# Carbon Monitor

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## New Publication on Russia and Climate Change

Carbon Monitor attended a book launch in the UK last week at Chatham House.

While 'chatham house rules' preclude directly reporting what was said at the presentation we drew some conclusions as to the state of Russia's readiness for Kyoto and the possible implications of this.

With Russia not yet able to comply with its Kyoto obligations, in part due to a lack of a complete emissions inventory, no doubt complicated by the sheer size of the Siberian forest estate, a question arises as to the extent JI is a viable mechanism in the Russian context.

At present there are two 'routes' JI, track one and track two. Essentially these exist to allow projects to occur in an environment with the host country has yet to fully comply with its Kyoto obligations.

Of course in the absence of such compliance one has to ask if JI is indeed viable and it appears many JI projects are held up for just this reason.

Given that Kyoto comes into effect in just under 21 months the jury is out as to whether Russia can make the grade.

Both the UK and EU are actively assisting the Russians in complying but the results to date are limited.

Carbon Monitor is interested in this as the effect of the Russian 'hot air' on the market price of Kyoto AAU units is of great relevance to the overall market performance and to some extent liquidity and therefore function.

We would be greatly concerned if Russia is limited in its participation in Kyoto and look forward to reviewing the book and its view on this.

The publication is:
Russia and the Kyoto Protocol:

Opportunities and Challenges

Edited by
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## Slovak Republic Energy Efficiency

The concept of JI in other Eastern European countries is gaining momentum with significant investment available in energy efficiency projects.

The European Bank for Reconstruction and Development (the "EBRD" or the "Bank") intends to engage a Project Consultant to provide support to the Sustainable Energy Financing Facility for Slovak Republic.

There is a significant potential for improvement in energy efficiency in the Slovak Republic. Energy intensity is the ratio of primary energy to output and is a key component of the competitiveness of the economy. The energy intensity of the Slovak Republic is almost 75% higher than that of the EU and 27% higher than that of Poland in tons of oil equivalent per 1000 US$ GDP.

The Bank intends to establish a financing facility (the "Facility") whereby EBRD would extend either

i) loans
ii) unfunded risk-sharing facility to participating Slovakian banks ("PBs").

The PBs would then on-lend for industrial energy efficiency projects, renewable energy projects and energy efficiency projects in the residential sector, including housing associations. It is expected that approximately EUR 60-75 million of sub-loans will be extended by PBs under the Facility.

A general problem is that investments in energy efficiency and renewable energy are hampered by a number of market imperfections that give rise to an "efficiency gap" - a discrepancy between the best available solution and the ones implemented. Barriers to investing in these projects exist both at the level of lenders (PBs), strategic investors and project implementers, as well as in the legal/regulatory environment.

Individual projects can be small and difficult to appraise and hence effective implementation/financing mechanisms are rare.

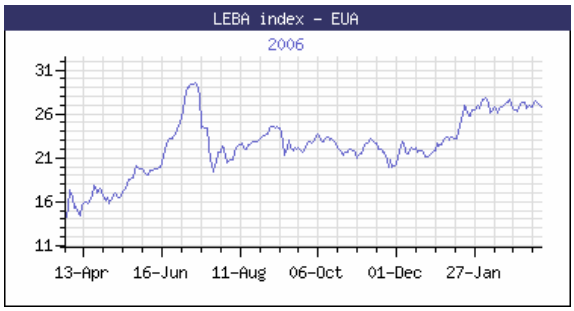
Utilising local commercial banks provides an effective delivery mechanism for bundling the local banks capabilities in credit analysis for these smaller projects with the technical support of consultants for both the sub-borrowers and the PBs.

The aggregate benefit of such investments, enabling sound banking of projects that result in rational energy utilisation, can be large and are expected to have a good demonstration effect.

## EU Market Stablises

Recent trading saw the EU allowance prices remain relatively stable. www.pointcarbon.com

Since starting in 2005 the market appears to have reached a stable state in the last few months according to data from the LEBA.




## Airline Trial Ends in Success

A pilot program with 9 major airlines in the Asia Pacific completed recently with outstanding results.

The objective of the study was to prepare the base for airlines to understand their emissions profiles and how they rank with other airlines.

Many of the outcomes of the report were obvious showing the difference between emissions of new aircraft in comparison with older fleets.

What was unexpected was the degree of difference and the opportunity to learn from fellow airlines to reduce emissions.

The next phase is to use this baseline to move into a 'best practice' regime while the study extends to the emissions of NOx.

Of course the opportunity with NOx with its global warming potential of 310 (GWP) to significantly reduce emissions is yet to be quantified.

We are working to extend the scope of these activities into other airlines in Africa and Europe.

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EITG corporate advisory provides high-level briefings and advice on building robust responses to emerging regulatory structures.

EITG is part of an international consortium with representation in Asia/Pacific, USA and South Africa



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