

# EU Emissions Trading Scheme – policy, prices and risk management

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# Summary

- About Redshaw Advisors
- Recent policy developments
- Upcoming policy developments
- Carbon price history & the impact of policy changes
- Impact of policy developments on company finances
- What companies can do to manage the risk

# About Redshaw Advisors

## Why?

To help companies to be successful in [carbon markets](#)

## What?

We are carbon market experts. We;

- Inform
- Advise
- Procure.

## Where?

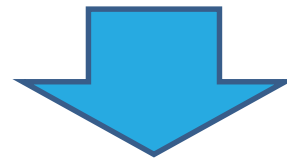
Serving Europe from London, the global centre of carbon legal, financial and consulting expertise

## Our ethos

*Well informed companies make better risk management decisions, because they have the confidence to know when to act.*

# About Redshaw Advisors

bringing together experts from a variety of professional backgrounds



**REDSHAW**  
advisors ltd.

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# Recent policy developments

- ‘Backloading’
  - Legislation passed in March 2014
  - 900Mt are removed from auction supplies over 3 years
    - 400Mt in 2014
    - 300Mt in 2015
    - 200Mt in 2016
  - Removes ‘excess’ carbon from the EU ETS
  - Designed to increase carbon prices.
- Market Stability Reserve
  - Final stamp of approval given on Friday 18<sup>th</sup> Sept
  - Withdraws 12% of any excess carbon every year from 2019
  - Will re-inject carbon only if excess drops below a low threshold
  - Explicitly designed to boost prices
  - Will have a BIG impact on future carbon prices

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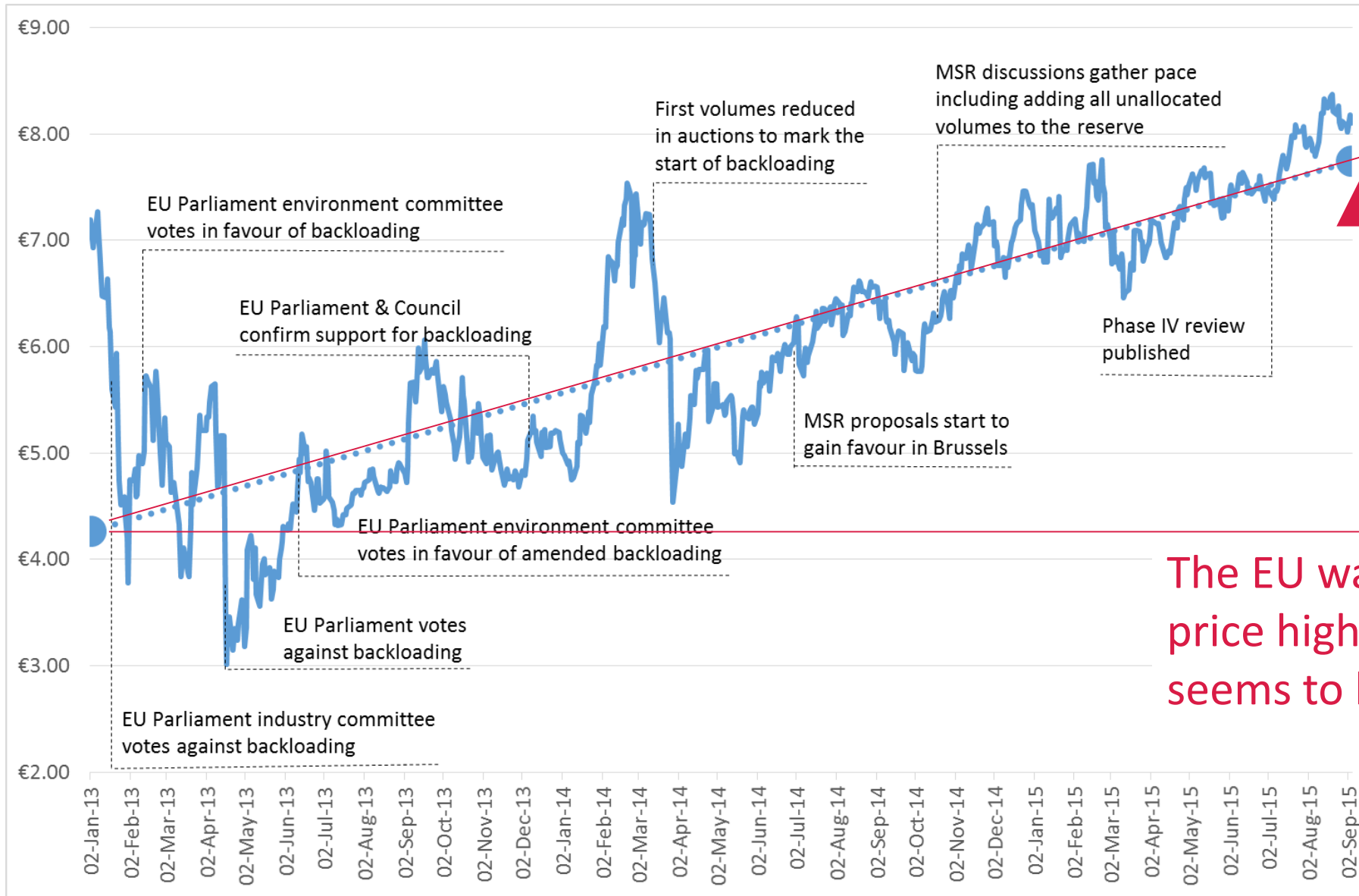


# Upcoming policy developments

- [Review of Phase IV](#)
  - Proposals released in July 2015
  - Far reaching changes to:
    - Benchmarking
    - Linear Reduction Factor
    - Use of offsets
  - Cross Sectoral Correction Factor (CSCF) doesn't go away
  - Leakage list changes will have by far the biggest impact.
- International climate agreement
  - COP 21 in Paris later this month
    - INDCs
    - European commitment
    - Future development of carbon targets
- Effort Sharing Decision
  - April 2016 the EU will decide how the 40% reduction effort will be split
  - Phase IV negotiations will be affected.

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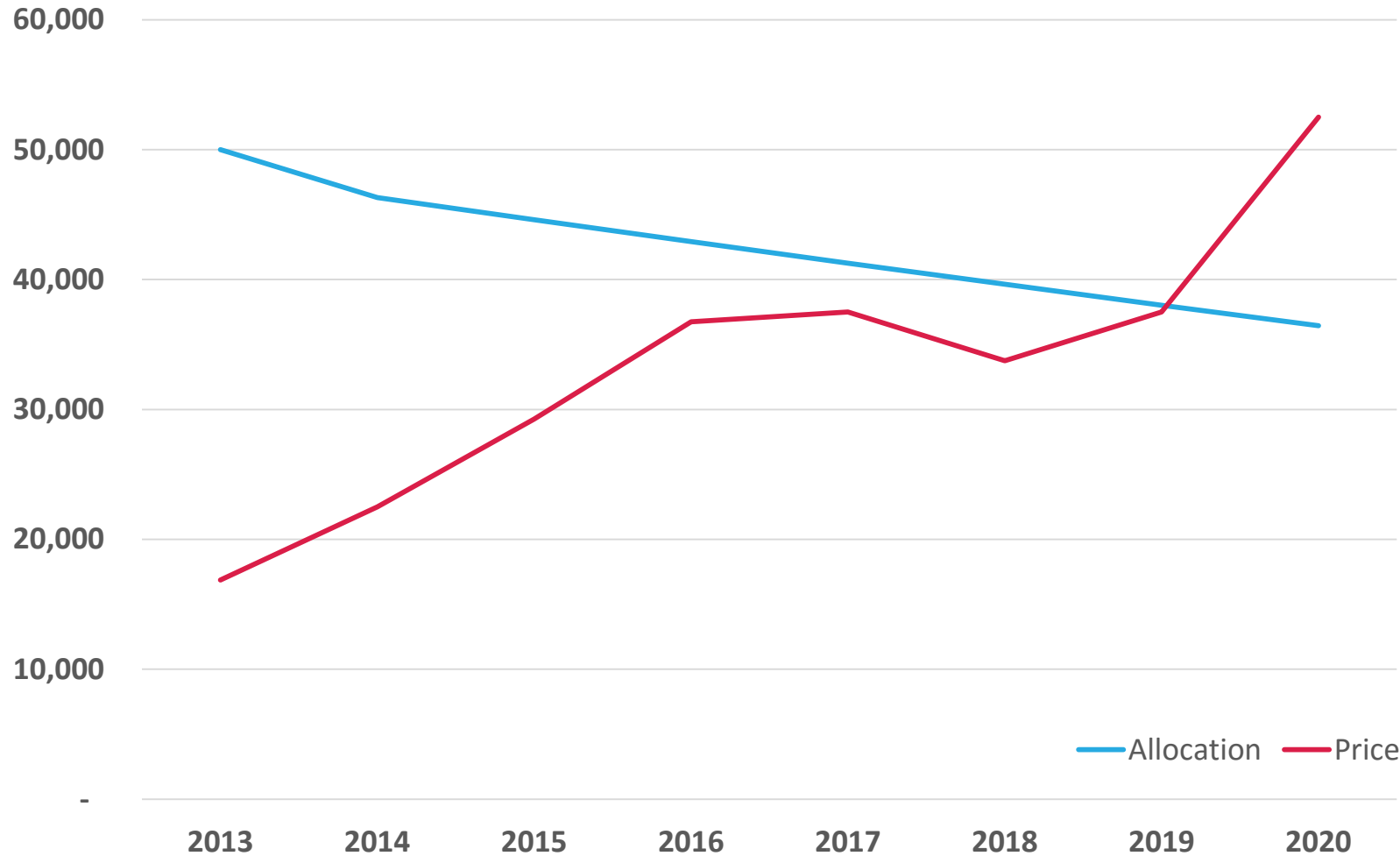


The EU want the price higher and it seems to be working

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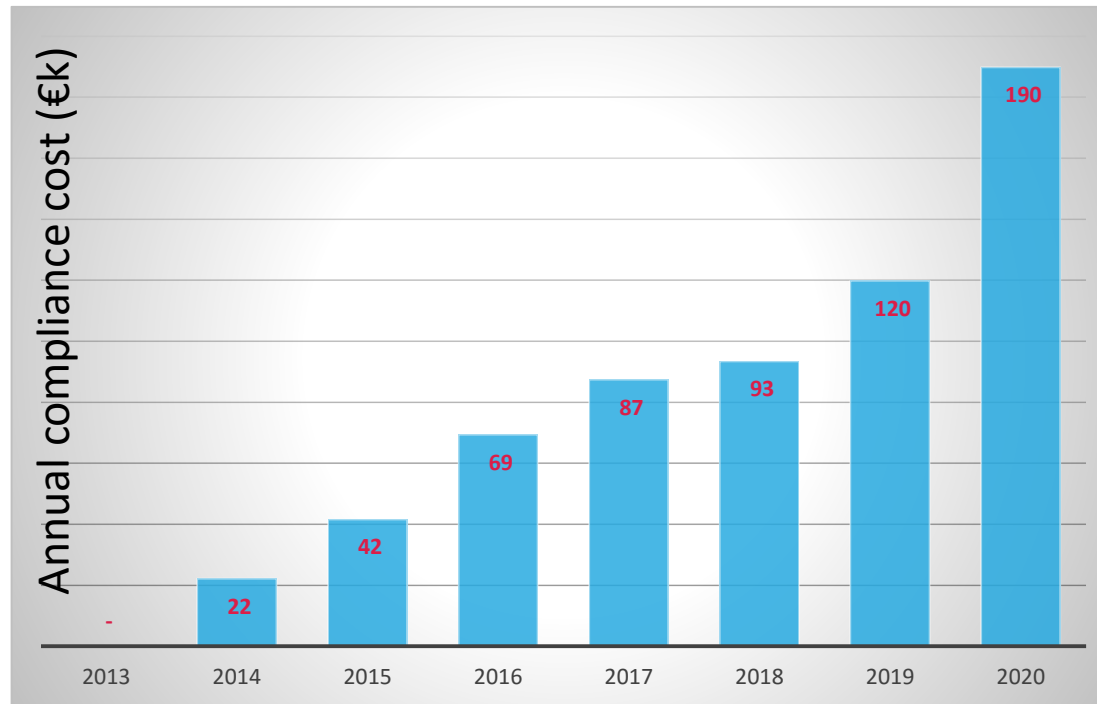
# Example financial exposure: the double-whammy



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A typical installation faces decreased allocation *and* increasing carbon price

- Emissions: 50,000 per year
- [Compliance](#) fully covered by free allowances in 2013
- Decrease in free allocation in line with average in Europe
- 2015 cost: €42k
- 2020 cost: €190k
- **>400% increase from the cost in 2015**

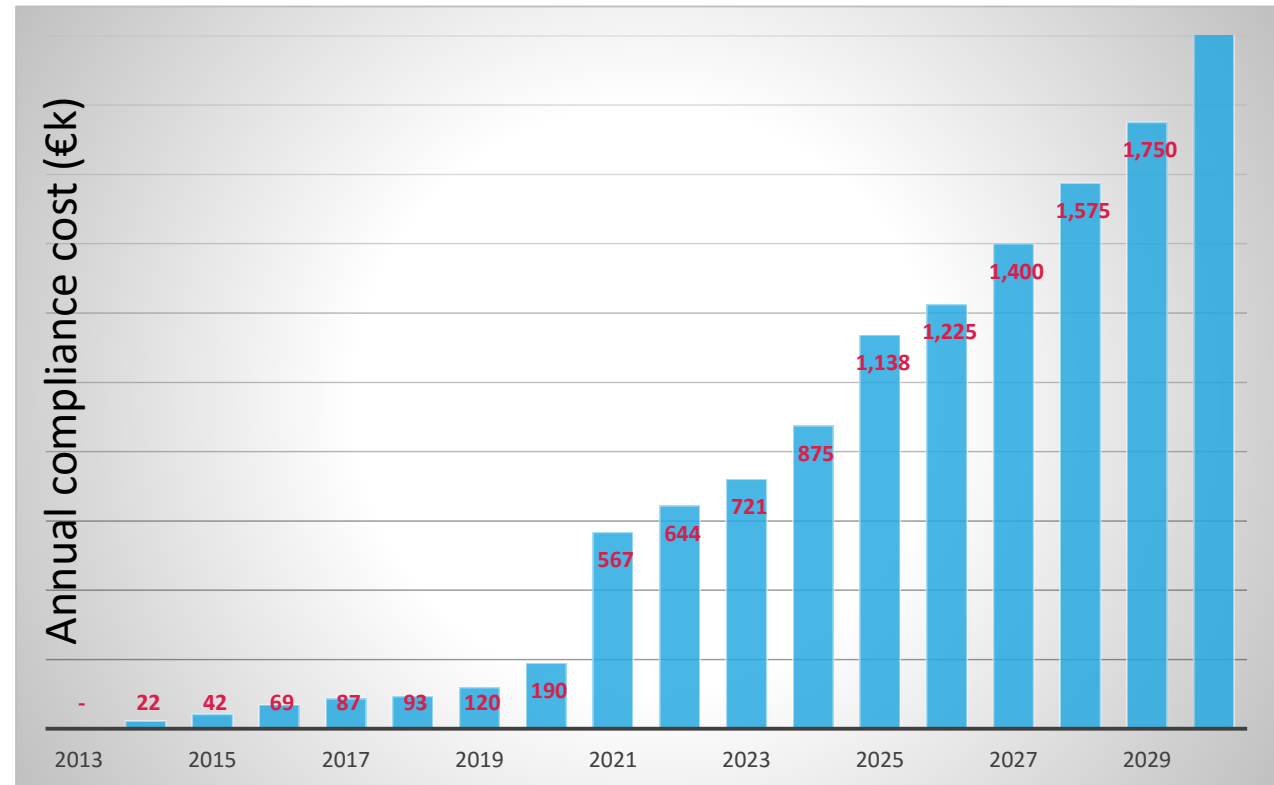


# Example financial exposure: the double-whammy

A typical installation faces decreased allocation *and* increasing carbon price

- Phase IV
- Allocation 30% of requirement
- Emissions reductions not easy after the fuel-switch limit reached
- Price rises further

What have you budgeted for future carbon costs?



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## Things every company must do:

- Model their expected carbon shortfall
- Stay on top of market developments
- Obtain a reliable carbon price forecast
- Model their short, medium and long term financial exposure
- Model the costs of different ways to mitigate the exposure
- Consider your Phase IV allocation
- Find out what your competitors are doing

regulations & prices

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[Contact us](#) on: +44 (0)20 3637 1055 to find out more about the Redshaw Advisors [Carbon Support Program](#)

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Expertise, integrity and excellence.

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The pioneer on  
a new frontier  
**of carbon capital  
and trading.**

The management team at Redshaw Advisors have a strong track record pioneering carbon market development gained over many years involvement at every level of leading financial organisations. Our guiding principles of Expertise, Integrity and Excellence are paramount in everything we do.

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[www.redshawadvisors.com](http://www.redshawadvisors.com)

