Offset supply in the California Carbon Market

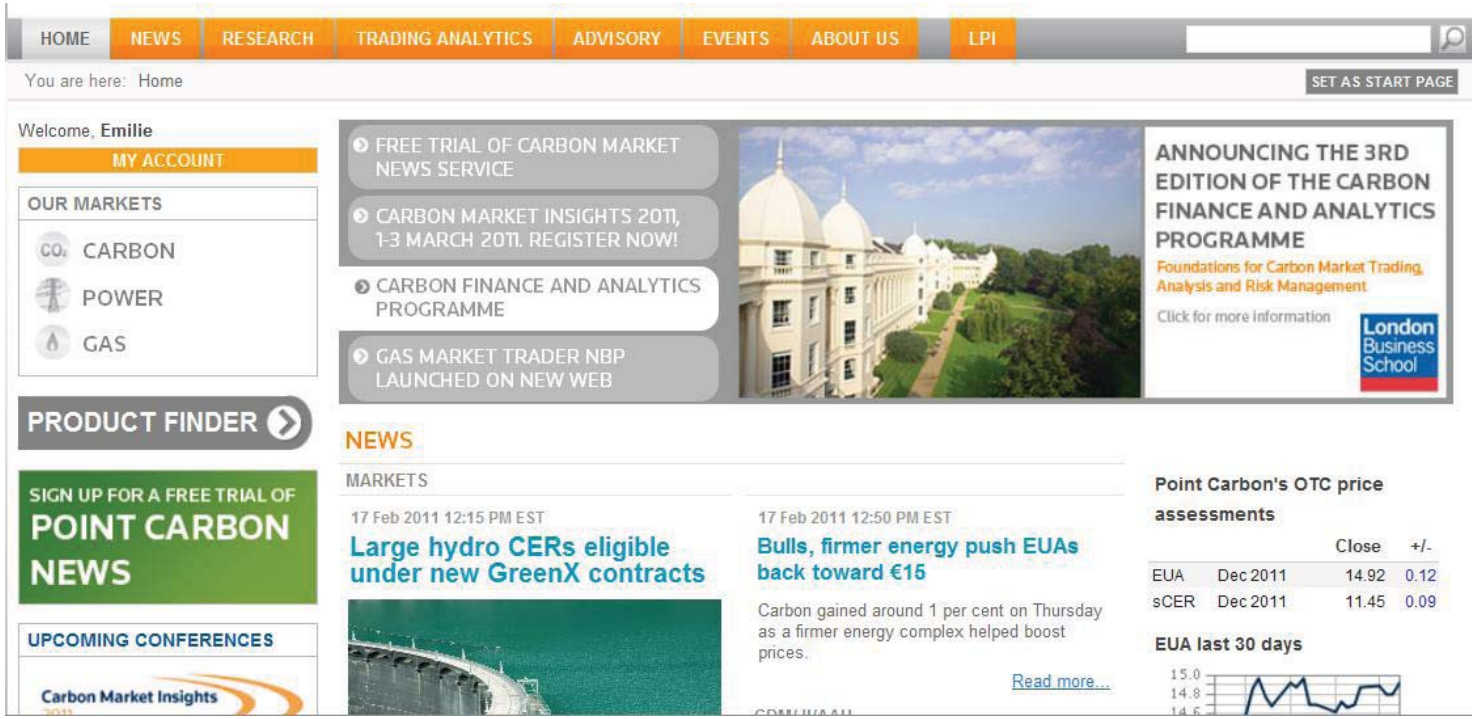
Olga Chistyakova, Senior Analyst
April 7, 2011
EPRI Offset Workshop
San Francisco

POINT CARBON

THOMSON REUTERS

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



POINT CARBON

THOMSON REUTERS

Offset supply and prices: a model approach

POINT CARBON

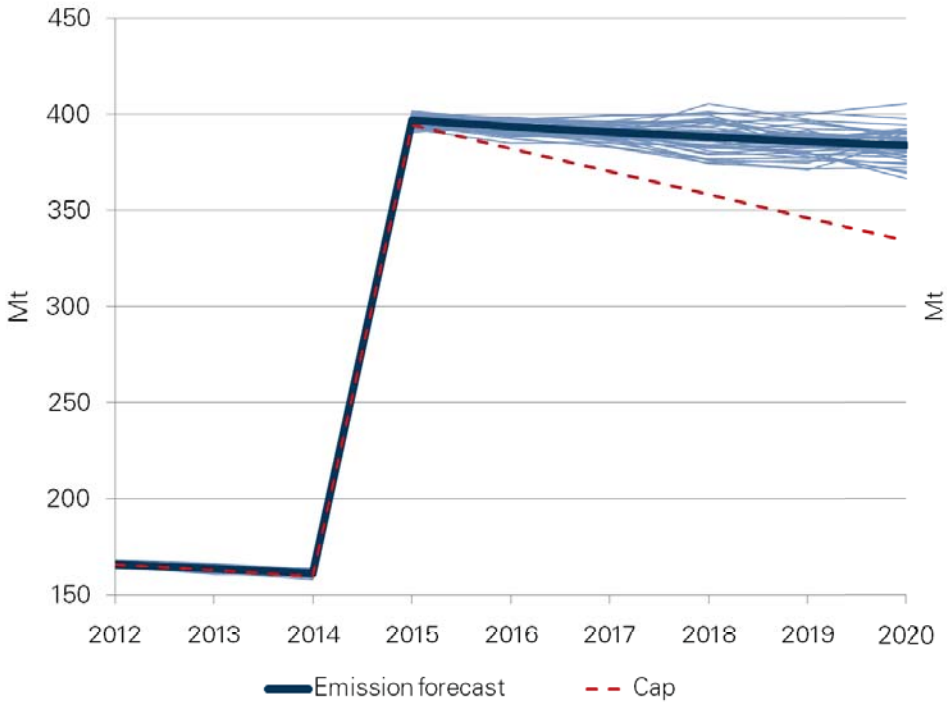
THOMSON REUTERS

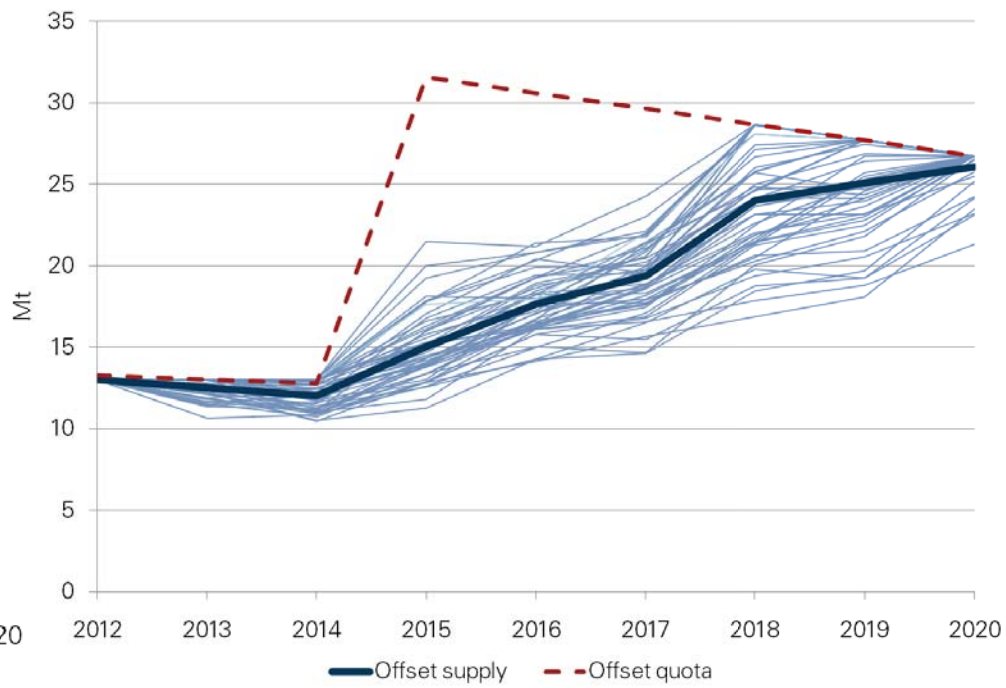
What will drive the market?

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

Forecasts are uncertain

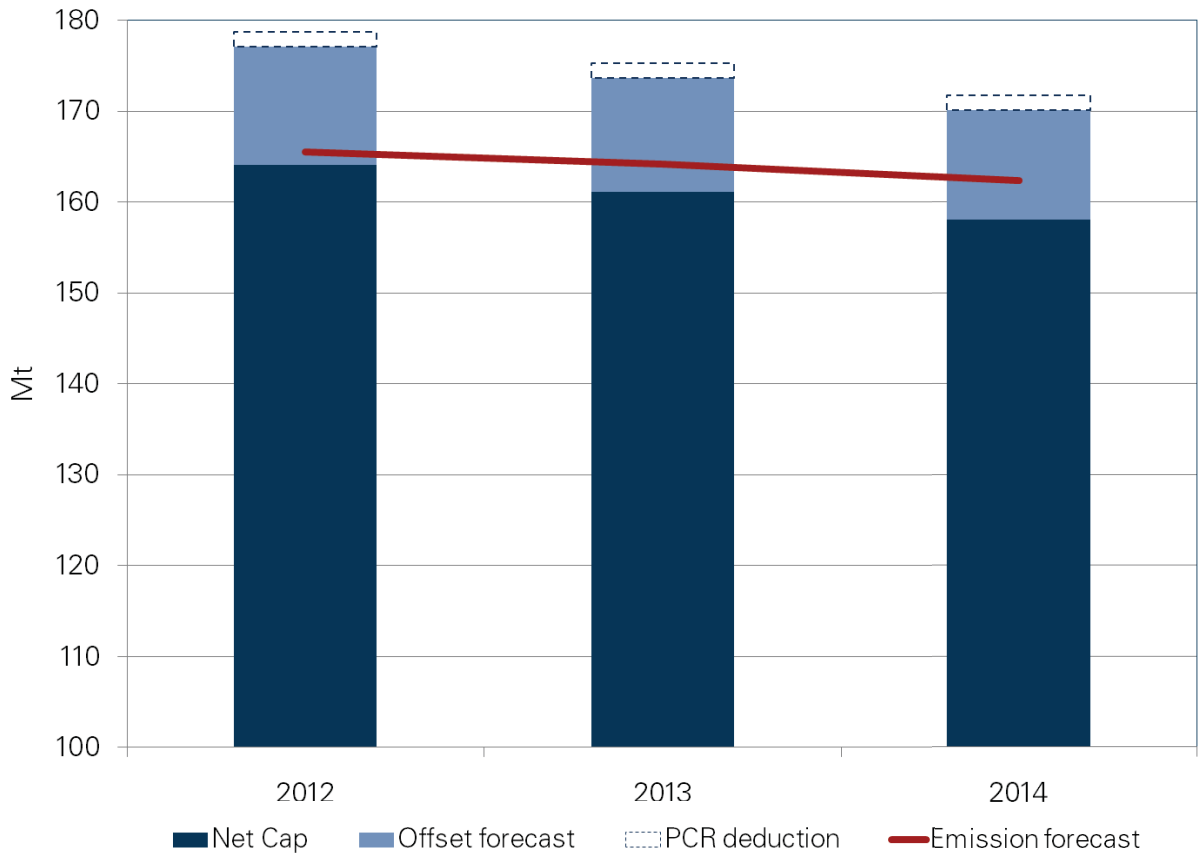
- Using Monte-Carlo analysis to study the uncertainty





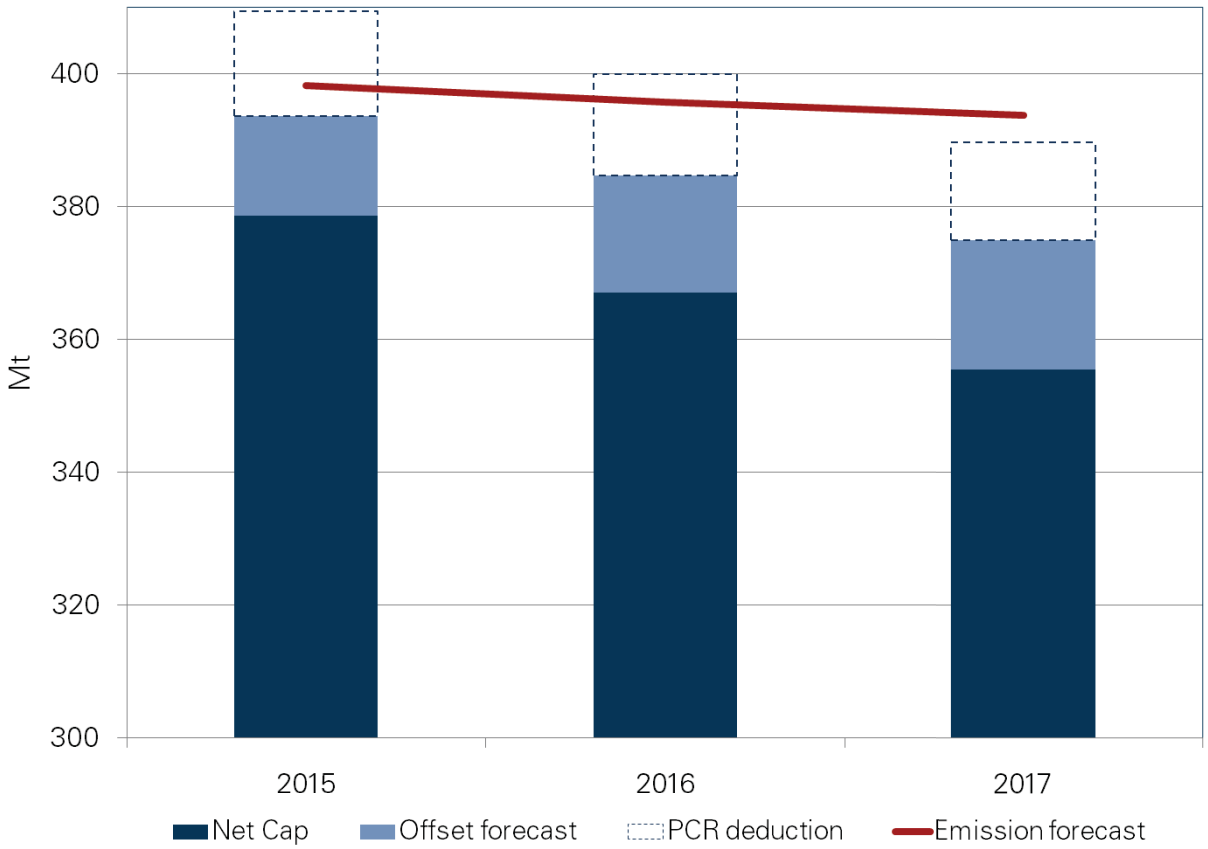
First compliance period – not to worry

- 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?

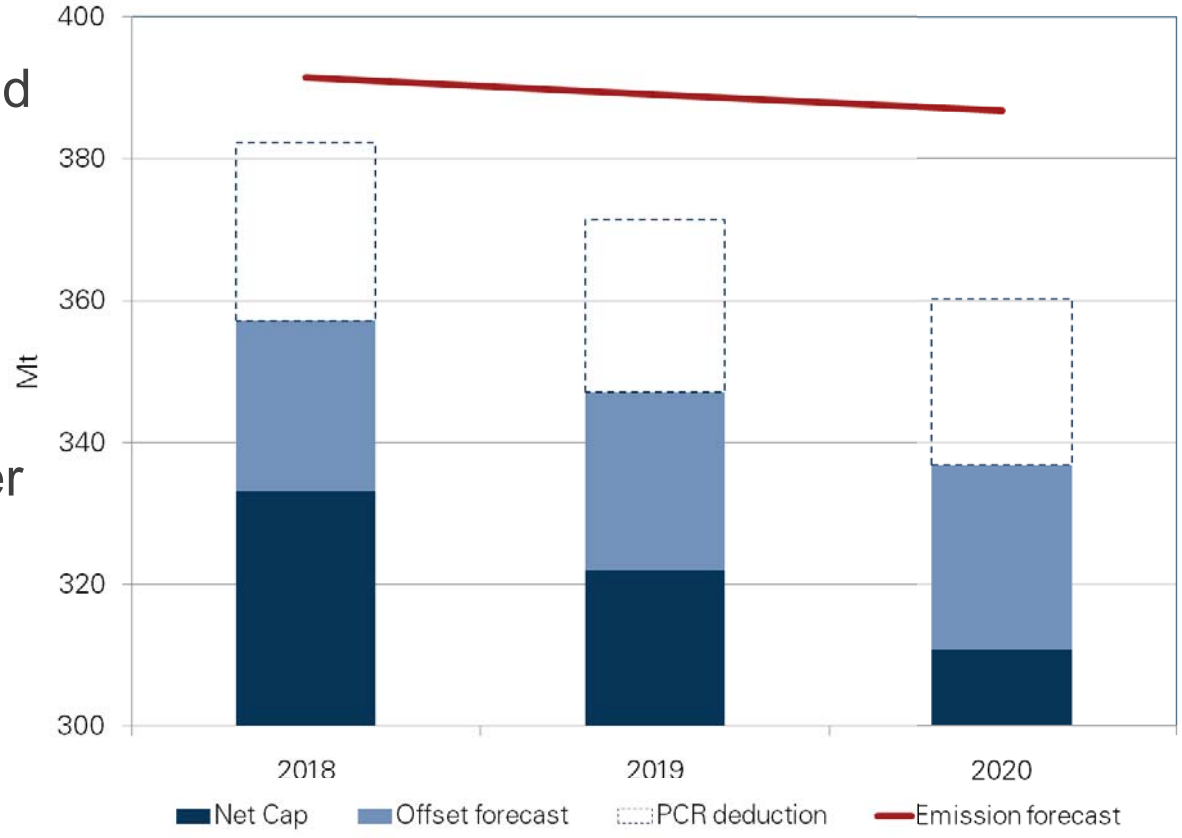


POINT CARBON

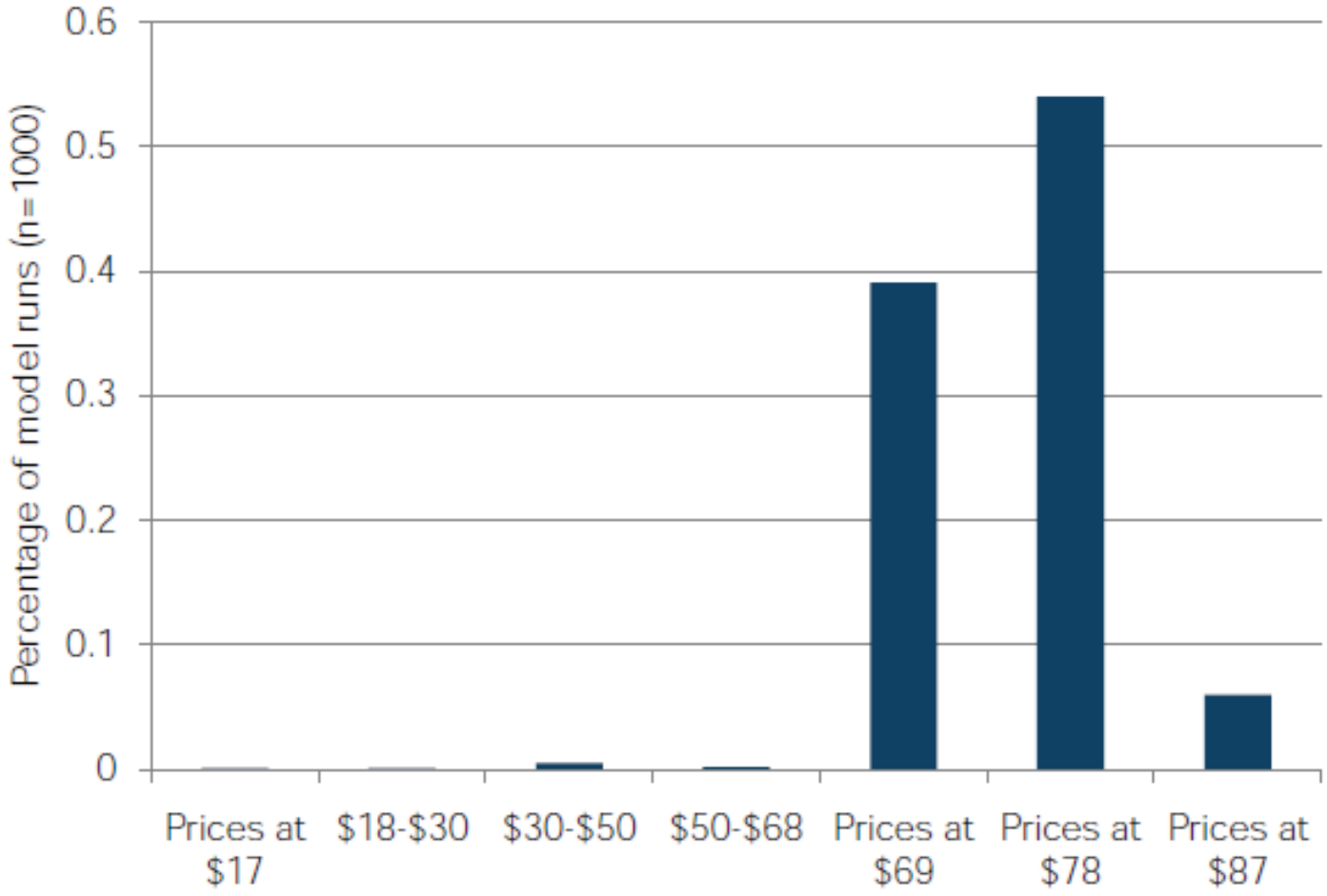
THOMSON REUTERS

Third compliance period – short short short

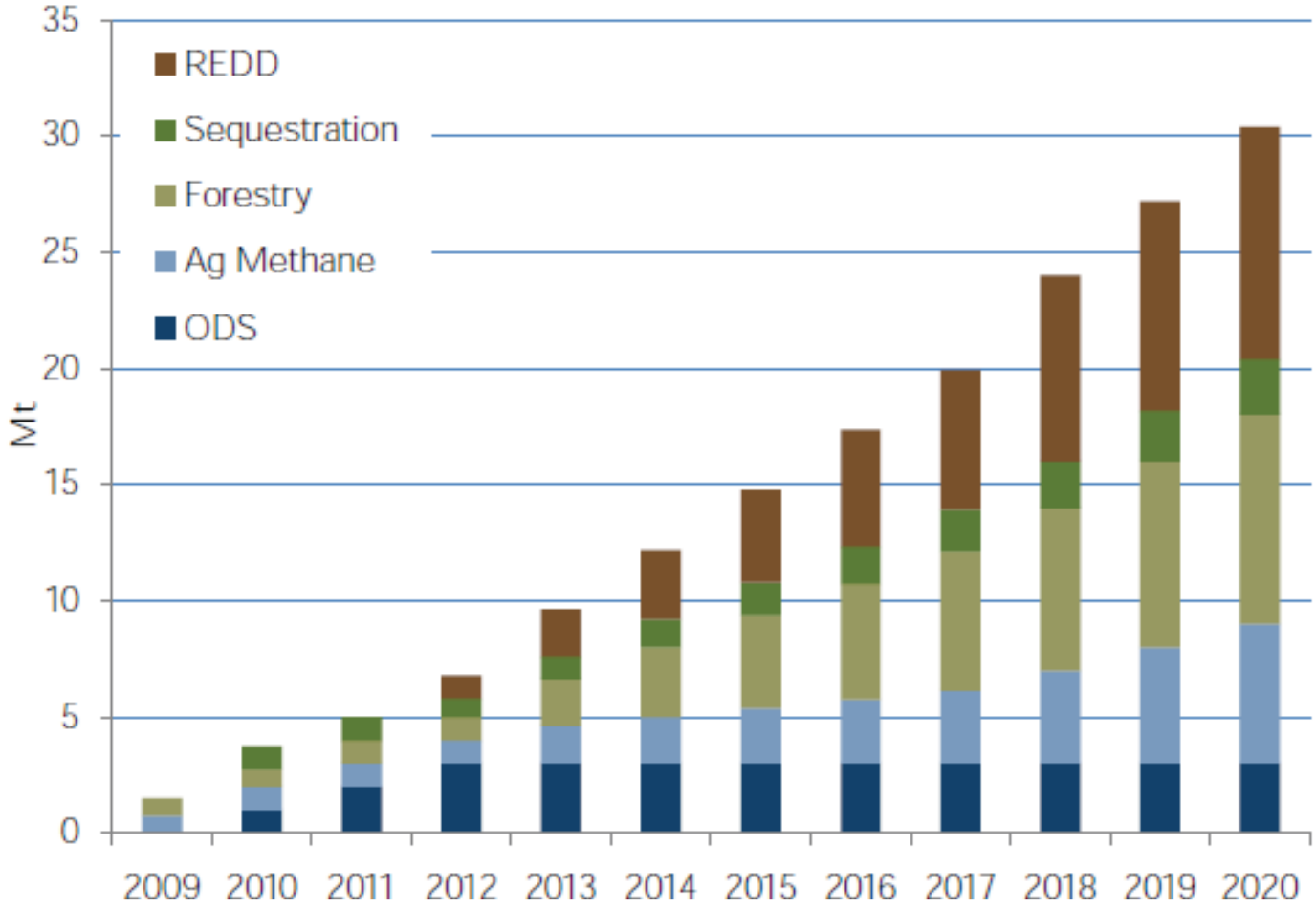
- Amount of abatement required cannot be covered by offsets
  - Unless emissions remain exceptionally low
- Bank depleted in all runs
- Main question is: which tier of the strategic reserve?
  - Will the reserve hold?



All prices lead to the ceiling in 2020



Model: Offset Supply 2012-2020



Source: *Carbon Project Manager North America*

POINT CARBON

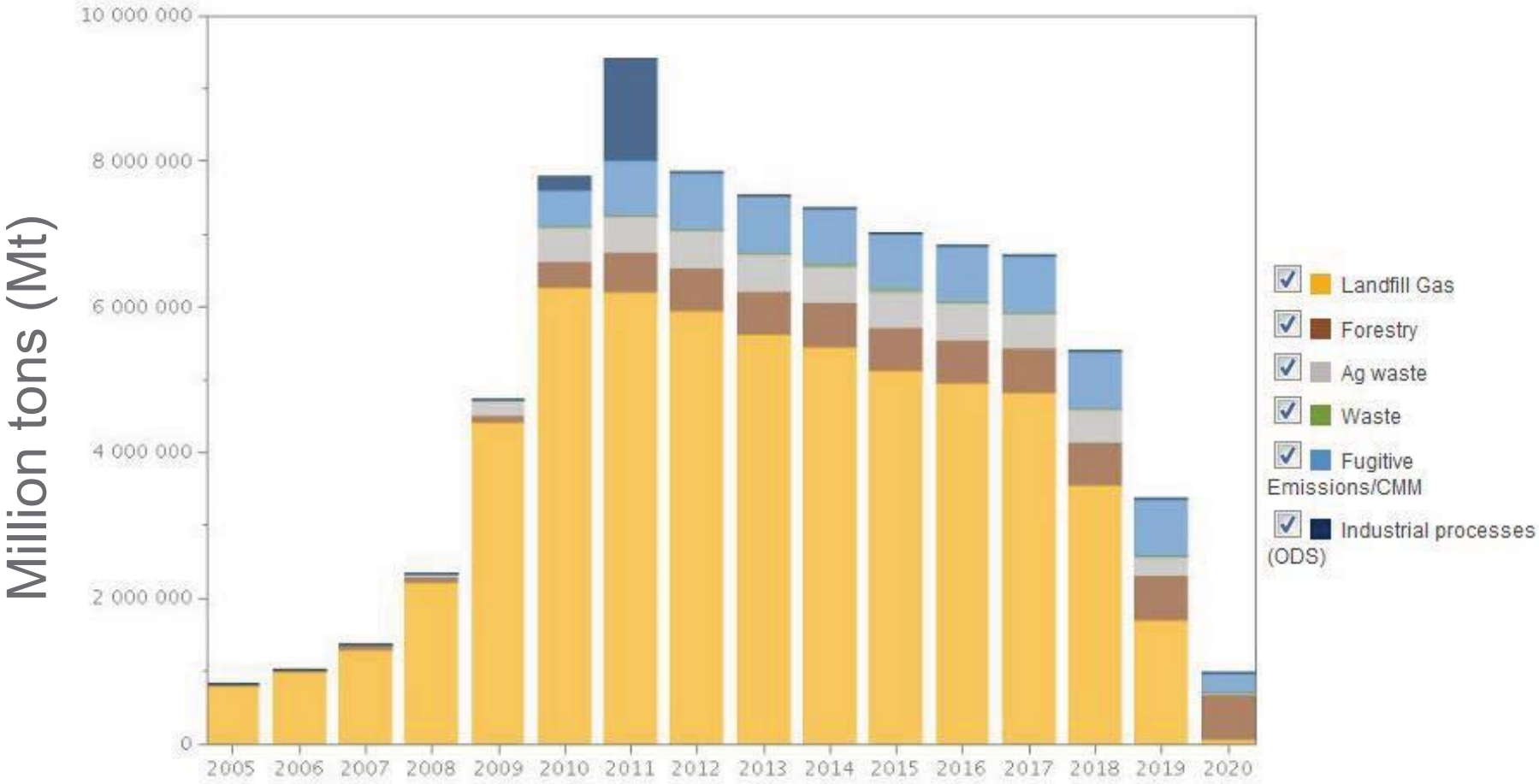
THOMSON REUTERS

Supply and prices: the real deal

POINT CARBON

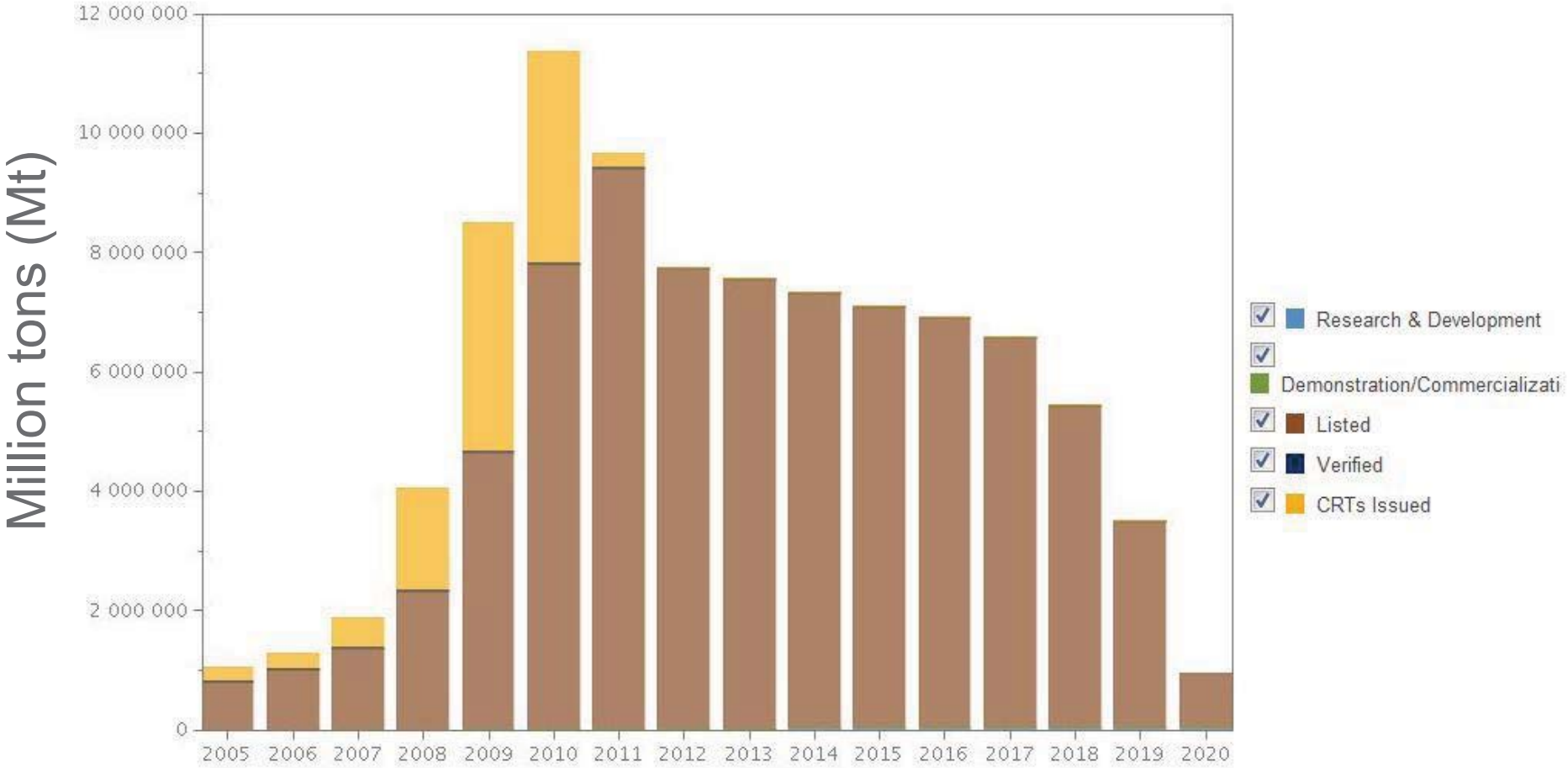
THOMSON REUTERS

CAR supply in pipeline: 2005-2020



Source: *Carbon Project Manager North America*

CAR supply by stages: 2005-2020

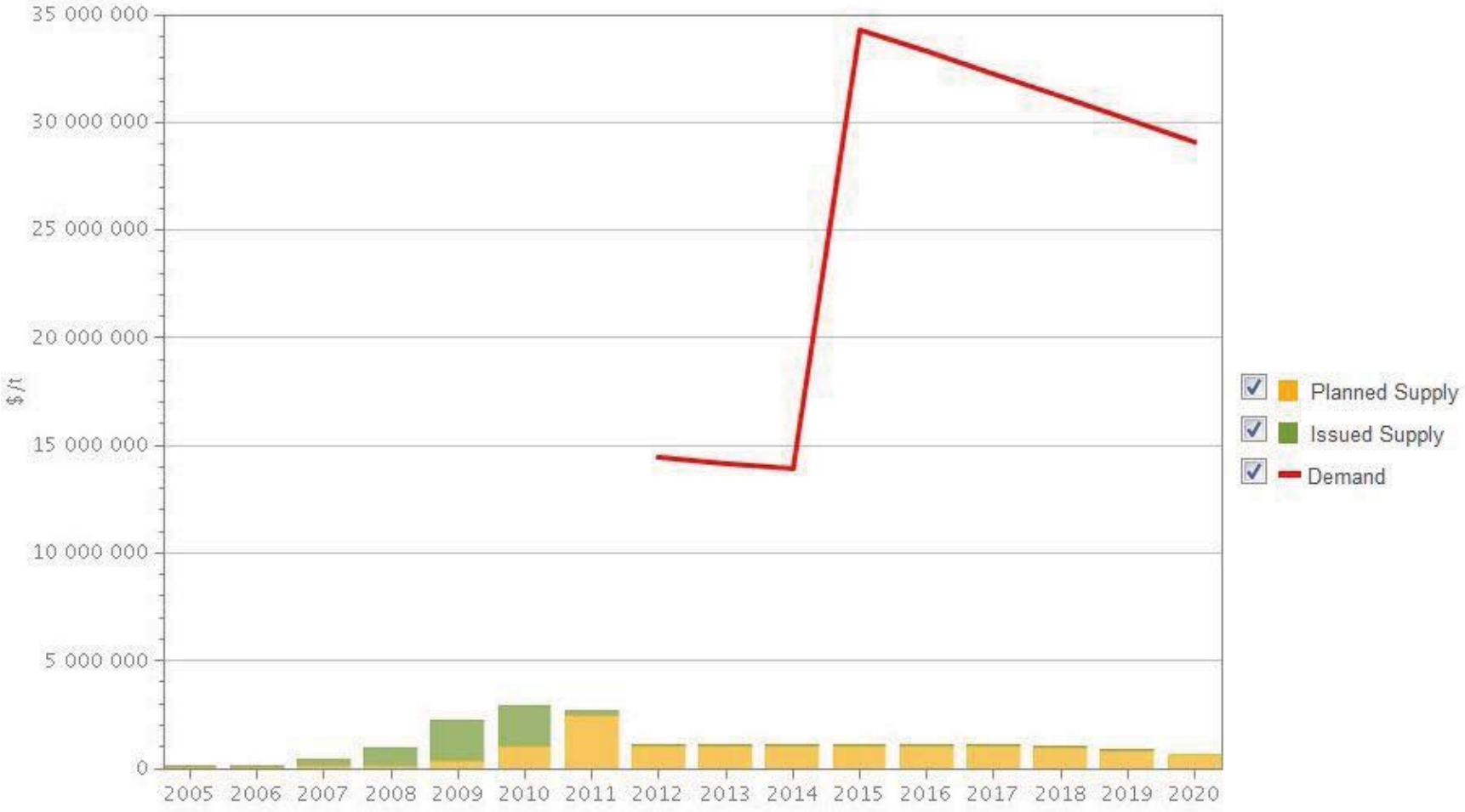


Source: *Carbon Project Manager North America*

POINT CARBON

THOMSON REUTERS

CARB supply vs demand: 2005-2020



Source: *Carbon Project Manager North America*

POINT CARBON

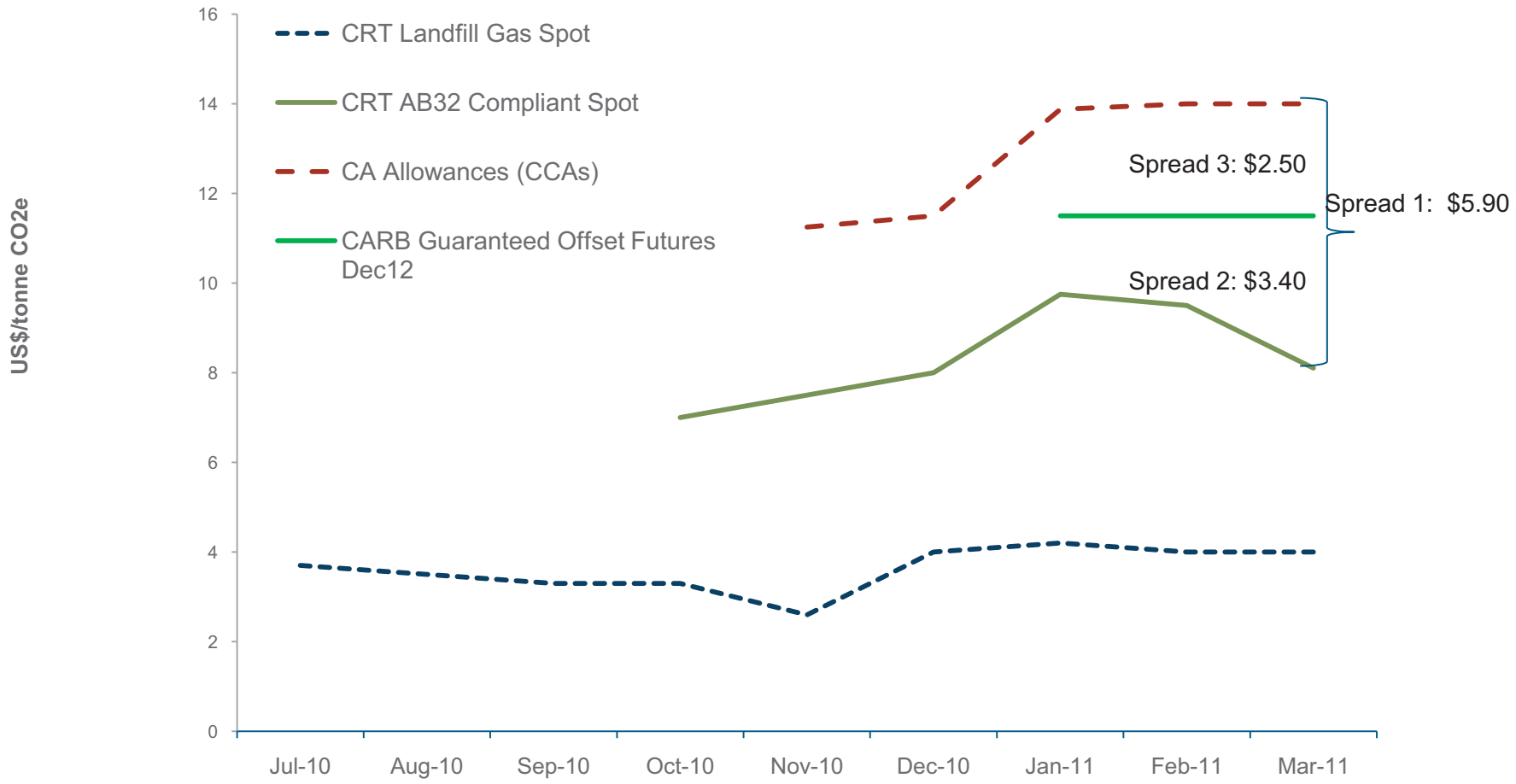
THOMSON REUTERS

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!

Olga Chistyakova – olga.chistyakova@thomsonreuters.com

www.pointcarbon.com

POINT CARBON

THOMSON REUTERS

Disclaimer and copyrights

- The data provided in this report were prepared by Point Carbon's Trading Analytics and Research division. Publications of Point Carbon's Trading Analytics and Research division are provided for information purposes only. Prices are indicative and Point Carbon does not offer to buy or sell or solicit offers to buy or sell any financial instrument or offer recommendations to purchase, hold or sell any commodity or make any other investment decision. Other than disclosures relating to Point Carbon, the information contained in this publication has been obtained from sources that Point Carbon believes to be reliable, but no representation or warranty, express or implied, is made as to the accuracy or completeness of this information. The opinions and views expressed in this publication are those of Point Carbon and are subject to change without notice, and Point Carbon has no obligation to update either the opinions or the information contained in this publication.
- Point Carbon's Trading Analytics and Research division receives compensation for its reports. Point Carbon's Trading Analytics and Research division reports are published on a subscription basis and are not issued at the request of any client of Point Carbon

- Copyright © 2011 by Point Carbon. All rights reserved.