2nd Annual

EMISSIONS TRADING

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May 20-21, 2002
Thistle Tower Hotel,
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ENERGY EVENTS

- Analyse the business opportunities of emissions trading and how to manage risk
- Find out how to take advantage of and conform to legal requirements
- Understand differences in the regional schemes that are evolving
- Learn how the UK emissions trading scheme is being implemented

PLUS *a separately bookable full-day workshop on May 22, 2002*
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Official Publications: commodities now, Euromoney Yearbooks, Power ECONOMICS

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The emissions trading market is up and running. Set against a background of tightening legislation on emissions and widening political support for international trading schemes, it has become imperative for business strategists to get educated and get involved. Emissions Trading is quite simply the most effective and profitable way for national and international energy players to deal with the legal and environmental challenges ahead. This conference will equip you to deal with the uncertainties of a market that is undoubtedly poised for rapid transformation through 2002 and beyond. It will review the consequences of key events such as COP7, important regional schemes in the UK, US, Denmark, Italy and Japan, and the effect that emissions holds for the rating of your company.

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who should attend

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- *Energy, commodity and financial traders and brokers*
- *Energy suppliers*
- *Insurance and reinsurance*
- *Treasury managers*
- *Accountants*
- *Lawyers*
- *Business strategists*
- *Climate change specialists and managers*

EMISSIONS TRADING

DAY ONE – 20 MAY 2002

8.30 Registration

9.00 **Chairman's introduction**
Lionel Fretz, Director, EcoSecurities (UK)

9.10 **KEYNOTE ADDRESS**
Rt Hon Michael Meacher, MP, Minister for the Environment (UK)

9.30 Questions and answers

9.40 **UNDERSTANDING COP7 IN RELATION TO THE 1997 KYOTO OBJECTIVES**
- An analysis of the implementation of trading schemes discussed at COP7
- Clarifying trading rules: eligibility, liability and operative issues assessed
- The concept of the removable measurement unit analysed
- Brokering a deal between the US and the EU on emissions trading: is there a possible way forward?

James Cameron, Barrister, of Counsel to Baker & MacKenzie, (UK)

10.05 **CRITICAL LIQUIDITY – TOWARDS A GLOBAL COMMODITY MARKET**
- Integrating Conflicting Schemes – compliance, reporting and enforcement issues within the UK, EU and other national schemes
- Project Credits – the legal outlook and regulatory infrastructure
- UK Energy Policy Review 2002 and the Renewables Obligation
- Identifying where to invest and what to avoid
- Regulating the new commodity market – the Financial Services and Markets Act 2001
- Forward Trading Documentation – traps for the unwary

Steven McNab, Senior Assistant Solicitor, Jones, Day, Reavis & Pogue (UK)

10.30 Questions and answers

10.45 Coffee and refreshments

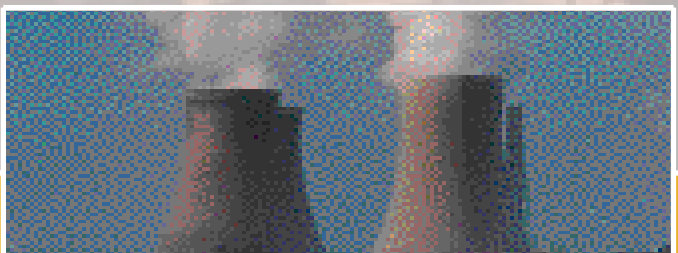
TRADING OF EMISSIONS

11.10 **TRADING, COMPLIANCE AND INSURANCE**
- Companies with targets need only comply - is trading just to cover risk?
- How long before strategies include trading
- The use and availability of financial instruments

Bridget Rosewell, Chairman, Environment Business (UK)

11.35 **'REAL MARKETS' – ACTUAL TRADING IN CO2 COMPLIANCE REGIMES**
- Trading activity and experience in the UK and Danish emissions trading schemes
- Why do non-parties to these schemes trade in the UK and DK?
- Scope for hedging and arbitrage
- Reality check: value of CO2 in the context of current market prices and impacts on asset valuation

Albrecht von Ruffer, Broker and Senior Analyst, Natsource Tullet Europe (UK)



12.00 **EMISSIONS TRADING IN ACTION - REFLECTIONS ON THE FIRST TWO YEARS TRADING OF THE WORLD'S FIRST EMISSIONS TRADING SYSTEM**
- The Commitment: BP promise to reduce emissions by 10% from a 1990 baseline
- The Baseline: How BP measures its emissions
- The System: How the BP emissions trading system operates
- The Payback: How BP has reduced its emissions and created value at the same time
- The Lessons: What BP has learned
- The Future: Where from here?

Mark Akhurst, Climate Change Manager, Global Environmental Issues Team, BP (UK)

12.25 Questions and answers

12.40 Lunch

14.00 **TRADING OF NON-CO2 EMISSIONS**
- Uncertainties (measurement, verification, financial)
- Current non-CO2 trades
- How to include non-CO2 in UK and EU schemes

Jos Cozijnsen, Consulting Attorney (Netherlands)

14.25 **THE NEXT PHASE OF EMISSIONS TRADING**
- Regional programs (e.g. EU)
- Shift from voluntary to mandatory
- Shift from small-scale policy oriented transactions to large-scale commercial transactions

John Palmisano, Managing Director, Evolution Markets (USA)

14.50 **THE ROLE OF PROJECTS WITHIN AN EMISSIONS TRADING SCHEME**
- Why projects are important as a least cost compliance tool
- Evolving UK Project Rules and approval processes
- Risk management implications of projects
- EU position on the use of Projects

Justin Guest, Associate Director, EcoSecurities (UK)

15.15 Questions and answers

15.30 Coffee and refreshments

EMISSIONS TRADING AND RISK MANAGEMENT

16.00 **INTEGRATING EMISSIONS RISK MANAGEMENT INTO THE CORPORATE RISK MANAGEMENT STRATEGY**
- Linking emission constraints to financial performance
- Requirements for the construction of an emissions forward curve
- Integrating emissions risk management within the corporate risk management framework
- Reducing the cost of emissions risk management through holistic approaches

Fiona Gadd, Partner, Andersen (UK)

16.25 **A FINANCIAL SERVICES COMPANIES PERSPECTIVE: RISK MITIGATION TOOLS TO FACILITATE ACHIEVING EMISSIONS TARGETS**
- An analysis of the emissions reduction risks
- The Financial industry's potential for enabling emissions reductions
- What traditional and non-traditional tools are available to mitigate risks inherent in the market mechanisms
- Risk mitigation for trading, projects and in-house reductions
- Opportunities for diversification and pooling of risks
- A consideration of derivatives and hedging opportunities to manage trading and project risks

Christopher Walker, Manager Greenhouse Gas Risk Solutions, Swiss Re (Switzerland)

16.50 Questions and answers

17.00 Chairman's closing remarks

17.10 Evening reception

DAY TWO – MAY 21 2002

8.30 Registration

9.00 **Chairman's opening remarks**
William Blyth, Head of Emissions Trading, AEA Technology (UK)

REGIONAL MARKETS

9.10 **THE UK GREENHOUSE GAS EMISSIONS TRADING SCHEME AND THE PROPOSED EU TRADING SCHEME**
- The UK emissions trading scheme as a part of the UK Climate Change Programme
- The UK and EU trading schemes: differences and similarities
- Existing and new measures to reduce emissions
- Reducing greenhouse gases in a cost effective way

Chris Leigh, Deputy Head, Department for Environment Food & Rural Affairs - DEFRA (UK)

9.35 **INTEGRATING EMISSIONS TRADING INTO THE GERMAN CLIMATE MITIGATION POLICY MIX**
- Compatibility with existing instruments (taxation, renewable energy offtake and price guarantee legislation, voluntary agreements, IPPC)
- Pilot activities in the German Laender
- Outlook: what is likely to happen within the next two years

Ingo Puhl, CEO, 500 PPM GmbH (Germany)

10.00 **THE EVOLUTION OF EMISSIONS TRADING MARKETS - AN ITALIAN PERSPECTIVE**
- The potential for emissions trading in Italy and in Europe
- Project credits

Giuseppe Montesano, Manager, Corporate Relations with Regulatory Authority, ENEL (Italy)

10.25 Questions and answers

10.40 Coffee and refreshments

11.10 **STATUS OF THE DEVELOPMENT OF EMISSIONS TRADING IN RUSSIA**
- Status of Kyoto Protocol ratification process
- Potential and barriers of Russian supply for international ET
- Institutions involved: private sector, governmental and regional authorities, parliament, joint working groups
- RAO Unified Energy System of Russia: the biggest world GHG emitter – the motor of ET development in Russia
- Russia for EU: supply of gas, supply of emission reduction units, both?
- How to start credible trading with Russian suppliers now
- Necessary capacity development for ET in Russia

Dr. Marina Martynova, Chief Executive Officer, Energy Carbon Facility, Russian JSC "Unified Energy System of Russia" (Russia)

11.35 **EMISSIONS TRADING IN JAPAN - FINALLY TAKING OFF?**
- Role of emissions trading in Japan's climate policies
- The emerging national trading scheme
- What do Japanese investors look for in CDM/JI projects?
- Opportunities created by Japan's huge appetite for CDM/JI credits

Junji Hatano, Chairman, Clean Energy Finance Committee, Tokyo-Mitsubishi Securities (Japan)

12.00 **OVERVIEW OF EMISSIONS TRADING MARKETS IN THE US**
- Delineation of different emission credit markets in the US: Allowances vs Offsets/Emission Reduction Credits
- Price history & trading trends in the SO2 & NOx Allowance Markets
- Development of Emission Reduction Credit markets in various regions of the US
- Looking ahead to further developments in the US
- The role of a full service emissions trading desk within a national energy firm

Anthony G. Arcone, Emissions Trader, PG&E Energy Trading-Power (USA)

12.25 Questions and answers

12.40 Lunch

CREDIT RATINGS IN EMISSIONS TRADING

14.00 **CREDIT RATINGS: WILL EMISSIONS TRADING HAVE AN IMPACT?**
- How Fitch evaluates power generators
- Do environmental regulations affect the credit quality of power generators?
- Will the development of an emissions trading program impact credit ratings?
- Is there an inherent conflict between financial obligations and environmental compliance?

Orli Almog, Associate Director, Fitch Inc. (USA)

LEGAL ISSUES

14.30 **LEGAL ISSUES ARISING FROM THE UK AND EUROPEAN EMISSIONS TRADING SCHEMES**
- Outlining of the basic legal framework for trading in the UK
- Permit allocation
- Regulation and the compliance regime
- The European emissions trading scheme – impact on the UK

Matthew Townsend, Senior Associate, Environmental Law Group, Allen & Overy (UK)

15.00 Questions and answers

15.15 Coffee and refreshments

FUTURE OUTLOOK FOR EMISSIONS TRADING

15.45 **OUTLOOK FOR THE DEVELOPMENT OF EU EMISSIONS TRADING**

- Pros and cons of participating in pre 2008 trading within Europe
- Existing domestic schemes in the EU and their compatibility with the EU scheme
- Road map for companies wishing to participate in EU emissions trading

Fiona Mullins, Senior Consultant, Climate Change, Environmental Resources Management (UK)

16.15 **THE OUTLOOK FOR EMISSIONS TRADING**

- Towards a continuing expansion?
- The current situation and expected future developments
- Overview of the proposed and implemented National and International programs
- Potential obstacles and catalysts for development of emissions trading
- Who will be trading?

Kasper Walet, Managing Director, Maycroft Services (Netherlands)

16.45 Questions and answers

17.00 **Chairman's closing remarks**

17.10 **Close of the conference**

Euromoney Energy Events reserves the right to change the programme, speakers and/or venues at any stage due to circumstances beyond its control

INTERNATIONAL EMISSIONS TRADING AND FINANCING WORKSHOP

About your workshop leaders:

Steve Drummond, CEO, CO2e.com (USA)
Steve Drummond is CEO of CO2e.com, a multi-national company owned by Cantor Fitzgerald, that helps clients create value through transactions in the emerging greenhouse gas marketplace. Steve joined CO2e.com from PricewaterhouseCoopers where he was a Partner and global leader for the Climate Change Financial Advisory Services division. Steve has advised numerous governments and multi-nationals regarding their response to climate change issues and the financial impact of the Kyoto Protocol.

Einar Telnes, Certification Specialist, Det Norske Veritas - DNV (Norway)
Einar Telnes (M.Sc., MBA) is a certification specialist with several year's experience in GHG inventories and auditing; management system certification; and accreditation issues. He has been involved in more than 40 verifications of AIJ projects and several validation assignments for the Prototype Carbon Fund. He is frequently used as an expert on GHG verification and certification by several governments, the E.U, the World Bank and the UNFCCC. Einar has managed the development of guidelines for Norwegian JI projects, and for the Dutch ERU-PT guidelines and also advised on the Australian Greenhouse Friendly programme.

Paula Murphy, GHG Verification Specialist, Det Norske Veritas - DNV (UK)
Paula Murphy is a GHG verification specialist. Paula's experience includes management of corporate GHG verification activities for mulit-national companies with internal trading systems. Paula also manages verification of baseline emissions for the UK Emissions Trading Scheme, under which DNV is an accredited verification body. Paula has also been involved in CDM feasibility studies and has contributed to the work of the International Emissions Trading Association in relation to verification/validation of CDM projects.

Michael See, Managing Director, Euro-Asia Pac Corp (UK)
Workshop Director
Michael is a registered chartered energy and gas engineer, and author of *Greenhouse Gas Emissions - Global Business Aspects*. He is a Corporate Member of the Institute of Energy and Institution of Gas Engineers; Member, Technical & Economics Committee, UK Institute of Energy, and a Council Member of the UK Emissions Trading Group.

8.00 **Registration and coffee**

9.00 **A short orientation to delegates on the Kyoto Protocol**
An Overview of proposed projects. Estimated carbon prices and IRR

10.30 **Coffee and Light Refreshments**

10.50 **A Step-by-Step Guide to Calculate the Price of Carbon.**
Example of CCGT Plant replacing "Old Coal" Power Plant.
How this Calculation can be applied to other energy projects.

11.30 **An Introduction to the Additionality and Sustainability Requirements.**
An Introduction of How to Structure a Bankable Project Proposal.

12.00 **Lunch**

13.00 **Emissions Trading Preparation**
What the "Standard Carbon Contract" Might Look Like.

13.15 **Aggregation of Delegates to Stakeholder Groups: Tasks Documentation and Execution – Contact between different Stations.**
Project Sponsors' Group/s, Financial Institutions' Group, Annex I Buyer Group, Accountants' Group, Solicitors' Group, Emissions Exchange, Non-Exchange OTC Carbon Brokers Group, Emissions Regulatory Commission, Environmental Agency, UN related agencies, NGO Entities/Adaptation and Islands-at-Risk Funds, Validation Group, Verification & Certification Group, Technical Group, Baselines Group.

15.00 **Submission of Activity Reports of all Groups to Lead Trainer, including Project Details.**
Registration of Projects with Emissions Regulatory Commission completed.
Price and Volume of Carbon Offers by all Project Sponsors submitted.
Projects Risk Ratings by Technical, Financial and Regulatory Groups submitted.

15.05 **Last Call for Project Report Submissions and Risk Rating Reports.**
Coffee and Light Refreshments

Listing of Carbon Contract Offers by an Expert Group
During this coffee break period, an expert Annex I Buyers Group evaluates and ranks carbon offers based on price and risk ratings, and compiles a listing to prospective buyers to be made publicly accessible on experimental trading platform screens/hard copies (Emissions Exchange function) and Non-Exchange OTC Carbon Brokers Group.

15.30 **Emissions Trading**
Prospective Buyers make carbon dioxide reduction purchases at the Emissions Exchange via screen trading transactions/posted offers and bids, and/or negotiates with OTC brokers. Transactions shall be characterised by deal size - SME and Large Enterprise transactions – SME transactions as defined by criteria stipulated in Marrakesh Accords and a recommended employee and annual revenue cap. A proposed "recycling" revenue stream to the original investors/stakeholders of the carbon project - Perpetual Percentage of Carbon Contract Contribution (PPCCC) is allowed to operate for all transactions, in addition to 2% mandatory contribution to climate change adaptation/islands-at-risk funds.

16.00 **Submission of all concluded contracts to the Emissions Bank**
Emissions Exchange and OTC Brokers submit all concluded contracts to the Emissions Bank – which counts totals, and declares top 3 carbon winners (Sellers) with highest scores of carbon sales revenue in SME and Large Enterprise categories.

16.15 **Awards ceremony**
1st, 2nd and 3rd prizes presented to the winners of SME category and Large Enterprise category.

16.20 **Close of the workshop**

2ND ANNUAL EMISSIONS TRADING CONFERENCE

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