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Interview: Françoise d'Estais, Programme Officer at the United Nations Environment Programme (UNEP), in charge of the initiative called *Carbon Finance for Agriculture, Silviculture, Conservation and Action against Deforestation (CASCADe)*.

Question: UNEP is active in the carbon market through various activities and programmes. Could you detail them, especially regarding emissions reduction and the Clean Development Mechanism (CDM)?

F. d'Estais: UNEP has been very active in the carbon market since the Kyoto Protocol inception to enable a fair access to the market for all countries worldwide. UNEP's carbon activities focus primarily on capacity building for national institutions and on technical assistance for the development of CDM projects. These activities are carried out with the support of a collaborating centre established in Denmark, the UNEP Risoe Centre on Energy, Climate and Sustainable Development (URC), and through specific programmes such as CASCADe and ACAD. The CASCADe Programme was launched in December 2007 at the 13th Conference of the Parties of the UNFCCC in Bali. This 3-year programme is funded by the French Global Environmental Facility (FFEM) and is designed to reinforce carbon market expertise in seven Sub-Saharan African countries: Senegal, Cameroun, DR Congo, Madagascar, Gabon, Mali and Benin. CASCADe is a multifaceted programme with support provided to Designated National Authorities, training workshops organized for project developers and national institutions' representatives, as well as technical assistance provided to projects selected through national tenders.

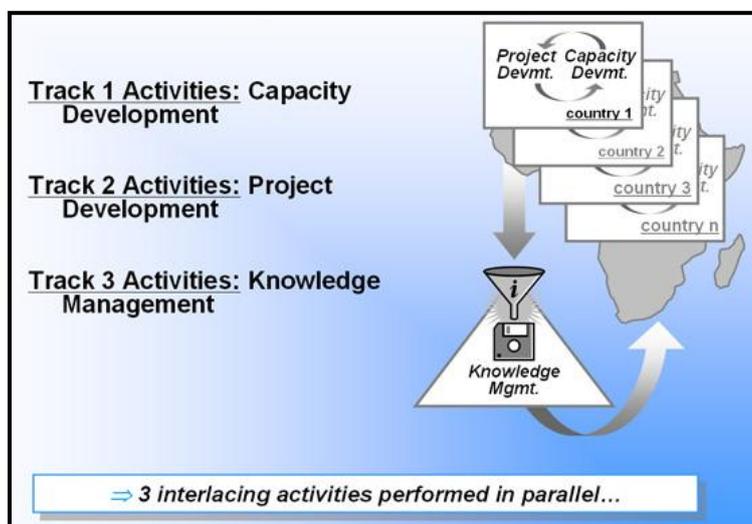
Question: Why does the CASCADe programme focus on projects linked to land uses? What is the potential for other technologies?

F. d'Estais: The largest emissions reduction potential in Africa is related to Agriculture, Forestry and Land Use (AFOLU) through carbon sequestration. It is important to extend the development of large projects and attract more carbon

buyers. African countries also offer opportunities of emissions reduction in sectors such as waste management and renewable energy.

Question: How many calls for projects have you launched since the beginning of the CASCADE programme? And what about the first results?

F. d'Estais: A call for projects was launched in each of the seven target countries with the objective to bring technical support to four projects per country. The four selected projects were assisted for the drafting of a Project Idea Note (PIN), and subsequently two of them for the drafting of a Project Design Document (PDD). All projects are presented in a booklet entitled "Selected carbon projects in the bio-energy and forestry sectors" distributed to the carbon market investors. Some projects are at validation stage and are looking for carbon credits purchasers.



Question: What conclusion have you made from the past experiences? What are the strengths and weaknesses of African projects?

F. d'Estais: Africa is a promising continent; unfortunately we had to realize that only few strong projects were arising. African project's developers suffer from a number of well known difficulties, such as weak national land ownership systems, insufficient reference data, and a lack of project finance. In several countries however, we see a very interesting combination of factors: supportive national institutions, Non-Governmental Organizations involved in carbon sequestration, and dynamic private sector organizations. Together, they push things forward and manage to attract more and more international investors' attention.

Question: CASCADE covers seven African countries. Is there a plan to widen it to other countries in the near future?

F. d'Estais: Other African countries are willing to benefit from such a programme. We are today approaching donors to finance a successor to CASCADE. We see an increasing interest from donors today in renewable energy and forest protection and conservation.

Question: Could you briefly present the other recent programme sponsored by the UNEP called ACAD (Africa Carbon Asset Development Facility)?

F. d'Estais: The ACAD programme is funded by the German Ministry of Environment and implemented by UNEP and the UNEP Risoe Centre. It aims at supporting replicable mid to large-size CDM projects in Sub-Saharan Africa. It provides support

to cost-share feasibility studies, CDM development costs as well as other administrative costs. The ACAD programme has a significant capacity reinforcement component targeted at financial institutions to address the lack of project finance faced by many projects in Africa as discussed above.

Question: Have you seen any change in the African carbon market during the last few years?

F. d'Estais: Awareness and expertise of carbon markets has increased significantly throughout Africa over the past few years. For example, the first edition of the African Carbon Forum in 2008 in Dakar was attended by around 500 people. The second edition in Nairobi last March was attended by more than 1,100 people. A lot has already been done. Africa is attracting more and more interest to continue on the same path.

Françoise d'Estais is a Programme Officer at the United Nation Environment Programme (UNEP)

<http://www.unep.org>

<http://www.cascade-africa.org>

The EU ETS 2009 Carbon Emissions Release – April 2010

Beginning of April 2010, the European Union released the 2009 verified CO₂-equivalent emissions data for the European Union Emissions Trading Scheme (EU-ETS).

The EU-ETS has been introduced by the European Union in 2005 to help European industrial and utility companies to reduce their greenhouse gas emissions by eight percent below 1990 levels defined under the Kyoto Protocol. It is the most important system implementing cap-and-trade among the Kyoto Protocol's parties.



Through its National Allocation Plan (NAP), each EU Member State sets a number of allowances per year (one allowance equals one ton of CO₂) for all installations in energy and industrial sectors with plants exceeding 20 MW.

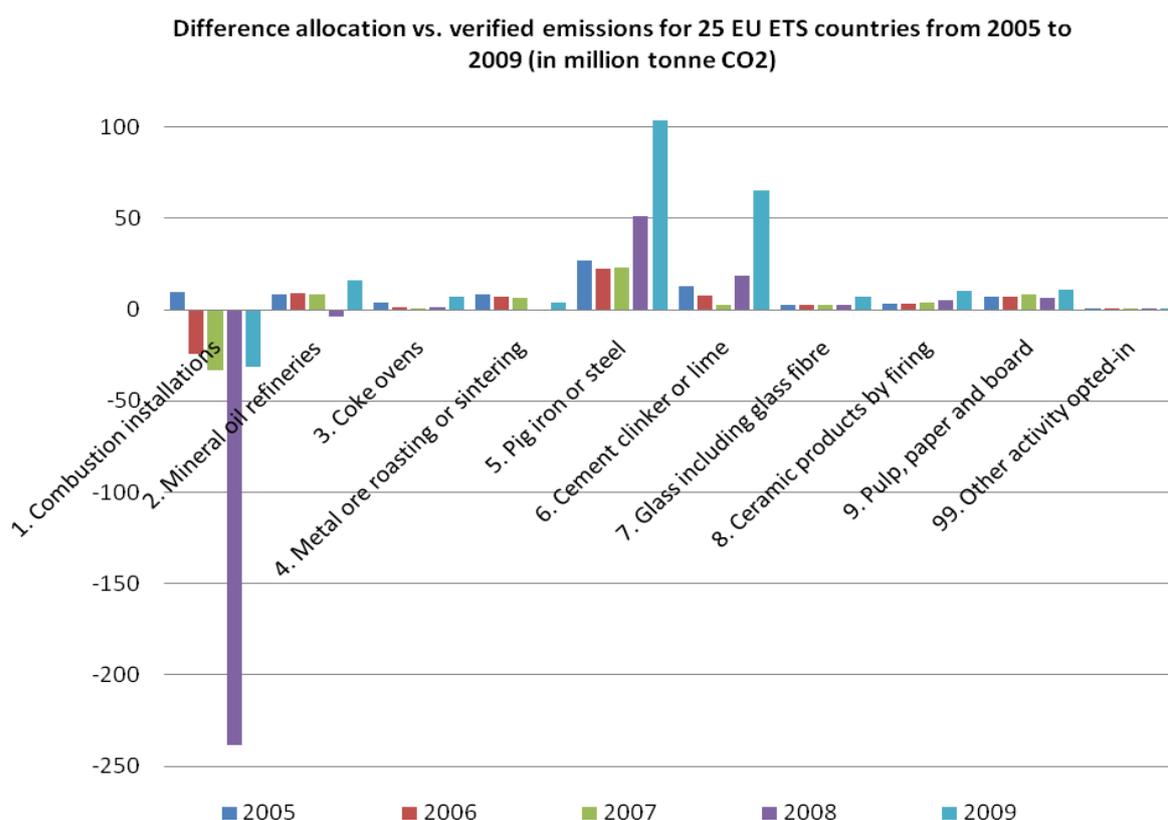
The EU-ETS covers over 12,000 sites, totaling 44 percent of EU emissions. The data released show that in average, these installations have recorded a fall of

11.2% in their CO₂ emissions in comparison with 2008. This large drop in carbon emissions was expected by the market because of the economic downturn. In volumes, the European installations under the cap-and-trade system were over allocated by 57 million tons of CO₂ in relation to a total allocation of 1.8 billion.

Only three countries have been under allocated in 2009, mostly due to their combustion installations which are using highly polluting coal units: Germany (short of 40 Mt), United Kingdom (16 Mt) and Denmark (1.5 Mt). To the opposite, some countries were long such as Romania (by 20 Mt), Italy (18 Mt), France (17 Mt) or Belgium (10.5 Mt).



The same analysis can be done by sector. Some sectors such as steel and cement experienced a drop of more than 30% in their emissions.



Source: European Environment Agency, 2010 – EU ETS Data Viewer

Despite this EUA surplus and the underlying controversies about tax fraud and re-selling of used CERs, the prices have increased constantly since the day of release. Beginning of April 2010, Dec 2010 EUA future contracts were priced at less than 13 EUR per ton. They closed at 16.25 EUR on May 6, 2010.

For Phase II, the number of allowances per installation is already known. The recovering economy should drive up the carbon emissions. The steel and cement sectors will certainly go back to their 2008 or 2007 levels, where a surplus between 10% and 20% is expected. Combustion installations, which represent 75% of the verified emissions in 2009, should also see their emissions increase. This implies that Germany's and the UK's allowances deficits will soar.

Our expectations are that the carbon prices will continue to go up until 2020 at more than 30 EUR per ton.

The EU-ETS Phase III (2013-2020) constraining European utilities and industrials spur the companies to anticipate and act now to reduce their future compliance costs. Beyond the carbon price and a new international agreement, the concern is how to get allowances and how many, as the allowances will no longer be allocated for free but sold by auction.

CDM projects opportunities: Focus on Indonesia



In December 2004, Indonesia ratified the Kyoto Protocol. It entered into force in July 2005 with the nomination of the Designated National Authority called the National Commission for Clean Development Mechanism (NC-CDM). It consists of one chairman and nine members of high rank government representatives.

In 2006, Indonesia was considered as the world's 19th biggest emitter of greenhouse gases (GHG) from fossil fuels with 333 million tons of CO₂. However Indonesia is considered to be one of the world's top three greenhouse gas emitters if deforestation, land degradation and forest fires are included in the calculation.

Paradoxically, while Indonesia has an important GHG reduction potential of up to 25 million tons per year for the 2008-2012 period, only a few CDM projects have been developed and registered yet. Our expectations are that it could join the top 5 key players in the Clean Development Mechanism given this emissions reduction potential.



In February 2010, there were 95 projects at various stages of development in the CDM projects pipeline. 52 projects were approved by the DNA and 43 projects were registered. 25 projects have either been terminated or had their validation refused.

Biogas, biomass and hydropower are among the most featured technologies. While it is not reflected in terms of number of projects developed, the emissions reduction potential of the agricultural sector is significant.

The grid emission factor is high (0.82 tCO₂ / MWh) and can ensure a good return on investment for CDM projects in the renewable energy sector.

It is also important to notice that the Indonesian government intends to put in place a carbon tax and pushes for strong alternative energy policies targeting to

reduce the share of coal in the energy mix. In the transport sector, the use of fuel cells, CNG (compressed natural gas), and ethanol represent a cost-effective GHG abatement solution.

Indonesia's Designated Focal Point

National Committee on Clean Development Mechanism
BUMN Building, 18th floor
Jalan Merdeka Selatan 13
Jakarta 11110 - Indonesia

Corporate News

Conferences

Perspectives of Renewable Energy and the Clean Development Mechanism after 2012 – Presentation at the Energy & Ecology Conference on the 4th of November 2009 in Sofia, Bulgaria.



<http://energyconferencebulgaria.eu/?go=program&p=home&lang=en>

Carbonium has been invited by the Korea Trade Investment Promotion Agency as a CDM/JI project developer to present its activities at the Green Hub Korea 2009 in Seoul in October 2009. Green Hub Korea 2009 is Korea's largest event related to clean energy project development and technology cooperation.



<http://www.kotra.or.kr/greenhubkorea2009/index.html>

Carbonium presented the *Role and Profile of Buyers* at several workshops in Dakar (Sénégal), Cotonou (Bénin) and Kinshasa (DR Congo) organized by the CASCADE Programme from October 2009 to March 2010.



<http://www.cascade-africa.org>

Carbonium organised a Side Event at the latest Carbon Market Insights Conference on the March 2nd 2010 in Amsterdam entitled *Jl today and Jl tomorrow: where do we stand?*

Speakers at the Side Event were Benoît Leguet (CDC Climat and JISC), Lennard de Klerk (JI Action Group), Georgiy Geletukha (SEC Biomass and JISC) and Arjan Karreman (Statkraft).



http://www.pointcarbon.com/polopoly_fs/1.1306506!CMI%202010%20programme%28web%29.pdf

How to obtain certificates by Clean Development Mechanisms or Joint Implementation projects – Presentation at the conference organised by the International Association of Young Lawyers on March 2010 in Düsseldorf.



<http://www.aija.org/modules/events/index.php?id=274>

In the Media

On February 25, 2010, Alexandre Borde, Managing Director of Carbonium, participated to a roundtable on Ukrainian TV Channel 27 on methane capture from landfills and Joint Implementation.

The interview can be seen at:



<http://www.carbonium.fr/tvukraine/>



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