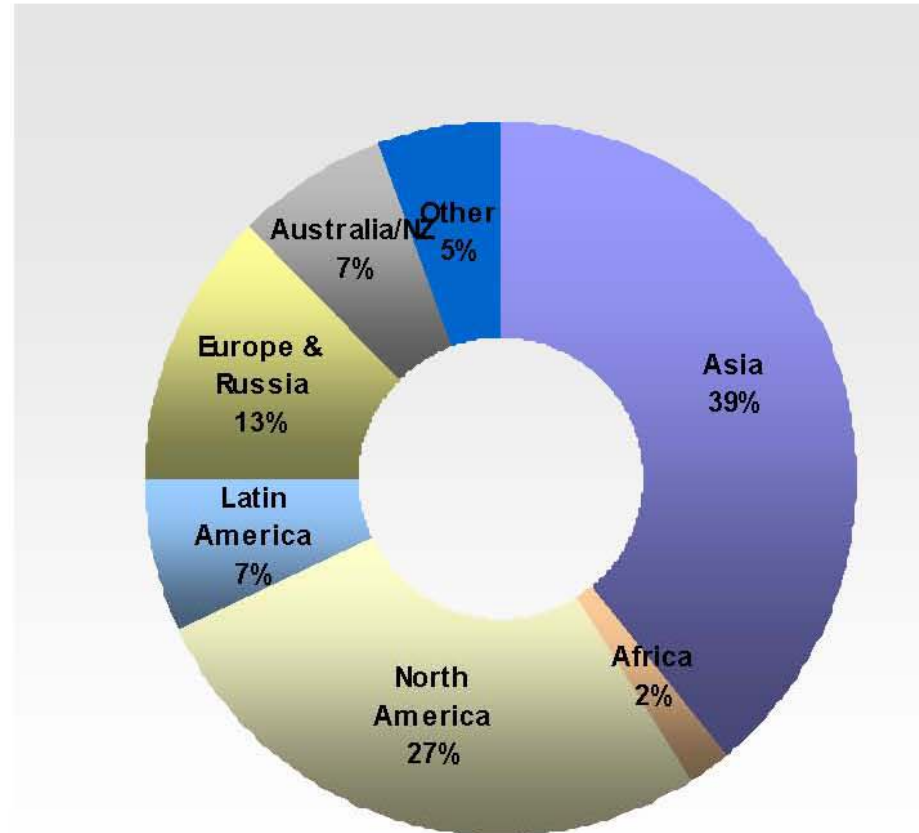
Source: Ecosystem Marketplace and New Carbon Finance

# What projects and where?

**Transaction Volume by Project Type, OTC 2007**



**Transaction Volume by Project Location, OTC 2007**



Source: Ecosystem Marketplace and New Carbon Finance

Regional market shares very different in voluntary market

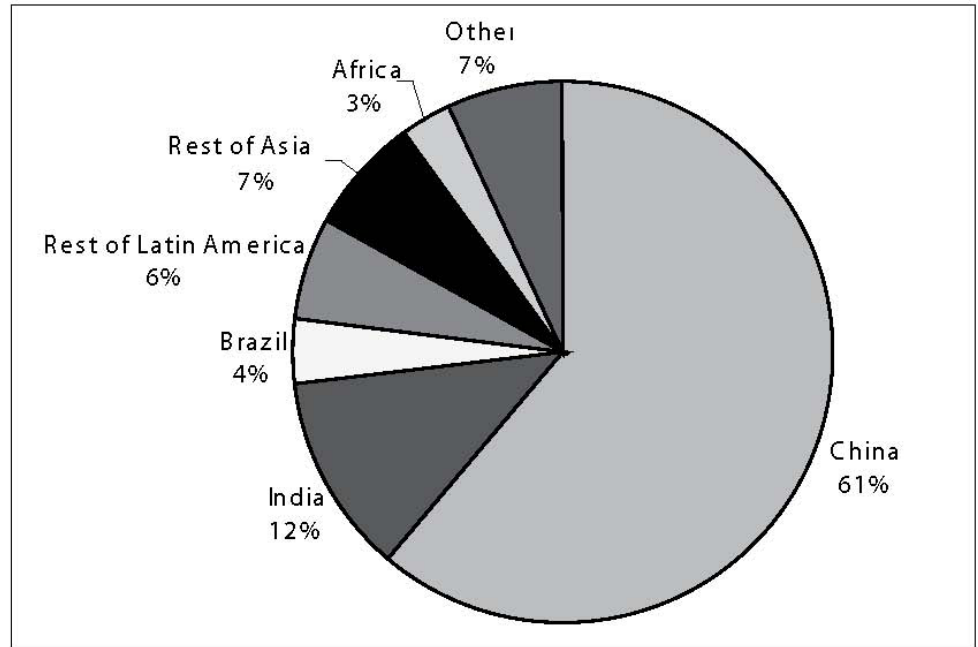
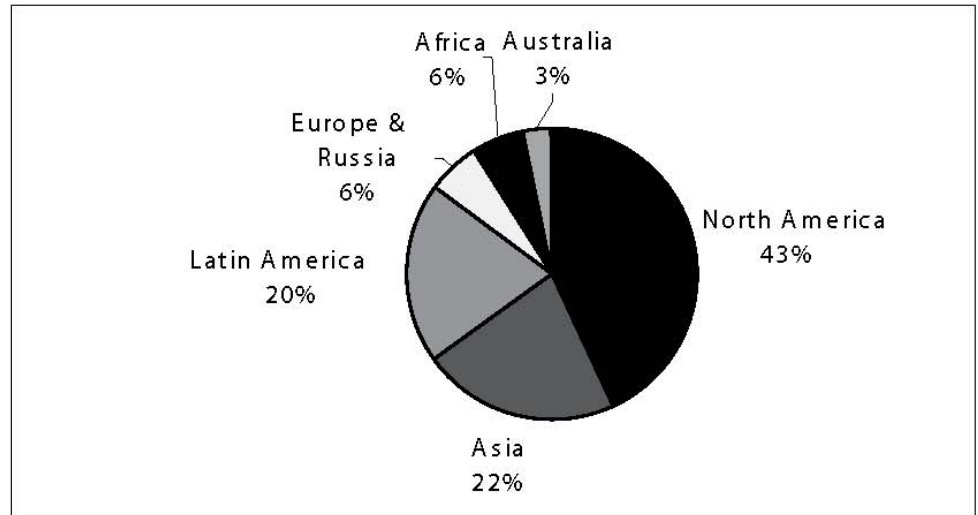
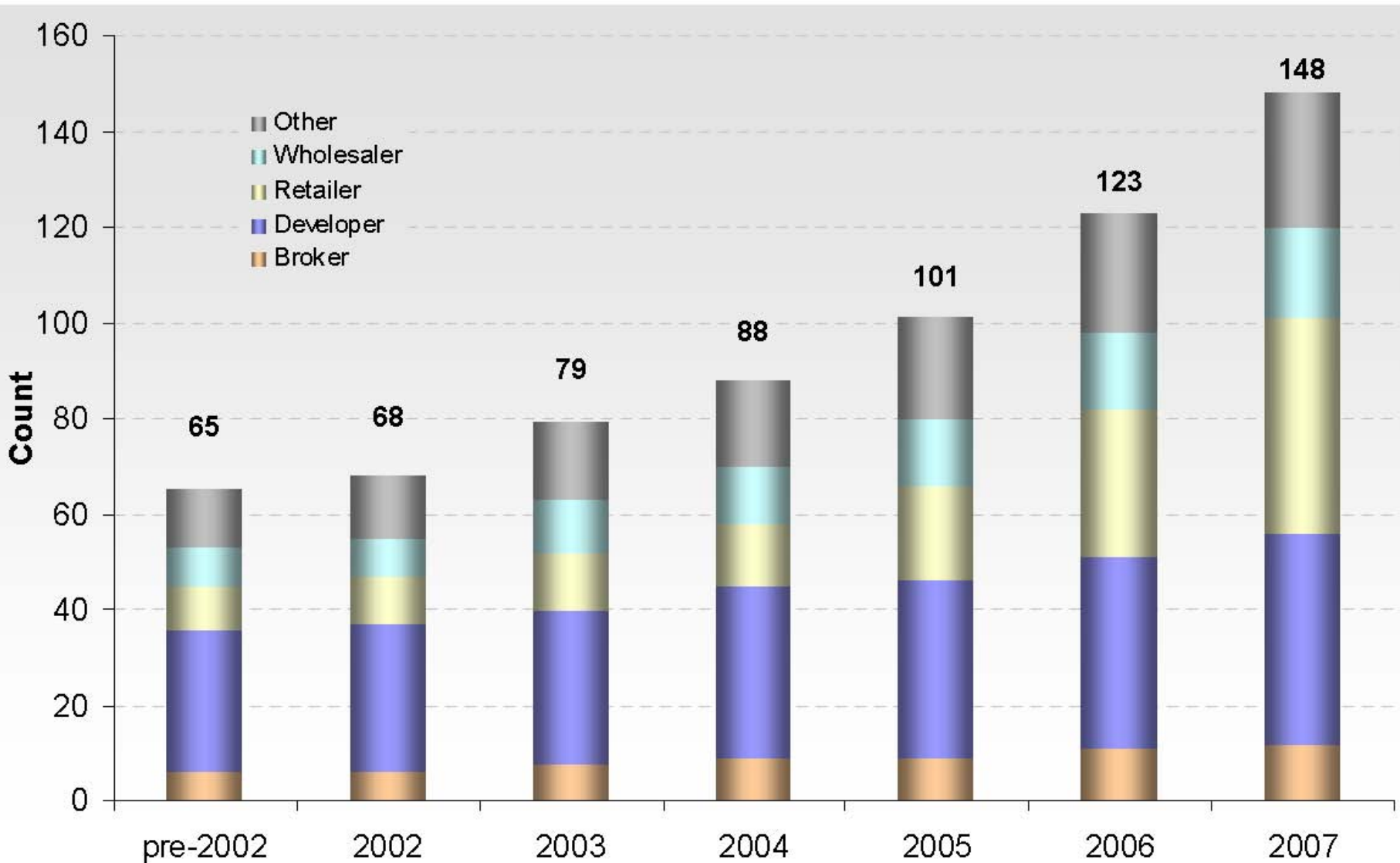


CHART 5: *VERs Issues By Host Country and Region, 2006*



# More offset providers



Source: Ecosystem Marketplace and New Carbon Finance

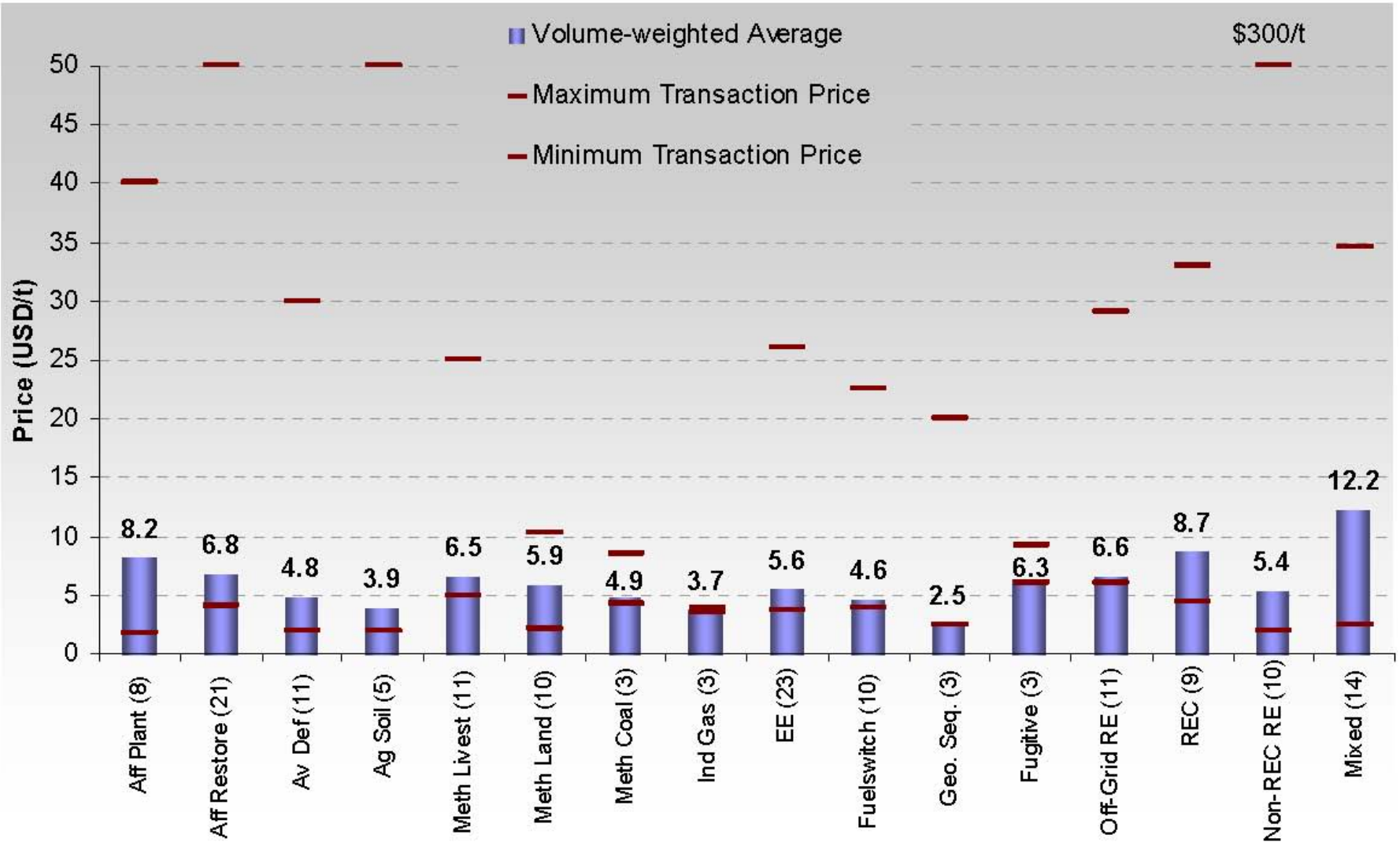
# Coût des projets en MDP et marché volontaire

Activité	Estimation des Coûts (\$US)		
	Projet MDP - Grande échelle	Projet MDP – Petite échelle	Voluntary Gold standard*
Document Descriptif de Projet	45,000	20,000	7,500
Consultation des parties prenantes et approbation par le pays hôte	10,000	5,000	2,500
Validation	30,000	12,500	5,000
Frais d'enregistrement	30,000	12,500	5,000
Transaction Négociation & Contrat	20,000	10,000	5,000
Suivi du projet (périodique)	Variable	Variable	Variable
Vérification initiale	15,000	7,500	2,500
Vérification périodique (coût par vérification)	10,000	5,000	2,500
<b>Total approximatif</b>	<b>&gt;160,000</b>	<b>&gt;65,000</b>	<b>&gt;25,000</b>

\* Cas d'une projet à Petite Echelle <5 000 tCO2/an. Le coût d'un projet à Grande Echelle est significativement plus élevé.

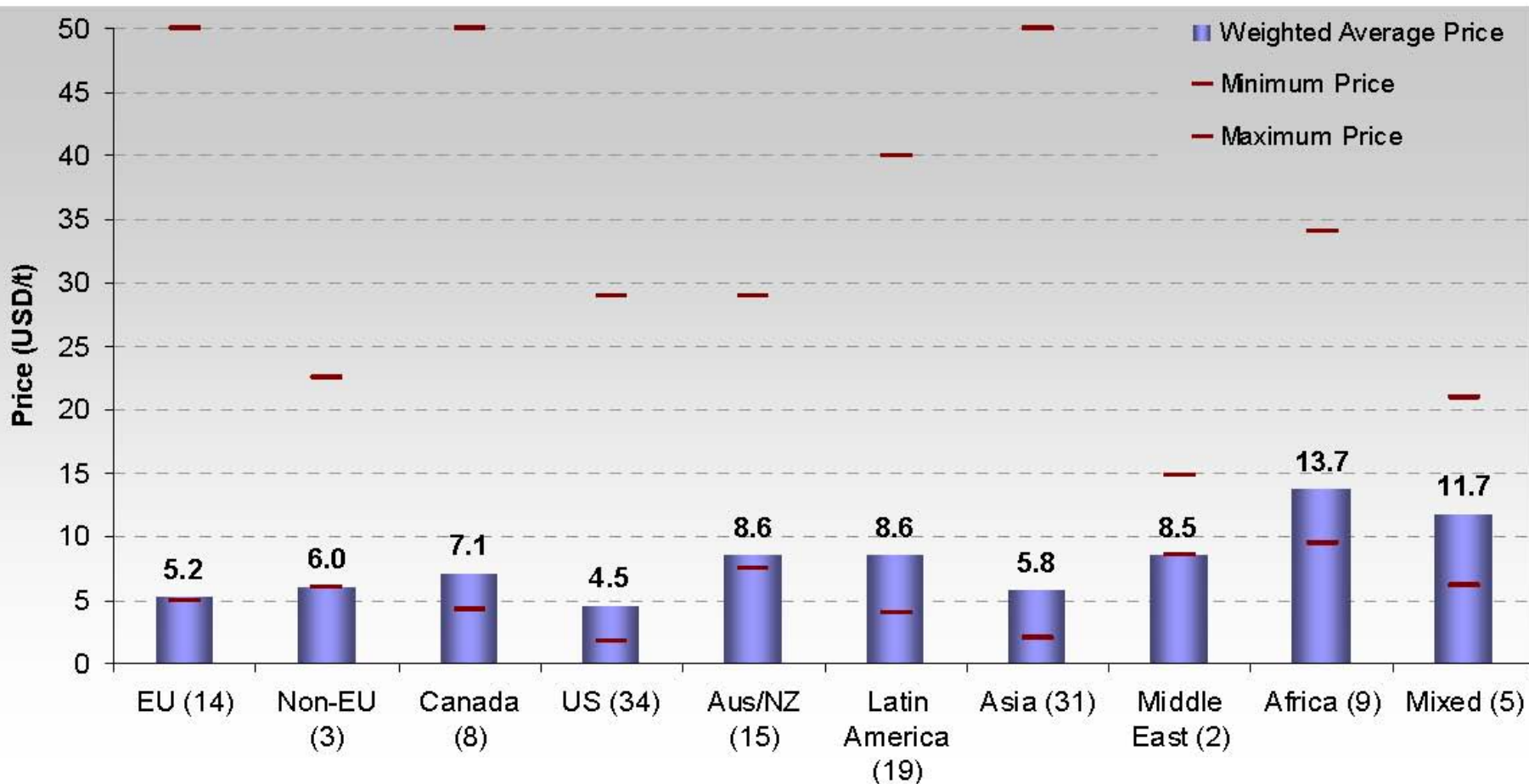
# Prices vary by project type...

## Price of VERs by project type, 2007

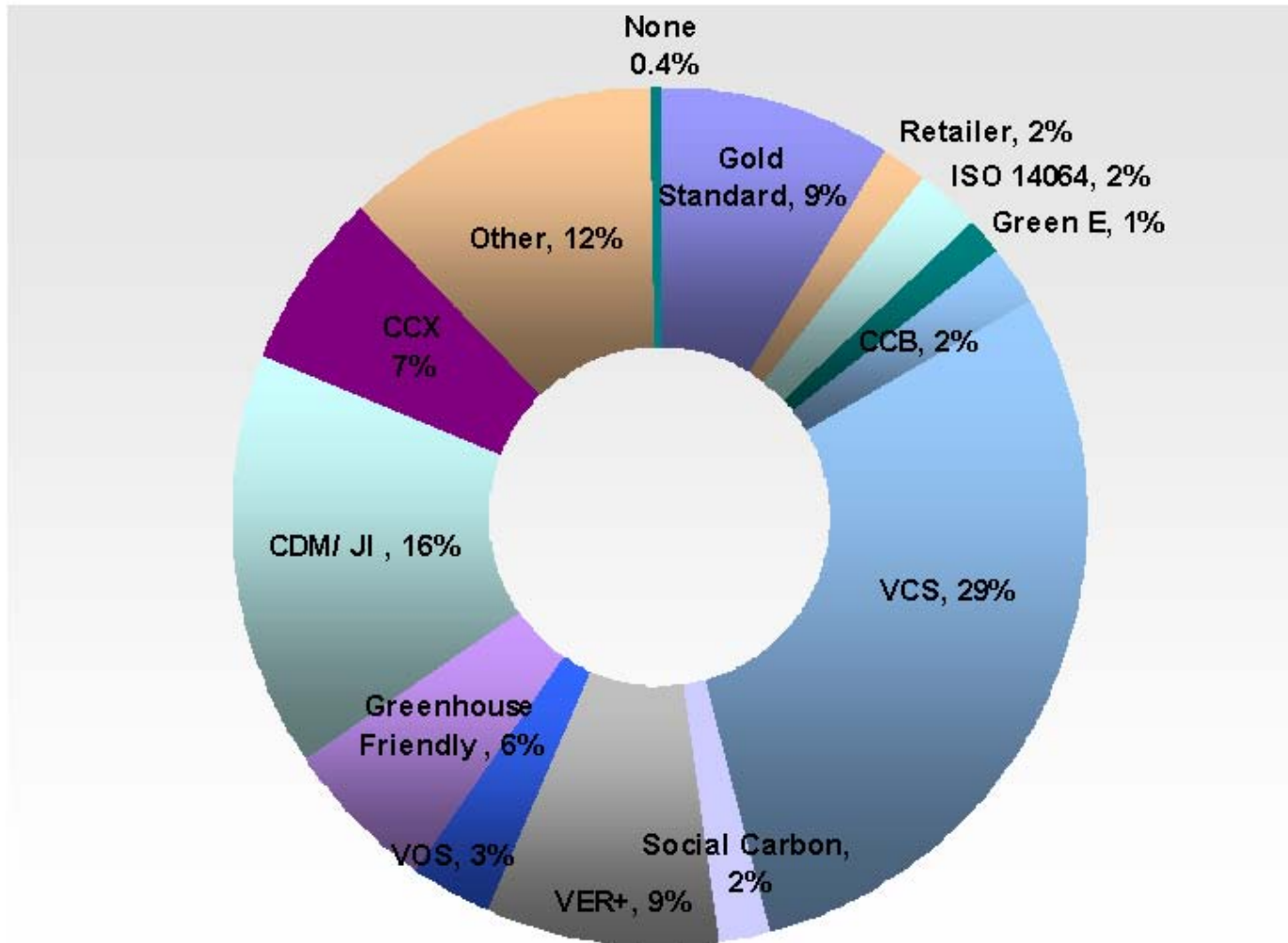


## ...and project location

### Price of VERs by project location, 2007



# Emerging standards in the voluntary carbon market



Source: Ecosystem Marketplace and New Carbon Finance

# Voluntary market standards

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# Voluntary Carbon Standard (VCS)

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- Latest version launched in November 2007
- Developed and supported by the Climate Group, the International Emissions Trading Association (IETA), and the World Economic Forum.
- CDM and JI methodologies, but other applications are possible
  - California Climate Action Registry methodologies under review
  - New methodologies can be submitted to VCS Board
  - Project specific or benchmarking additionality testing is allowed
  - But currently only project specific approaches approved
- Uses not only DOEs but also ISO140065 certified auditors

# Gold Standard VERs

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- Premium market with high development benefits
- Only renewable energy or energy efficiency projects
- Comprehensive sustainable development screen and stakeholder engagement format
- Uses CDM and JI approved methodologies, Small Scale CDM Working Group methodologies, and allows for submission of new methodologies for approval by Technical Advisory Committee (none approved yet)
- Also includes methodologies approved by Meth Panel but not EB
  - Sugar cane ethanol fuel methodology
- But small scale projects must still use large scale additionality test
- Uses only DOEs for validation and verification
- Special process for “micro-scale” projects (<5000 tCO<sub>2</sub>/yr) with in-house review rather than external validation consultant

# Chicago Climate Exchange (CCX)

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- Voluntary cap-and-trade system.
- Set own standards for offset projects
- standardized rules for seven different types of projects: agricultural methane, landfill methane, agricultural soil carbon, forestry, renewable energy, coal mine methane, and rangeland soil carbon management
- New methodologies can be submitted on ad-hoc basis and approved
- Projects must obtain independent third party verification from an approved verifier before registering offset credits on the exchange (different list than DOEs)
- Key features:
  - project start date; agricultural methane or soil carbon projects initiated after 1999 or forestation projects initiated after 1990 may qualify as approved offsets – credits for past actions
  - No real additionality testing, just requirement that projects should be beyond normal practice and innovative
  - Few offsets projects outside the USA, but number likely to grow

# Voluntary Carbon Offset Standard (VOS)

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- Set up by group of financial institutions under European Carbon Investor Services (ECIS)
- Standard is broadly very similar to the CDM and JI, only it applies methodologies to an “eligible geographical area beyond those countries that have ratified the Kyoto protocol”
  - focused largely on the United States and Australia’s pre-compliance markets.
- Excludes carbon credits arising from the destruction of industrial gases such as HFC-23.
- Uses DOEs for validation and verification

# VER+

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- Developed by TÜV SÜD – only major standard developed by individual market player
- Certify both carbon neutrality and carbon credits from voluntary offset projects.
- Based on CDM and JI methodologies but a "streamlined" Kyoto.
- Additionality testing the same as in CDM
- Use CDM baseline methodologies or ask auditor to approve baseline that complies with JI rules
- Includes Blue Registry, which aims to be a platform for managing verified emission reductions from a variety of other standards, including the CCX and Voluntary Carbon Standards

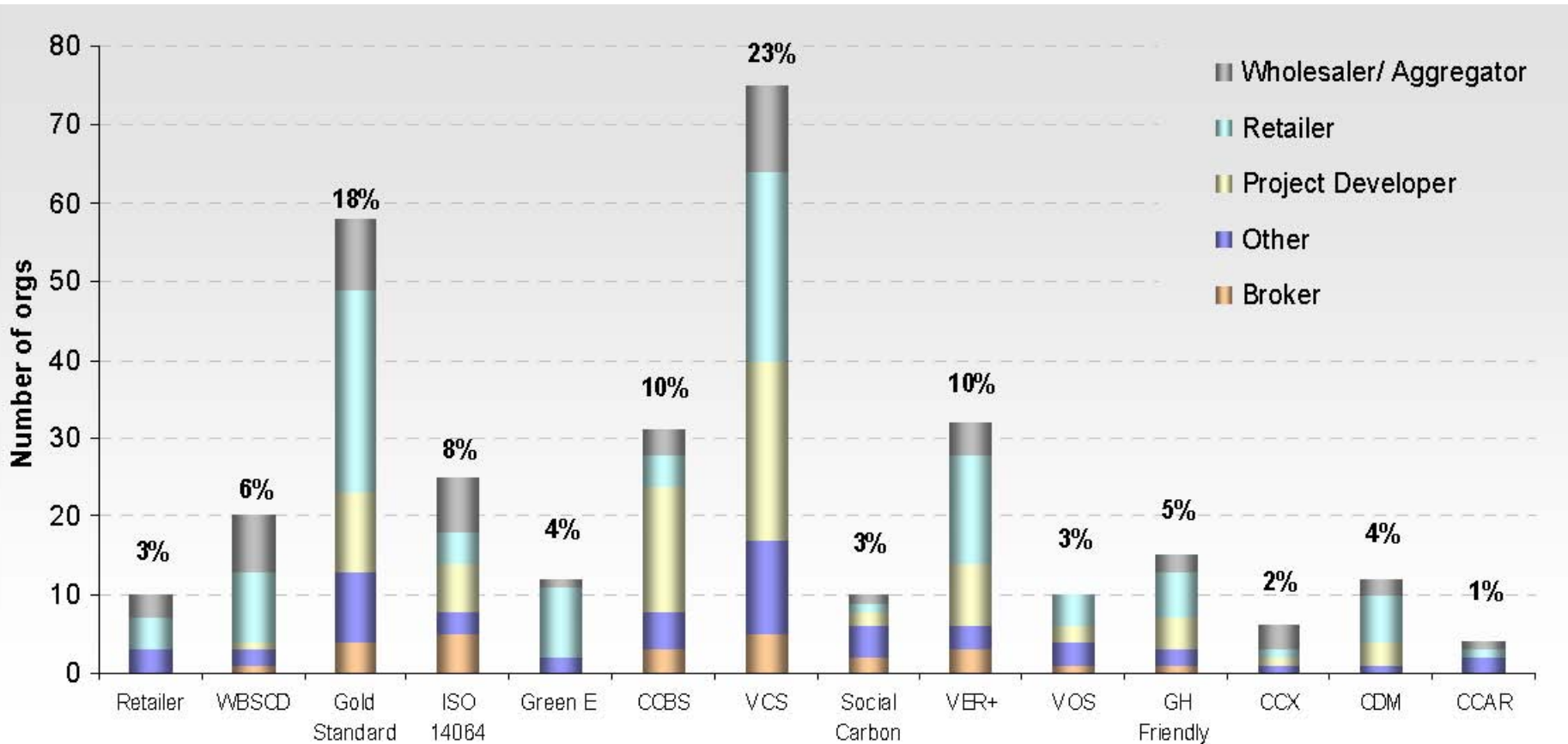
# Comparaison des Standards

Acteurs impliqués	Type de marché	Additionnalité par rapport au MDP	Vérification par une tierce partie	Séparation entre Vérification et Approbation	Registre	Types de projets	Co-bénéfices par rapport au MDP	Prix du crédit (€/tCO2e)
<b>Gold Standard (GS)</b>								
ONG environnementales (ex. WWF)	Petit, en extension	=/+	Oui (DOE)	Oui	En cours	Efficacité Energétique Energie renouvelable	+	14-30
<b>Voluntary Carbon Standard 2007 (VCS 2007)</b>								
Acteurs du marché du carbone (ex. Caisse des Dépôts)	Nouveau, en extension	=	Oui (DOEs, ISO140065, others)	Non	En cours	Tous, sauf HFC	-	VERs: 10-20
<b>VER+</b>								
Acteurs du marché du carbone (ex. TÜV SÜD)	Petit, en extension	=	Oui (DOE)	Non	Oui	CDM sans grand projets d'hydro	-	5-15
<b>Climate, Community and Biodiversity Standards (CCBS)</b>								
ONG environnementales et grandes entreprises	Grand pour les projets UTCAF	=	Oui (DOE, FSC)	Non	Absence	UTCAF	+	5-10
<b>Plan Vivo</b>								
ONG environnementales et sociales	Petit	=	Oui (list)	Non	Oui	UTCAF	+	2.5-9,5

## Comparaison des Standards (2)

Acteurs impliqués	Type de marché	Additionnalité par rapport au MDP	Vérification par une tierce partie	Séparation entre Vérification et Approbation	Registre	Types de projets	Co-bénéfices par rapport au MDP	Prix du crédit (€/tCO2e)
<b>Chicago Climate Exchange (CCX)</b>								
CCX members and carbon market actors	Large in the USA	–	Oui (list)	Oiu	Oui	Tous	Non	1.2-3.1
<b>Voluntary Carbon Offset Standard (VOS)</b>								
Acteurs du marché du carbone (ex. Caisse des Dépôts) and financial actors	N/A	=	Oui (DOE)	Non	En cours	CDM saud grand projects d'hydro	=	N/A
<b>CDM</b>								
UNFCCC	Large	=	Oui (DOE)	Oui	Oui	Tous excl REDD, nuclear, new HFC	=	14-30

# Future standards that suppliers intend to use



Source: Ecosystem Marketplace and New Carbon Finance



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