



Emissions Trading

MAFC Short Course Series 2010

Course Outline

Synopsis

As climate change has emerged as one of the critical issues of our time, emissions trading has emerged, both in Australia and globally, as arguably the preferred policy tool to achieve cuts in greenhouse emissions. There is now much debate on the potential for a domestic cap-and-trade emissions trading scheme to be used to cut emissions; this market is expected to be worth around \$20 billion annually by the end of the decade. This course, designed for finance professionals, is designed to bring participants up to speed with the emerging domestic and global carbon markets.

Who should attend

- Management looking for a greater understanding of how the emissions trading market would work
- Finance professionals and accountants interested in the emerging market and/or exposed to energy costs
- Traders and Risk managers
- Capital market analysts
- CFOs

Prerequisites

None

Course Notes

Provided

Calculators / Computers

The trading simulation will be a group exercise requiring a laptop. Not everyone will need to bring one, but it will be useful for each group (of 4-5) to have one or two.

Lecturer

JULIAN P. TURECEK BE(Chem)(Hons) Melb, BComm Melb, MAppFin Macq¹

Visiting Fellow (Emissions Trading)

Julian Turecek is an experienced energy and greenhouse professional with over 17 years experience in the market. He is an Investment Manager at Cleantech Ventures, a venture capital company investing in clean technologies. Prior to this he led energy and climate change policy at Origin Energy and has a background in energy and carbon trading, including setting up Origin Energy's green trading desk in 2001.



¹ Julian's Masters Thesis (Research Paper) was Pricing Carbon in the Capital Markets

Detailed Outline

1. Setting the scene

- Current state of international and Australian policy debate, including outcomes of Garnaut Review, state of the proposed legislation and the Copenhagen Conference.
- Australian and global emission projections; McKinsey's global carbon abatement curve
- Tax vs trading debate
- Emissions trading basics
- Case Studies: US SO_x & NO_x, EU ETS (what worked what didn't), overview of prices

2. Assessing carbon exposure / liability

- How to determine your carbon footprint, as an individual, as a company
- Understanding the sources of liability in a carbon-constrained world
- Understanding the opportunities: your carbon abatement curve

3. Baseline and credit schemes; International Trading

- Kyoto instruments (CDM, JI)
- Australian instruments (RECs, NGACs, GECs, VRECs, NRECs, VEECs)
- International linkages
- The voluntary carbon market: offsets, additions, instruments, prices, volumes, trends

4. Cap-and-trade scheme design and implementation

- Key issues in the design of the Australian emissions trading scheme:
- Permit allocation, liability, coverage, target setting, vintages, banking/borrowing

5. Capital markets response to emissions trading

- Emergence of financial markets; dynamics of carbon trading
- Advancements in linkage of investment strategies with carbon risks
- Incorporating carbon risk into equity market analysis, debt rating and project financing

6. Emissions Trading Simulation

An emissions trading simulation will be run during the course; that is, lecture material will be interspersed with simulation activities. It is designed to illustrate the decision-making processes required in a carbon-constrained world, exploring such issues such as the setting of targets, permit allocation, carbon price discovery, permit 'vintages', and monetising abatement projects. This will be a group exercise where each group role plays a critical part of the economy.