



# Trading Emissions PLC

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## Why are Buyers Buying?

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- For compliance with a national Kyoto target (e.g. Annex 1 government)
- For compliance with an EU ETS obligation (e.g. EU power generator)
- As an agent for one/both of the above (e.g. multilateral bank / aggregation pool)
- As a speculator / market maker / liquidity provider (e.g. commercial fund)



## About Trading Emissions PLC (TEP)

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- TEP is an investment vehicle formed to invest a range of emission assets, including:
  - EU carbon, US carbon and US sulphur instruments
  - Focus on Kyoto compliant project credits such as CERs & ERUs
- TEP is a publicly quoted company listed on the Alternative Investment Market (AIM) of the London Stock Exchange
- The company raised £135MM (~US\$240MM) through its listing
- Investors include Invesco Perpetual, Goldman Sachs, Credit Suisse Asset Management, Gartmore Asset Management, Jupiter Asset Management, F & C Unit Management and Moore Capital
- Current market cap is approximately £170m



## EEA Fund Management: Investment Advisor to TEP

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- EEA Fund Management Limited is the exclusive investment advisor to TEP.
  
- EEA team members have experience of
  - Closing CDM and JI carbon finance deals
  - Writing and appraising project methodologies
  - Writing project documentation
  - Validation and verification
  - Contract preparation and negotiation
  - Project finance
  - Private equity
  - & have worked in South America, Asia, Africa and Central Europe.
  
- EEA manages a number of equity funds including Climate Exchange PLC, the major shareholder in the Chicago Climate Exchange and European Climate Exchange, the leading carbon exchanges in Europe and North America.



## TEP's position in the carbon market

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- TEP has enormous flexibility in the manner in which it may deploy its capital
- TEP will take a long position in environmental commodities, particularly Kyoto Protocol compliance units. TEP is not a compliance buyer, a trader or an intermediary.
- This position is achieved through
  - Purchase of CERs / ERUs under ERPA contracts
  - Investment – debt or equity - in project opportunities and companies to leverage CERs/ERUs
- TEP is designed to take certain commercial risks and can engage with project developers from an early stage in project development.
- TEP seeks to design contracting structures that offer value to all parties involved



## Using future carbon flows to add value

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### ERPA contracts

- A fixed or floor price ERPA contract will demonstrate an additional cash flow to potential investors and boost project internal rate of return. This may help offset technology or country risk.
- Can upfront project finance be procured on the back of an ERPA contract?

### CER backed project finance

- Would leveraging project finance through future carbon flows help your project reach financial close?
- Using CER linked financing may enhance additionality arguments
- These kind of contracts with TEP offers risk sharing in early stages of project development and access to expertise in CDM project development



## Transaction structures

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- ERPA transactions – bankable contract with payment on delivery, fixed or floor + upside pricing, with flexibility on delivery guarantees.
- Debt - TEP provides upfront debt financing to the project which is repaid in carbon credits.
- Equity participation – TEP becomes an owner in an SPV to develop the project and thus owns a portion of the carbon credits as part of the return on equity



## Some examples

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- TEP set up a financing facility for a series of agricultural biogas projects in South-East Asia and has a local Joint Venture partner that will develop the projects
- Investment in an African bio-fuel company that will grow energy crops which will be used as a substitute fuel for local industry
- Investor and shareholder in a Brazilian based project development company
- TEP has closed various ERPA based deals around the world
- Contracts so far will leverage ~ 20 M tonnes of CERs / ERUs.



## Contact details

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