
EDFT – involvement in the global emissions market

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EDF Trading

The EU Emission Trading Scheme

- Approx. 2.2 Billion EUAs allocated each year (inc. Auctions / Reserves) – the global European target is 8% reduction from the annual baseline
- Only about 30 firms actively trading emissions vs 6,000+ firms covered by ETS – with a daily average of 2 Million t. EUAs traded OTC and on various exchanges (Major players from oil, utility and bank sectors)
- CO2 trading is becoming part of power utilities core business

Carbon constrained industry has a problem

How do we meet our emissions reduction obligations?

- Abate?
 - New equipment installation
 - Alternative production
 - Switch off
- Buy EUAs?
- Buy CDM or JI credits ?
 - BUT....not many projects coming to market at the moment

What are CDM credits?

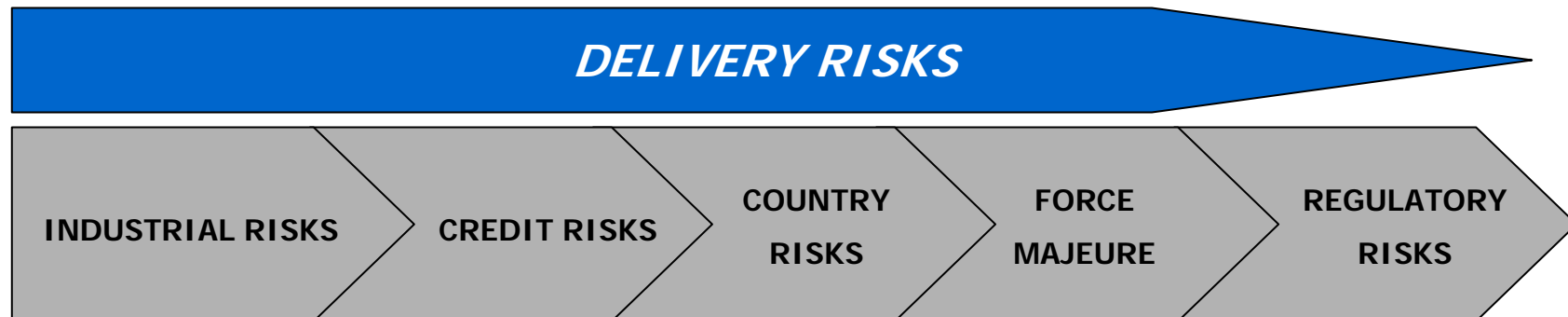
- The Clean Development mechanism is a device created by the United Nations Framework Convention on Climate Change (UNFCCC)
- Created out of the Kyoto Protocol, to encourage Annex 1 countries to invest in clean & sustainable projects in the developing world, in return for which they receive credits for the GHG amount abated – covers all the 5 main GHGs – CO₂, CH₄, O₃, HCFCs and N₂O
- Credits can be used in Period 1 or Period 2 – they have an advantage over period 1 EUAs which can only be used for 05–07 compliance
- Typically they cost about €10 less than EUAs
- The process from project inception to delivery of CERs is tortuous and complex

Why CERs prices shall be lower than EUAs?

- In a portfolio having EUAs or CERs is not risk neutral when you must comply to the EU's rules with a risk of high penalties in case of short position



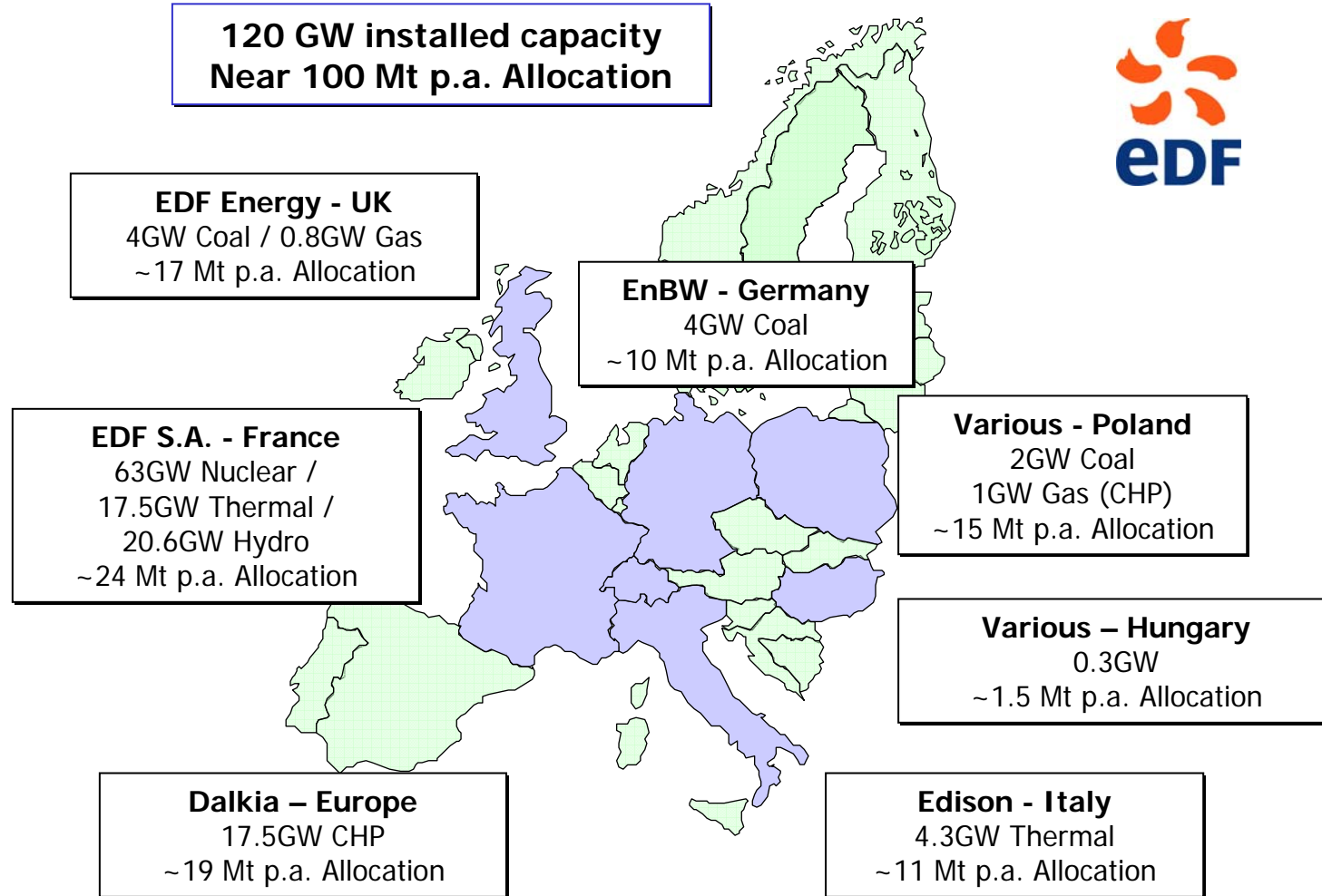
- Uncertainties in delivery of emissions reductions issued by CDM Projects lead to a number of risks which imply a substantial discount from EUAs prices' level



EDF Trading Overview

- 1999 EDF / Louis Dreyfuss joint venture signed
- Principal Role to optimise French assets
- Aug 2003 EDF became sole owner
- Asset backed trading model with portfolio of flexible assets
- Structured transactions creating ongoing trading business
- Multi-commodity physical & financial trading (oil, power, gas, coal, freight, emissions allowances)
- TRADING VOLUMES 2005:
 - Power 1,060 TWh
 - Coal & freight 245 Mt
 - Gas 56 bn therms
 - Emissions allowances 60.3 Mt to date
- Total shareholders equity €681 mio, Moodys triple A rating – best power company rating in Europe

EDF-Group CO₂ Allocations



EDFT Emissions Overview

- **An early and significant player in CO₂ market**
 - From November 2004, management of a large portfolio of CO₂ positions generated from the optimisation of EDF assets, the hedging products provided to industrial customers and the proprietary trading activity
 - Market-maker on the Nordpool Exchange, member of ECX and very active in the OTC market with over 30 counterparts
 - Written the only option seen in the market so far
 - During 2006, EDFT will become the market interface for all EDF group companies
- **Involvement in the CDM market since mid 2004**
 - CER Purchase Agreements already signed and others under negotiations with a variety of counterparts principally in Asia and Latin America

What we can do for CDM projects

- Offtake Certified Emissions Reductions from any projects, with a pricing structure to fit the individual project developer's risk profile
- Writing Project Design Documents (PDDs) and Project Idea Note (PINs)
- Assist in power related projects through relationship with EDF parent
- Assist in project investment and finding funding partners
- Managing the registration process with the Clean Development Mechanism Executive Board

Why EDFT for your CDM projects?

| Your needs | Because... | We propose... |
|---|---|--|
| A long term partner with good credit profile | CDM projects last up to 21 years | ...the strength of an international company funded in 1946 the biggest power utility in Europe |
| An experienced partner | CDM projects process are complex | ...the experience of a team dedicated to CDM projects with a significant track record |
| A complementary partner with a strong compliance position | You don't want to pay middle men unnecessary fees | ...EDF Group has permits requirements in excess of 100 mt per year |
| A flexible and creative partner | Every CDM project developer is different | ...our ability to structure customized solution to deliver value to your project |

Some last thoughts

- Be careful in your choice of DOE – difficult to get the right balance between those available, but lacking in experience against those with experience – but very overworked. Some claiming premature accreditation
- When choosing counterparts, check the status of their host country DNA – wide variety in quality at the moment
- What will happen to CER (and EUA) prices if Russian / Ukrainian ‘hot air’ comes to the market without restriction?
- Will Canada stay in the KP? And if they don’t what will happen to CER prices?
- When is COP/MOP likely to agree on a post 2012 regime – and what will it look like?
- May be prudent to take advantage of high prices sooner rather than later

Gracias!

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