

Offset supply in the California Carbon Market

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San Francisco

POINT CARBON



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About Thomson Reuters Point Carbon

- Leading provider of independent news, analysis and consulting services for power, gas and carbon markets.
- Carbon: News, Research, Offset database, Trading Analytics
- Acquired by Thomson Reuters in June 2010

The screenshot shows the Point Carbon website interface. At the top is a navigation bar with links: HOME, NEWS, RESEARCH, TRADING ANALYTICS, ADVISORY, EVENTS, ABOUT US, and LPI. Below the navigation bar, the user is logged in as 'Emilie' and has a 'MY ACCOUNT' section. The 'OUR MARKETS' section lists CARBON, POWER, and GAS. A 'PRODUCT FINDER' button is also visible. The main content area features several news items and a table of OTC price assessments.

ANNOUNCING THE 3RD EDITION OF THE CARBON FINANCE AND ANALYTICS PROGRAMME
Foundations for Carbon Market Trading, Analysis and Risk Management
Click for more information
London Business School

		Close	+/-
EUA	Dec 2011	14.92	0.12
sCER	Dec 2011	11.45	0.09

EUA last 30 days

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Offset supply and prices: a model approach

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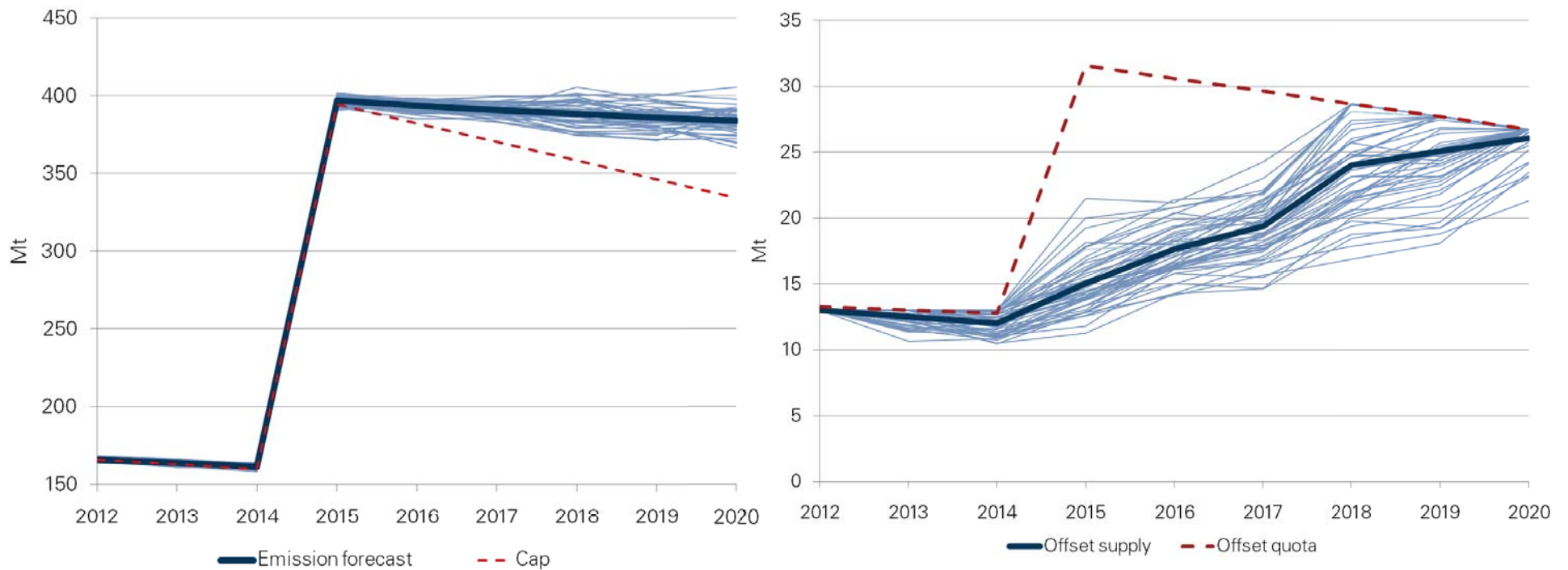
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What will drive the market?

- Market balance
 - What is the Emission-to-Cap (EtC)?
 - How many offsets are available?
 - Can we reduce emissions?

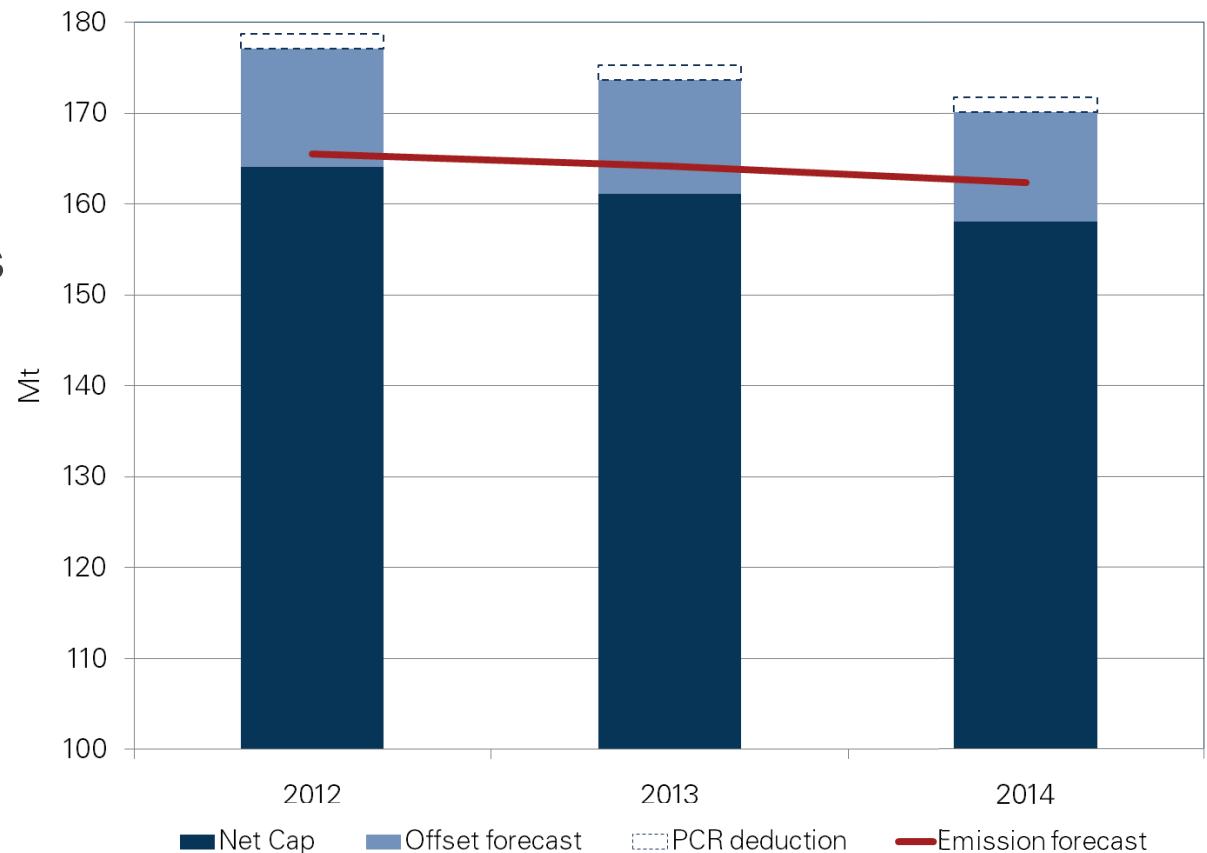
Forecasts are uncertain

- Using Monte-Carlo analysis to study the uncertainty



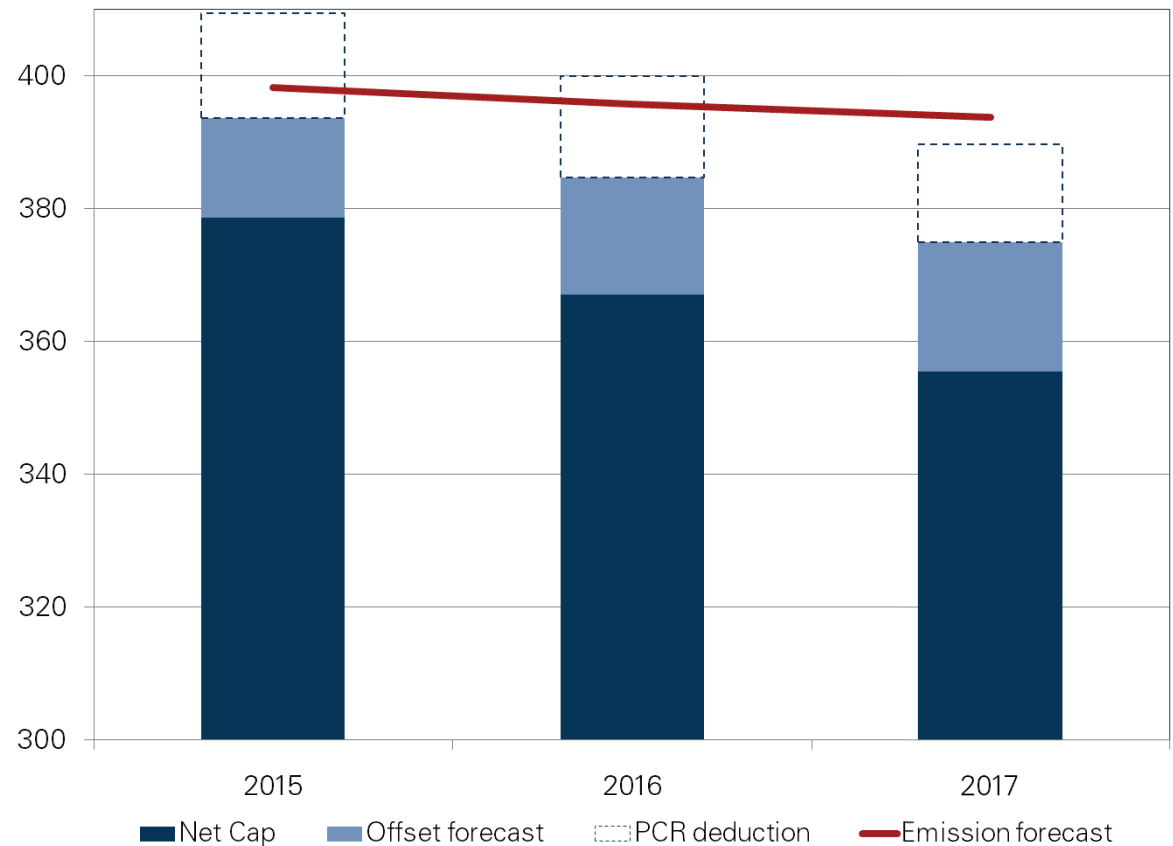
First compliance period – not to worry

- Small EtC, can be covered with offsets
- Extra offsets provide cushion, allow facilities to build a private bank
- How much of a bank?
- How much early hedging?



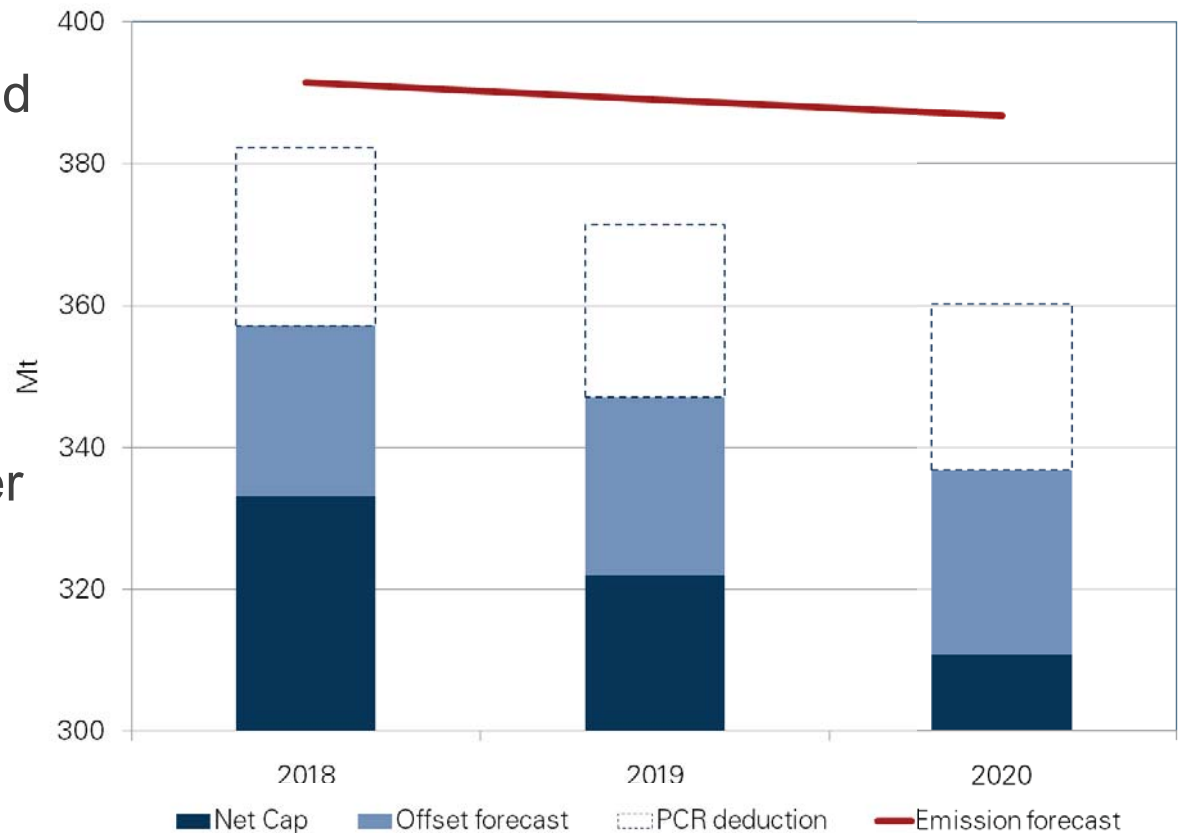
Second compliance period – heads or tails?

- Greater uncertainty around impact of complementary policies and offset supply
- When is bank depleted? ^{Mt}

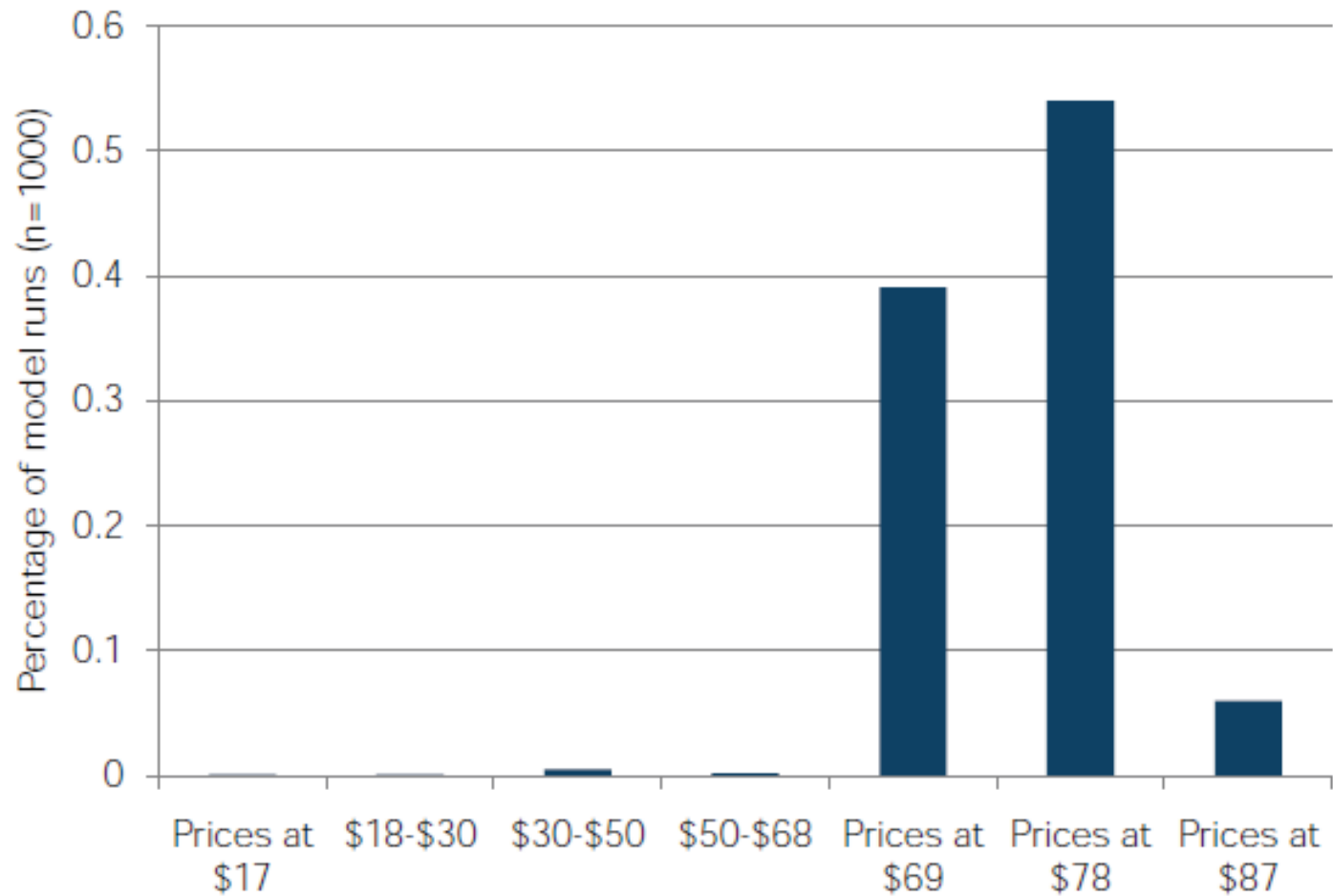


Third compliance period – short short short

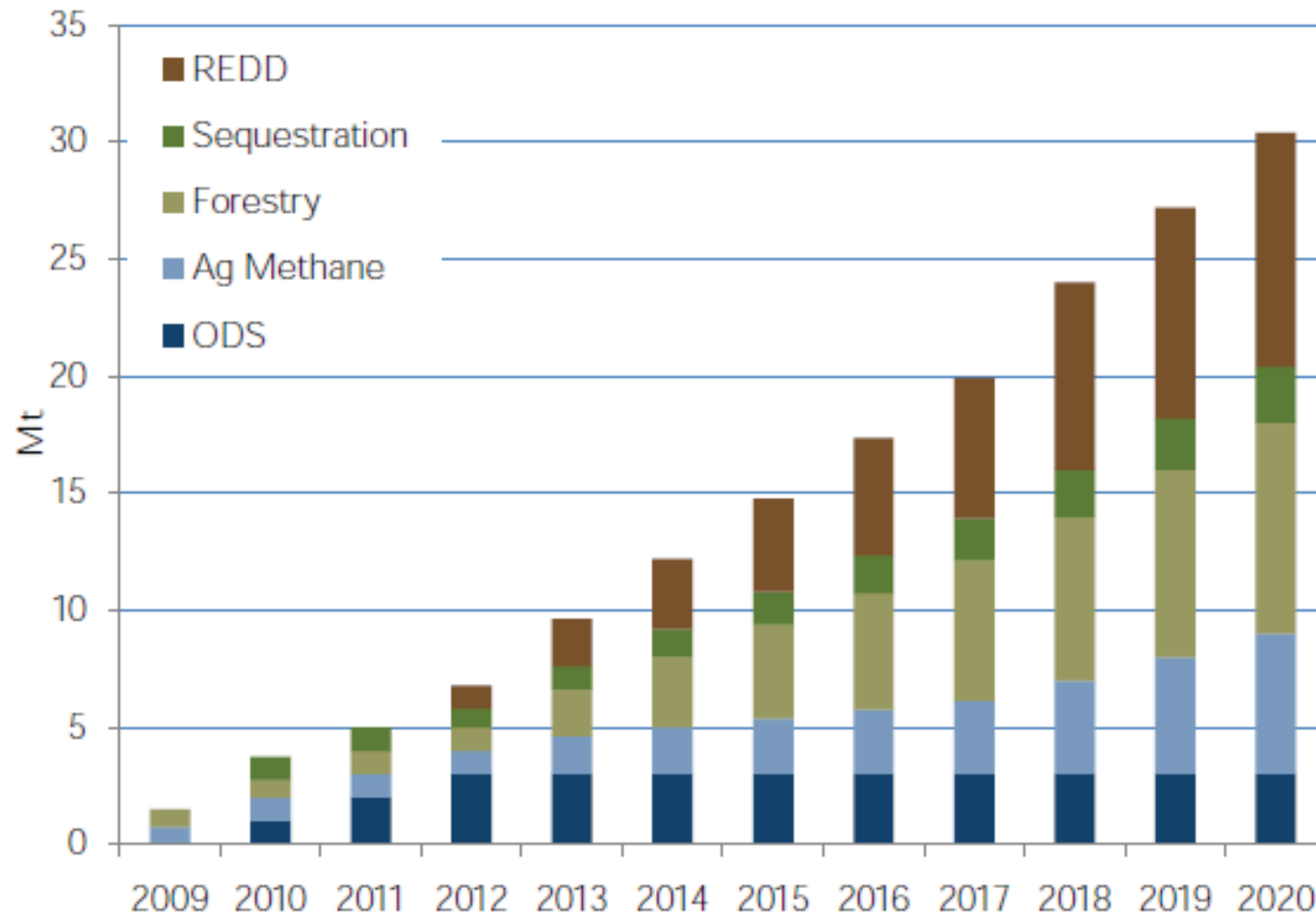
- Amount of abatement required cannot be covered by offsets
 - Unless emissions remain exceptionally low
- Bank depleted in all runs
- Main question is: which tier of the strategic reserve?
 - Will the reserve hold?



All prices lead to the ceiling in 2020



Model: Offset Supply 2012-2020



Source: Carbon Project Manager North America

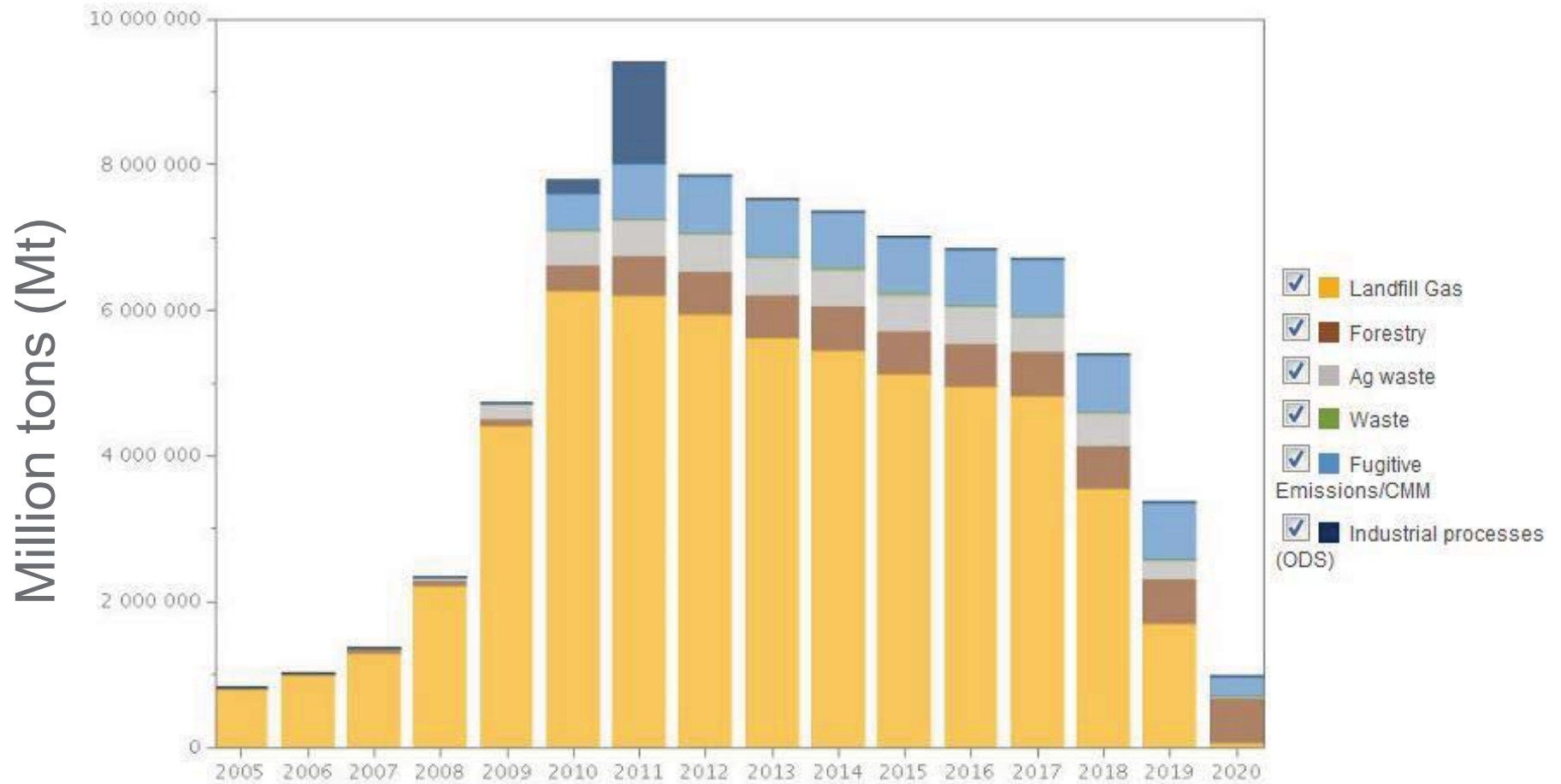
Supply and prices: the real deal

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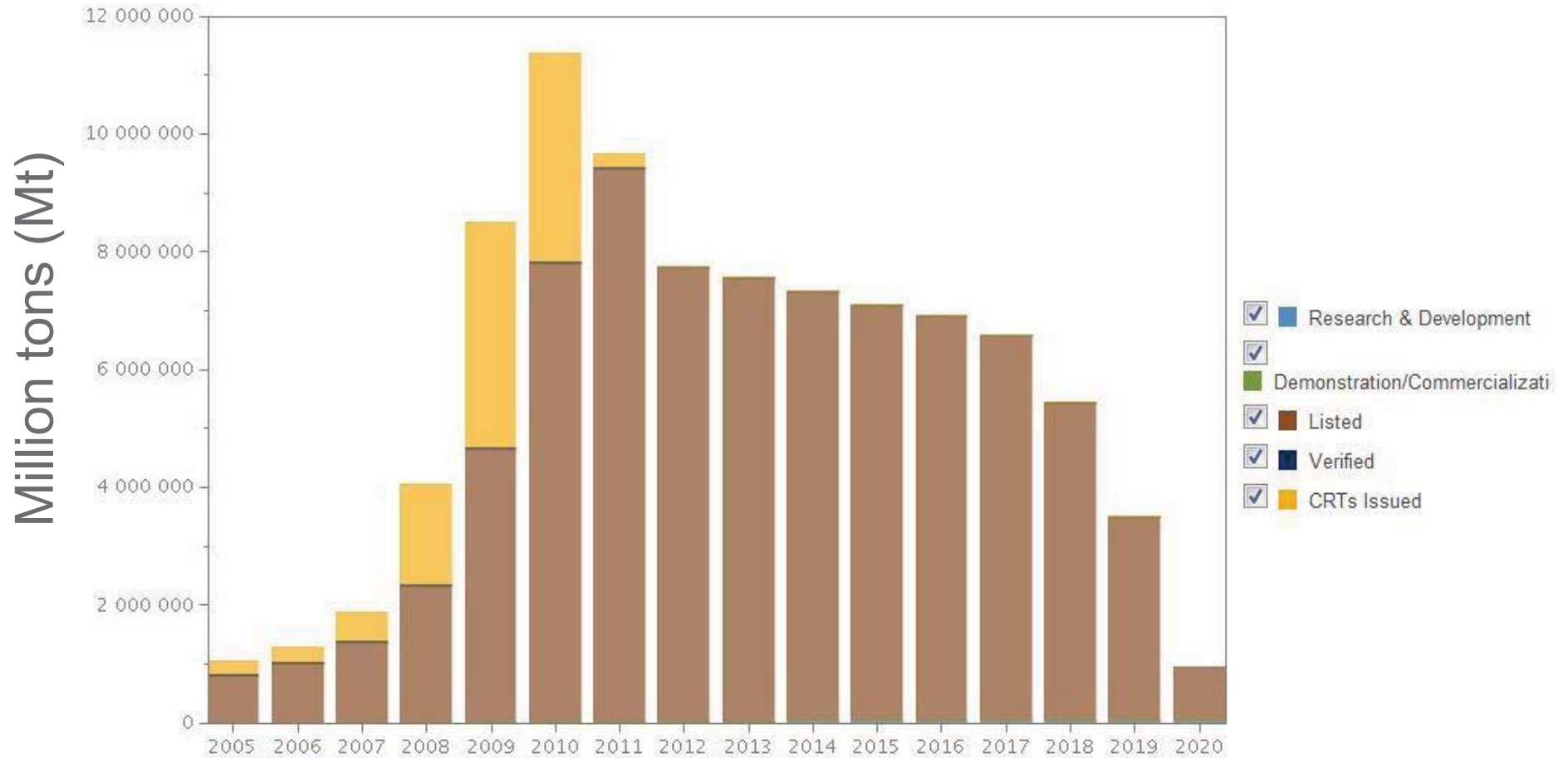
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CAR supply in pipeline: 2005-2020



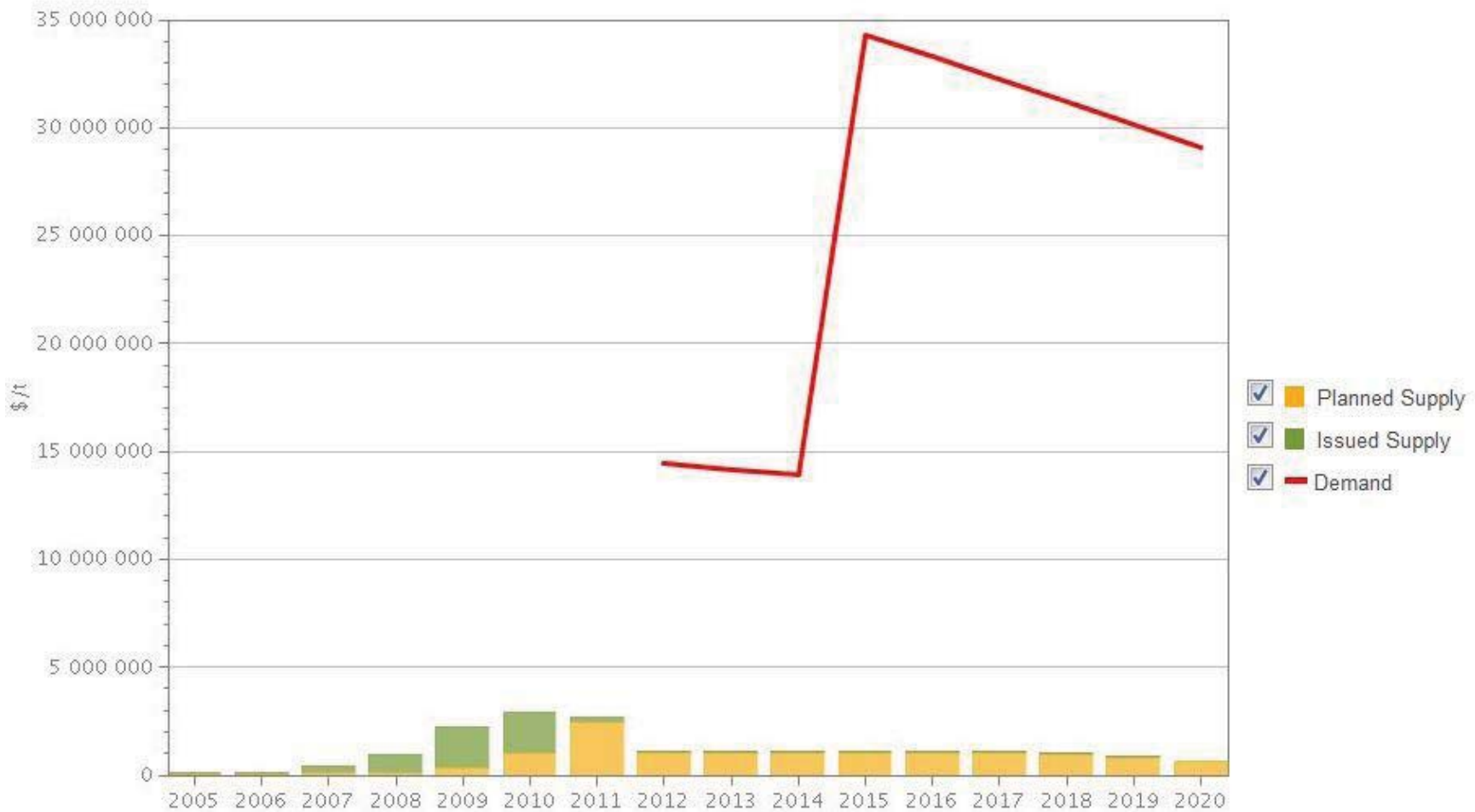
Source: Carbon Project Manager North America

CAR supply by stages: 2005-2020



Source: Carbon Project Manager North America

CARB supply vs demand: 2005-2020



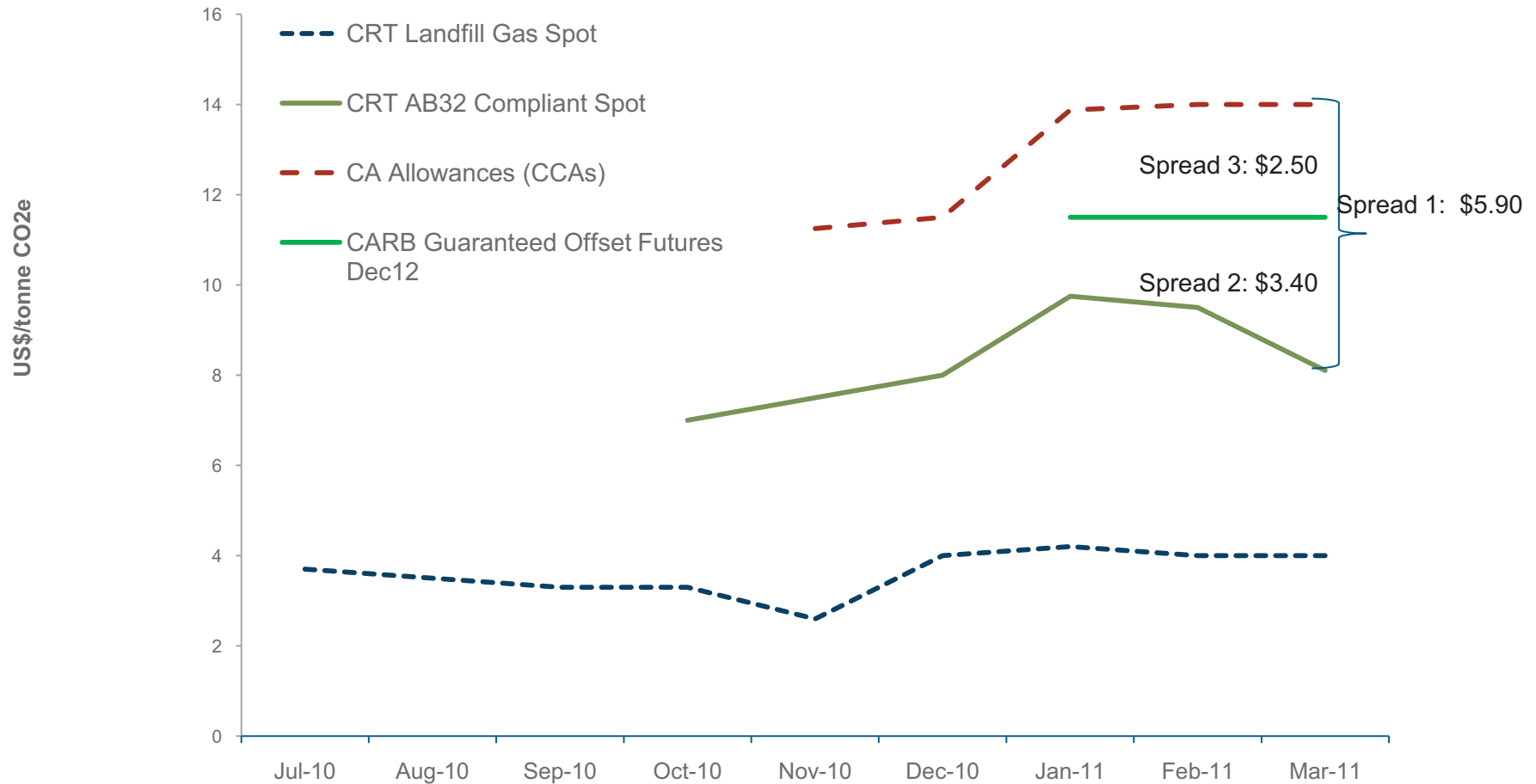
Source: Carbon Project Manager North America

CAR: time between stages: 2005-now

Time between stages by project type			
	Approval to listed (avg days)	Approval to verified (avg days)	Approval to issued (avg days)
Ag waste	49	413	428
Forestry	126	756	777
Fugitive emissions/CMM	21	97	139
Industrial processes (ODS)	43	145	179
Landfill gas	38	310	340
Waste	36
Overall Average	61	323	351

Source: Carbon Project Manager North America

Market prices: July 2010 - now



Source: Carbon Project Manager North America

Thank you for your attention!

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