



# CCS and Carbon Trading

**Ian Temperton, Advisory**

30 October, 2008

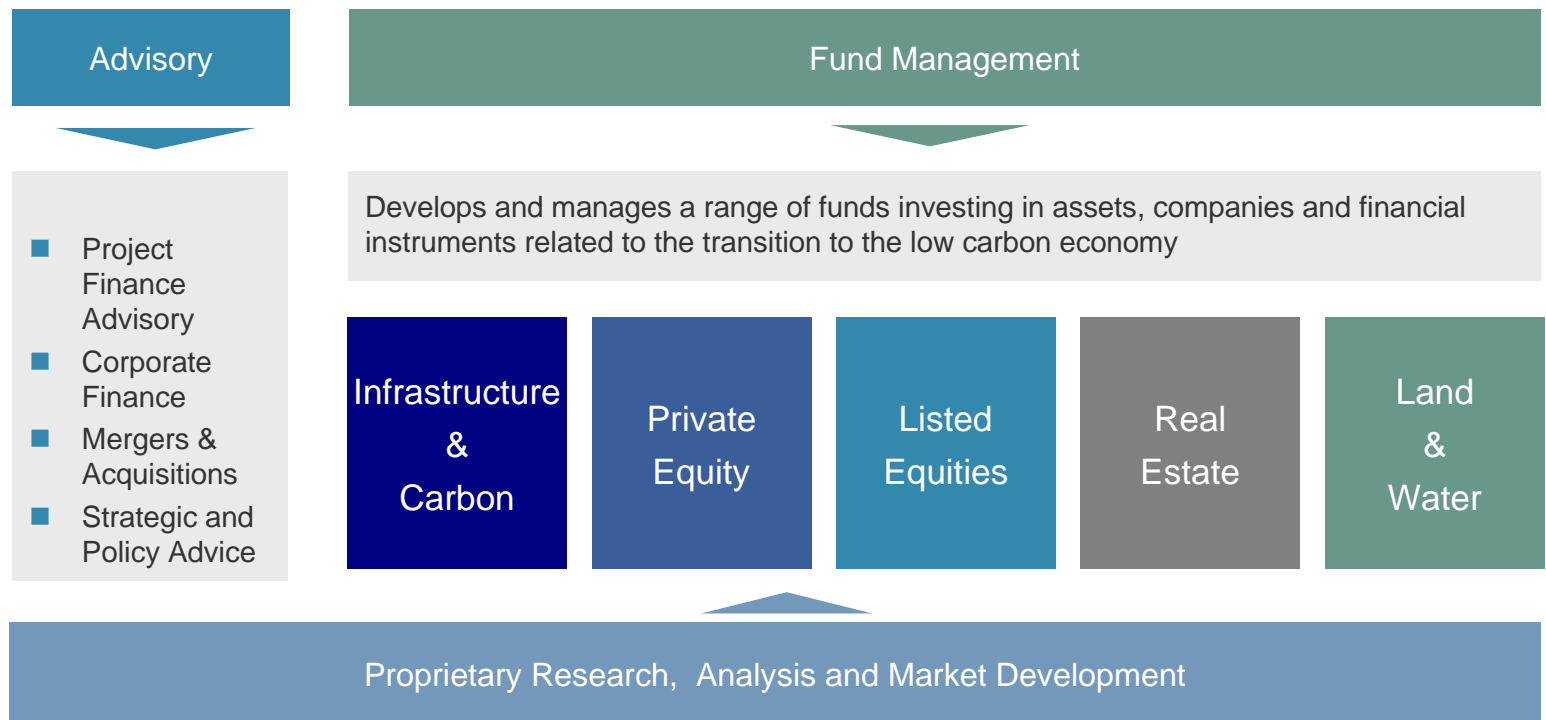
Climate Change Capital<sup>®</sup> 

# Climate Change Capital

**Climate Change Capital (“CCC”) is an investment manager and advisor specialising in the opportunities created by the transition towards the low carbon economy. Our activities aim to make the world’s environment cleaner while delivering attractive financial returns.**

CCC is headquartered in London and has offices in Beijing, Boston, Madrid and Washington D.C. with over 150 employees focused on the EU, North America and China.

Through the combined talents of investment professionals, market specialists, thought leaders and access to a significant capital base, CCC is perfectly placed to deploy capital, at scale, to accelerate the transition to the low carbon economy. We call this creating wealth worth having.



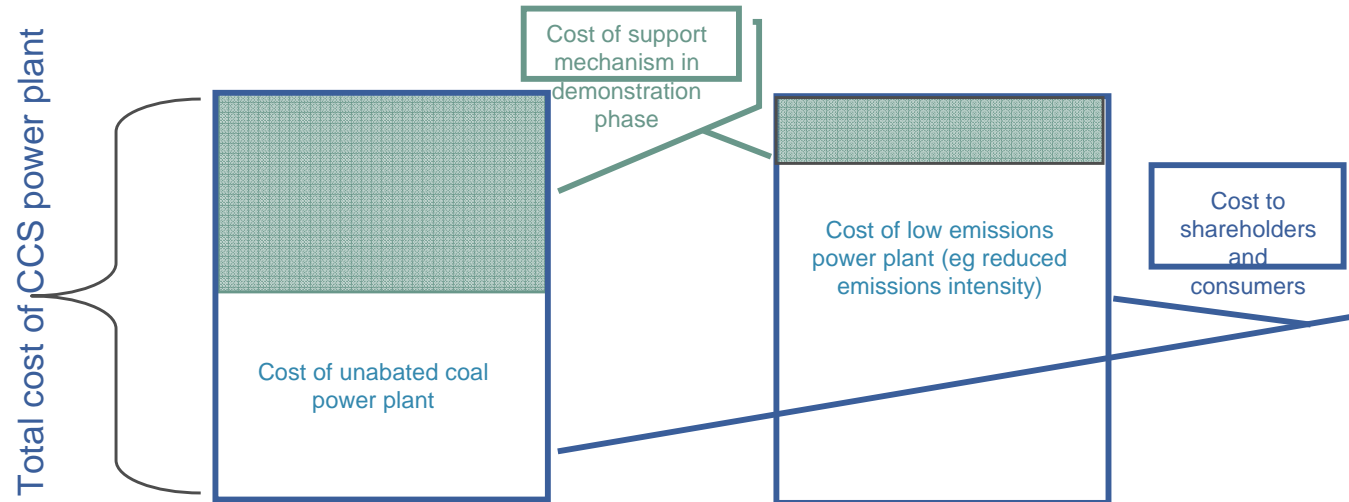
# In 2008 CCC has been engaged by the CCS Development Council in Alberta, Canada

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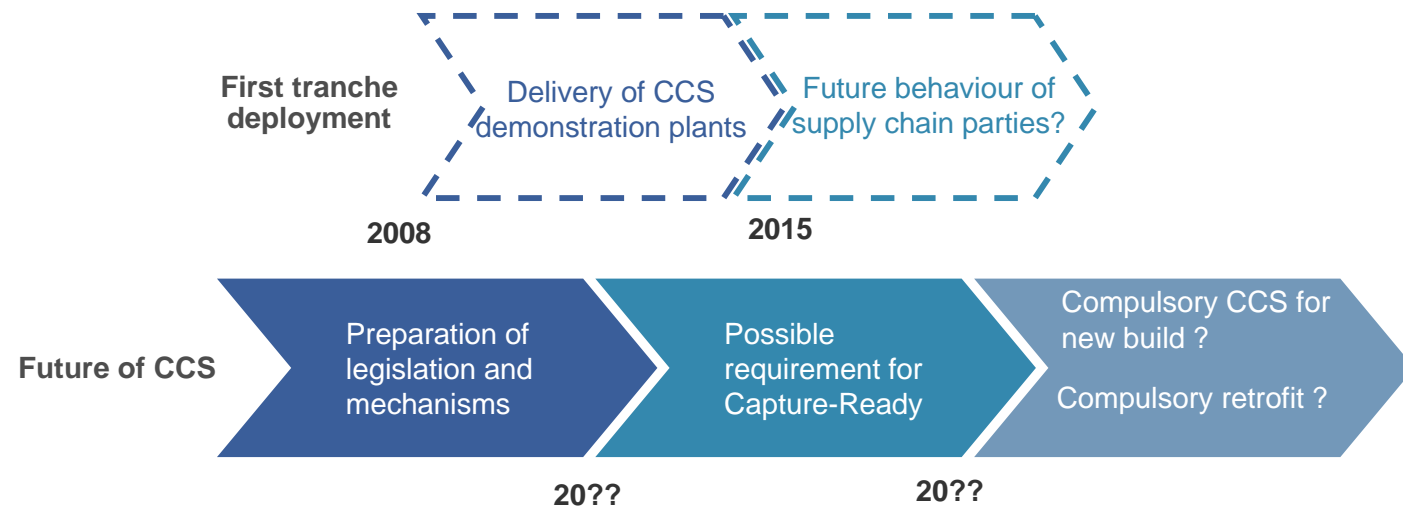
- The Government of Alberta formed a CCS Development Council in April 2008 to 'develop a roadmap' for the immediate advancement of CCS
- CCC has been engaged by the Council's Working Group on Business Case/Fiscal Terms to help them prepare recommendations on policy options for supporting CCS deployment in Alberta
- CCC ran a two day workshop for the Working Group in early June, based on our ZEP work
- In July 2008 the Government of Alberta allocated C\$2 billion to support CCS projects.

# It is important to remember why support is needed for CCS

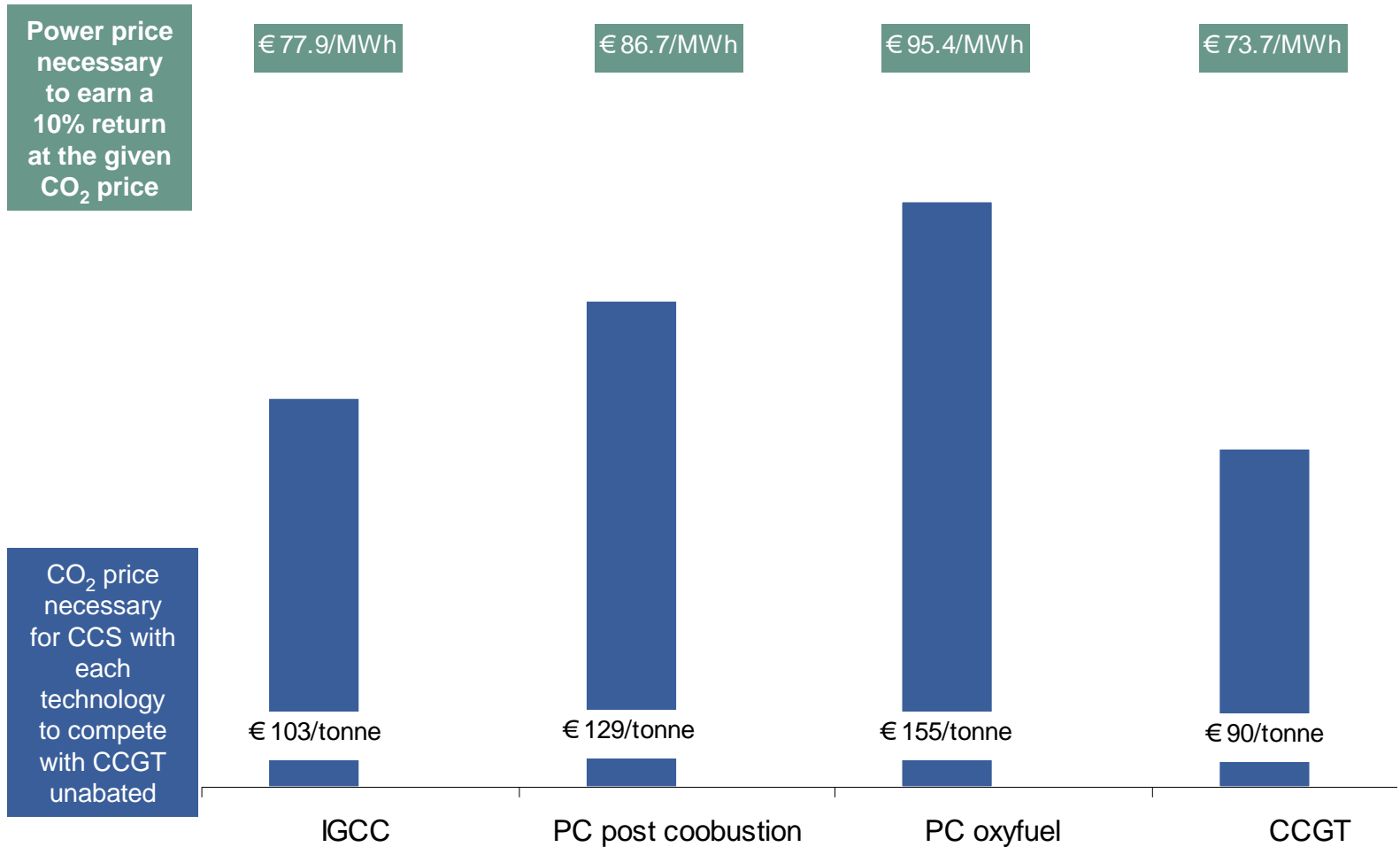
The cost of supporting the CCS demonstration plants is greater if no future policy signal



Visible policy continuum is needed for real supply chain mobilisation

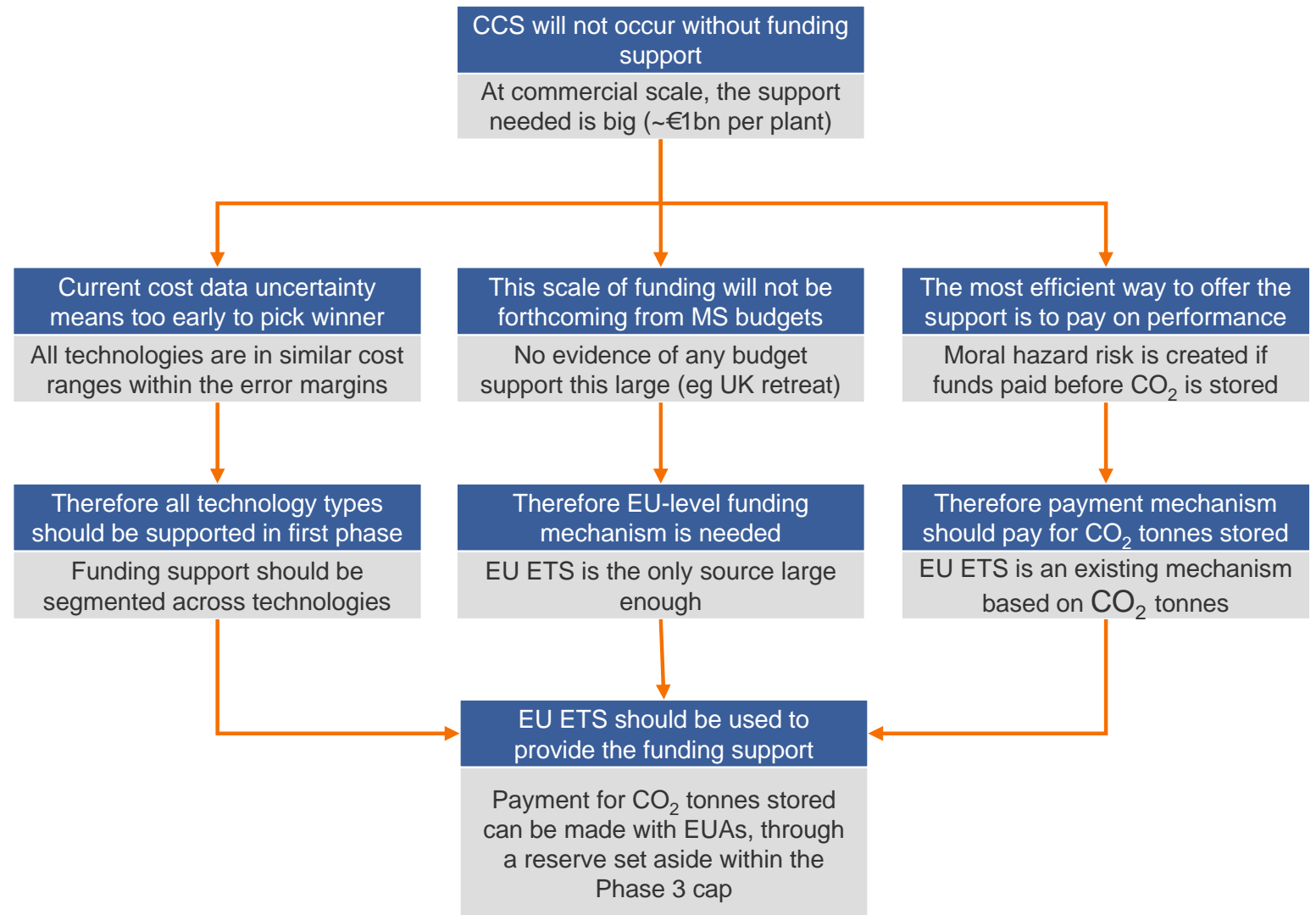


# Beware market failures when relying on carbon markets



**When CCGT sets marginal power price, the carbon price must rise to over €100 before CCS technology on coal-fired plant can compete**

# Principles and design of CCS support mechanism using carbon credits



# Concerns about using carbon allowances to finance CCS

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- Exposes project developer to CO<sub>2</sub> price risk
- Involves risk of windfall gain if CO<sub>2</sub> price rises
- Inconsistent with Phase 3 objective of 'no free allowances' for power sector
- EU ETS should be technology neutral; setting aside EUAs to pay for CCS creates a special case
- What effect will supplying more EUAs have on the EU ETS?

# Contact Climate Change Capital

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## CCC Head Office

Climate Change Capital  
3 More London Riverside  
London  
SE1 2AQ  
United Kingdom

Tel: +44 (0)20 7939 5000

Fax: +44 (0)20 7939 5030

[www.climatechange-capital.com](http://www.climatechange-capital.com)