

The logo for EcoSecurities, featuring the company name in white capital letters on a dark blue rectangular background.

ECO SECURITIES



CARBON MARKETS: GLOBAL TRENDS AND CORPORATE OPPORTUNITIES

EcoSecurities Group plc

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CDP Turkey 2011 – Workshop 2
Istanbul – June 16, 2011

Overview

International carbon markets

What the World is doing to address climate change

What Turkey is doing

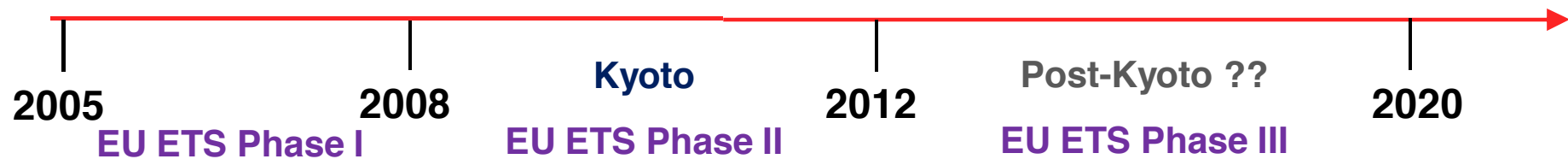
Opportunities for well prepared businesses





International carbon markets

Past – Present - Future



Moving forward.....

UNFCCC post-2012 negotiations are ongoing:

- **COP 16** (Cancun 2010): No agreement on future of Kyoto Protocol;
- **1 positive sparkle** (Bangkok 2008): Emissions trading mechanisms are here to stay.

EU agreed on EU ETS Phase III;

Complex international negotiations and no commitments on global level;

Regional commitments: Japan, USA, Australia, New Zealand, etc.

Negotiations

Post-2012 climate regime and future of the Kyoto Protocol

Bali (COP 13) road map in 2007 ➡ 2-year process to finalise a binding agreement in 2009 in Copenhagen

Urgency to address climate change;

Strong consensus for updated changes for both developed and developing countries;

Call for deep cuts in global emissions – but no commitments

New mechanisms - Nationally appropriate mitigation actions (NAMAs), sector specific actions (CSAs).



Negotiations

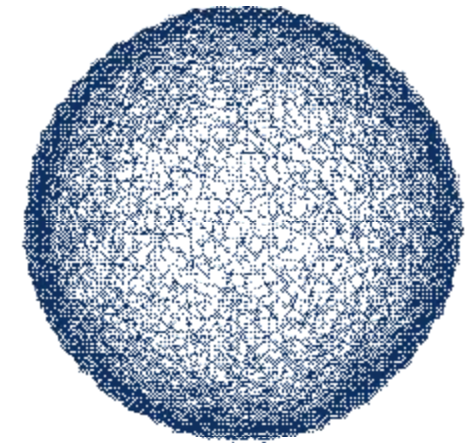
COP 15 – the Copenhagen Summit

High expectations

Deep disagreements between parties

New bloc emerged - BASIC countries
(Brazil, South Africa, India, China)

Tough negotiations



COP15
COPENHAGEN
31. CLIMATE CHANGE CONFERENCE 2009

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Negotiations







Negotiations

COP 15 – the Copenhagen Summit

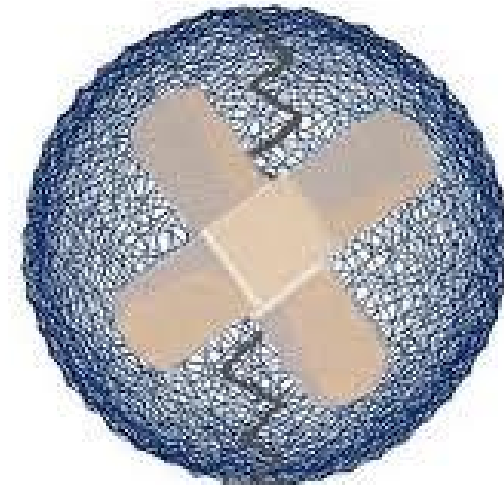
Copenhagen Accord

Agreed between US and BASIC

Keep temperatures below 2°C but no legally binding commitments

US\$ 30 billion to developing world until 2012 rising to US\$ 100 billion per year by 2020

Countries to submit emission targets by the end of January 2010 – 67 countries registered their targets by early February 2010



COP15
COPENHAGEN
UN CLIMATE CHANGE CONFERENCE 2009



Negotiations

COP 16 – Cancun

Low expectations

Building trust and confidence after Copenhagen

No agreement on future of Kyoto Protocol
Agreement calls on rich countries to abide by their pledges under the Copenhagen Accord, and developing countries to plan emission reductions

Green Climate fund of US\$ 100 billion for poor countries.



Current status

Disagreement on global level regarding level of efforts needed

EU is calling for deep GHG emission cuts

Japan, Russia and Canada do not want extension for Kyoto

US wants an agreement that includes the BASIC countries

BASIC countries want the developed world to take more actions

Least Developed Countries want more aid and funding

However, actions are being taken on national levels!

Current status

Numerous emerging climate change initiatives

Japan: Climate change initiative - Bilateral agreements – Trying to start voluntary emissions trading scheme (JVETS)

US: WCI – RGGI – Midwest GHG Reduction Accord – R.E. initiative

Canada: Federal trading schemes (BC, Calgary) – Renewable fuel regulations

EU: Widening the scope of the ETS – including SMEs and Aviation sector

Australia: Carbon pollution reduction scheme – Carbon tax

New Zealand: NZ trading scheme

Even in non Annex I countries: China, India, Mexico, South Korea, Brazil

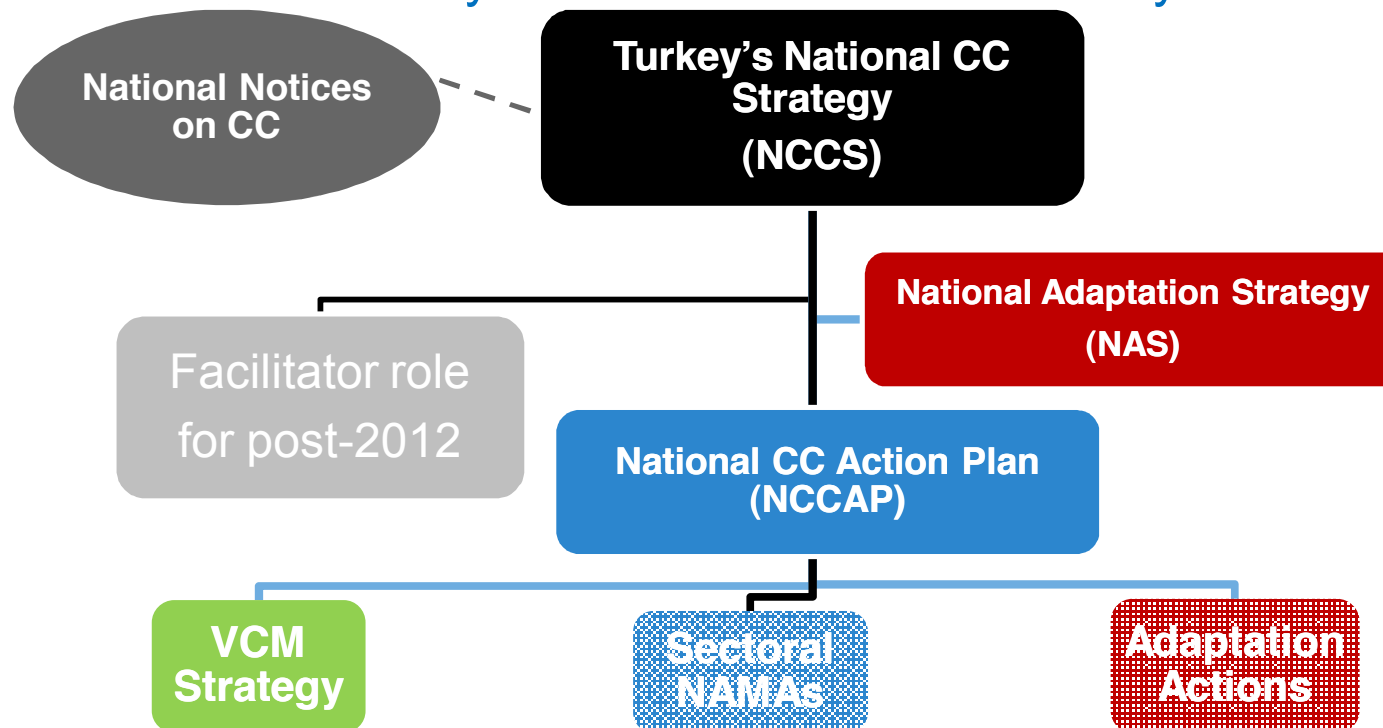


Current status

	Kyoto (2008-2012)	2020	2050
EU	-8%	-20%	Not announced
UK	-12.5%	-26% to -32%	-50%
Germany	-21%	-40%	Not announced
Japan	-6%	Not announced	-50% globally
Canada	-6%	-20%	-50% to -70%
Australia	+8%	Not announced	-60%

Turkey current status

“Capacity Building for Climate Change Management in Turkey” – UNDP and the Ministry of Environment and Forestry



Turkey current status

Expecting to benefit from financing and technology transfer considering Turkey's special conditions as a fast developing country, which was recognized in COP 7 Marrakesh

Implementation of NAMAs for short, medium and long term measures

30% Renewable Energy in 2023

7% deviation from business-as-usual by 2020

Increase Turkish economy's energy efficiency by 20% by 2020

Priority sectors: Transportation, Industry, Power Generation, Waste Management, Land use/land use change and forestry

Impact on Businesses

“Climate change represents the greatest challenge facing the global business community at the beginning of the 21st century”

World Economic Forum, Davos, Switzerland, 2000.

- Do you agree?
- Within your organisation, is climate change seen as...
 - An environmental issue?
 - Corporate social responsibility issue?
 - Sustainability issue?
 - Strategic issue?

Impact on Businesses



- Extreme events
- Rising sea levels
- Resource availability
- Operating conditions

Physical



- New direct costs
- Input price rises
- Product demand changes
- Substitutes

Economic



- GHG regulation
- Carbon taxes
- Mandatory reporting
- Renewable targets
- Efficiency requirements

Regulatory



- Lawsuits on companies that are held responsible for climate change

Legal



- Perceptions around GHG emissions
- Inaction to reduce emissions
- GHG emissions growth
- Staff retention

Reputation



- Key issue – how is the business acting in relation to its competitors?

Competitiveness



Carbon is embedded directly or indirectly in every single process of a company

A strategic business priority & competitive driver ➡ **risks & opportunities**

Necessity for a carbon budget & carbon management strategy

Impact on Businesses

1st order risks:

Direct impacts of climate change on the company's infrastructure and operations, for example:

Higher temperatures will increase cooling cost;

Increase maintenance rate and costs;

Increase in heat-related illnesses among company's staff working outside.

Impact on Businesses

2nd order risks:

Indirect impacts of internal and external stakeholders to manage their own carbon risks and expectations, for example:

Introduction of GHG regulations (in Turkey);

Investors put pressure on companies to manage and lower their emissions and climate change risks;

Customer demand for environmentally friendly products and service providers;

Competitors employing GHG management strategies;

Staff pressure for environmentally friendly processes.

Impact on Businesses

Linkage between the two risk orders can create a range of different risk profiles or present significant opportunities depending on how a company manages them.



A well prepared Company

- “Five years ago, I started to see technology that I felt really, for the first time, didn’t make this about compromise, it made it more about opportunity. If we made the right investments in renewable energy, conservation, water desalination, then we could earn money and solve a societal issue at the same time.”
- “When society changes its mind, you better be in front of it and not behind it, and this is an issue in which society has changed its mind
As a CEO, my job is to get out in front of it because if you are not out in front of it, you’re going to get plowed under.”
 - Jeffrey Immelt, CEO of General Electric

Carbon Disclosure Project 2010 Turkey 50 Report

On behalf of 534 investors with assets of US\$64 trillion



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Robust GHG management

The best way to address climate change impacts is to design and implement a robust and effective corporate GHG strategy.

- **Aim:**
 - Identify key strategic drivers for corporate actions;
 - GHG risk management – treat GHG issue as part of the core business and not a separate issue;
 - Stay ahead of regulation and competition;
 - Corporate social responsibility;
 - Communicate and report your actions.

Robust GHG management

Key activities:

- 1- Measure and monitor GHG emissions and abatement successes;
- 2- Forecast emissions and set targets;
- 3- Assign costs to abatement opportunities;
- 4- Create a senior carbon management position and team;
- 5- Price carbon into investment decisions to quantify carbon exposure and minimise potential liability;
- 6- Identify and leverage new carbon opportunities;
- 7- Have a clear carbon communication strategy and report internally and externally;
- 8- Track competitors responses and their impacts on business landscape;
- 9- Review progress against targets and amend strategy as necessary.



Thank You

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