

Current Developments in the Environmental Markets

Presentation to

**New York State Association for
Solid Waste Management**



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Major Factors Affecting the Environmental Attribute Marketplace

- Uncertain Market Conditions
- RGGI Cap Tightening Implications
- Renewable Fuel Standard (RINs)

Uncertain Market Conditions

- Legislative Changes
 - Who will be required to buy carbon offsets?
 - New EPA Requirements- Will offsets play a role?
- Voluntary Market Demand
 - Continuing to see demand for projects in the voluntary market but buyers are more selective
 - Not in a rush to set up contracts
- California AB32
 - Demand is very strong for offsets that qualify for the cap and trade program in CA

Carbon Offset Projects that Qualify for the California Cap and Trade Program

- Investors seek out projects that fit *any* of the California cap and trade program requirements
 - Forestry- Avoided Deforestation, Urban Forestry and Improved Forest Management
 - Anaerobic Digester projects
 - Ozone Depleting Substances
 - More are coming...

Current State of the Worldwide Voluntary Carbon Market

- In 2012, voluntary buyers contracted 101 million carbon offsets for immediate or future delivery – 4% more than in 2011.
- Market value decreased 11% to \$523 million as offsets prices fell
- 90% of offset volumes were contracted by the private sector – where corporate social responsibility and industry leadership were primary motivations for credit purchases.
- Carbon offsets buyers' desire to positively impact the climate resilience of their supply chain or sphere of influence was evident
- There is a strong relationship between buyers' business sectors and the types of offsets they purchase

Impact of RGGI

- Changes in the RGGI cap are driving allowance prices higher
- More non-compliance investors participated in the Sept. auction; 47% of the buyers were non compliance buyers up from 16% previously.
- Clearing price was \$2.67
- Developing an offset project for RGGI now may make sense
- RGGI has different rules than other registries

Renewable Identification Numbers “RIN”

- Part of the EPA Renewable Fuel Standard
- Credit for fuel produced from renewables such as landfill gas or WWTF gas
- RIN Values are increasing as demand has soared
- Current prices in the \$1.25 range
- Similar documentation to the carbon offset process
- RINs are created at the point of distribution
- Ideal for landfill who can fuel their own trucks!

Municipalities/Public Authorities are well positioned to develop Carbon Offset Projects

- Municipalities and Public Authorities have an advantage in developing carbon offset projects since buyers want municipally generated projects due to their “additional” nature
- Municipal projects often finance critical services with numerous public benefits
- Buyers prefer municipal projects since they are additional, transparent and permanent

Tips for Developing a Valuable Project

- Look for potential eligible projects and compare the facts and circumstances of your project with requirements of the different registries
- Distinguish corollary benefits that make your project stand out to voluntary buyers
- Rigorously document all pertinent information
 - In some cases the new EPA reporting requirements will match the verification requirements of certain registries
- In developing a project originators must carefully document each step so that the maximum amount of offsets can be generated
- Carbon offsets may provide a profit or merely help defray overall project expense in light of lower carbon prices

Summary

- It appears that a voluntary market will continue even without federal legislation albeit at lower prices
- Buyers are interested in municipal projects
- Carbon offsets can still add significant revenues to a project financing, but must be carefully thought out and structured
- RGGI offsets may be considered in the future
- Transportation fuel credits, “RINs” may increase in value

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