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IDBI Carbon Development News Letter
May 2015 Issue - SSAD 094

Dear Readers,

Every year May 22 is observed as International Biodiversity Day (IBD). The objective of IBD is to create awareness about conservation of biodiversity and equitable sharing of benefits arising from the use of biodiversity and natural resources for maintaining ecological balance. This year's theme of IBD celebration was "Biodiversity for Sustainable Development". Biodiversity on the planet has been adversely affected due to uncontrolled human activities, land use, climate change, pollution etc. Realizing the importance of sustainable biodiversity required for balancing harmony with nature, United Nation has declared 2011-2020 as 'United Nations decade on biodiversity'. India too has enacted Biological Diversity Act 2002. The objective of the Act is conservation of biological resources and associated knowledge as well as facilitating access to them in a sustainable manner and through a just process. We need to protect our ecology by caring for each and every species (including plants and insects) that has a critical role in circle of life.

In this issue, we present our readers the following:

1. Carbon and REC Market Developments in India
2. International Carbon Market Developments

3. CER Market on ICE- Price Trends
4. CDM Statistics as on April 30, 2015
5. Carbon Credits / CDM Services by IDBI Bank Ltd
6. India Chiller Energy Efficiency Project (ICEEP)

1. Carbon and REC Market Developments in India

(i) CER Market

During April 2015, 7 new Indian CDM projects were registered. With this, cumulatively 1565 Indian CDM projects have been registered with UNFCCC out of total 7630 CDM projects from all the member countries as at end of April, 2015. The Indian CDM projects have so far received total 203.31 million CERs at the end of April 2015. For the last more than four years CERs are traded at very negligible prices due to sluggish demand and absence of new market mechanism. During April 2015 the average spot price of CER was 0.49 Euro each.

(ii) Renewable Energy Certificates (RECs)

The 50th trading session for Renewable Energy Certificates (RECs) was concluded on April 29, 2015 in Indian Energy Exchange (IEX), New Delhi and Power Exchange of India Ltd (PXIL), Mumbai. Over 1.07 crore non solar RECs and 17.80 lakh solar RECs were offered for sell as against 1.08 Crore non-solar RECs and 16.23 lakh solar RECs offered for sell during preceding trading session in March 2015. Only 55612 non solar RECs (as against cleared volume of 6.54 lakh non-solar RECs in preceding trading session) and 8522 solar RECs (as against cleared volume of 68982 Solar RECs in preceding trading session) were cleared and sold at respective floor prices at Rs.1500 and Rs.3500 each . Trading volume of RECs was low mainly due to very minimal demand side participation in April 2015, which was beginning month of the current compliance year. 2015-16,. A summary of REC trading session held on March 25, 2015 in IEX and PXIL is indicated below:

Particulars	IEX		PXIL		Total	
	Non Solar RECs	Solar RECs	Non Solar REC	Solar RECs	Non Solar REC	Solar RECs
Sell Bids (Nos.)	53,21,693	9,80,521	54,20,225	7,98,473	1,07,41,918	1778994
Buy Bids and volume cleared (Nos.)	38481	6721	17,131	1,801	55,612	8,522
Price discovered (Rs.)	1,500	3,500	1,500	3,500	1,500	3,500
Volume Cleared (Nos.)	38481	6721	17,131	1,801	55,612	8,522

(iii) Under Roof Top Solar Plant Scheme of the Ministry of New and Renewable Energy (MNRE), GoI, so far, 351.60 MWp aggregate capacities of grid-interactive rooftop solar projects has been sanctioned and 47.64 MWp have been commissioned in various States. State Electricity Regulatory Commissions of twenty States have notified regulatory framework on net-metering/feed-in-tariff to encourage rooftop solar plants. The aforesaid scheme offers subsidy up to Rs. 26 per Wp in North-Eastern States, Andaman & Nicobar and Lakshadweep Islands which is about 30% of the benchmark cost of the system and Rs. 24 per Wp for other states. It now proposed to make the scheme incentive driven rather than subsidy driven. The Ministry has proposed to reduce the subsidy on rooftop solar power plants to 15% from the present level of 30% due to reduction in price of solar panels, large target set for rooftop solar power plant and limited availability of funds.

2. International Carbon Market Developments:

- The Executive Board that oversees Kyoto Protocol's Clean Development Mechanism (CDM) has changed the small-scale CDM transport methodology used to calculate baseline emissions and measure ongoing emissions to take into account and credit the reduced emissions from renewable energy sources. Now Projects that encourage transition to electric vehicles will receive further incentive when they get their charge from renewable energy sources. This

initiative can make an important contribution to Climate Change as road transport accounts for 14% of CO₂ emission from fuel combustion in developing countries.

- Recognizing that climate change and its adverse affects are the common concern of mankind and one of the greatest global challenges of the 21st century, which needs to be addressed through international cooperation in the context of sustainable development, during recent visit of Hon'ble PM to China, a Joint Statement on Climate Change between India and China was issued on May 15, 2015. The two sides reinforced their commitment to the earlier Agreement between two countries on Cooperation on Addressing Climate Change signed in 2009. Both emphasized that the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol are the most appropriate framework for international cooperation for addressing climate change. They also reaffirmed the principles of equity and common but differentiated responsibilities and call for the leadership of developed countries in reducing greenhouse gas emissions and providing finance, technology and capacity building support to developing countries.

3 Certified Emission Reduction (CER) market – Price Trends on Intercontinental Exchange (ICE) European Carbon Market -Spot CER market

- Prices paid for CERs have plunged with falling demand. However, there appears to be a slight improvement in price trends of CERs in spot as well as in future & CER markets. In Spot market, the CERs were traded at a prices around 49 Euro Cents each. CDM project developers are hoping that the new market mechanism may be agreed by member states at the next COP at Paris scheduled in November 2015 for improving attractiveness of CERs from CDM projects.

- **Price trend for future CER Contracts -Dec.2015, Dec.2016 and Dec.2017**

ICE future CER Ccontracts	April 2015			March 2015		
	Lowest (€)	Highest (€)	Volatility (%)	Lowest (€)	Highest (€)	Volatility (%)
Dec 2015	0.43	0.54	25.58	0.39	0.43	10.26
Dec 2016	0.43	0.53	23.26	0.38	0.43	13.16
Dec 2017	0.43	0.53	23.26	0.38	0.43	13.16

- The future CER contracts for Dec. 2015, Dec 2016 and Dec 2017 were traded at around €0.49 per CER as against €0.40 in preceding month.

4. Clean Development Mechanism (CDM) Statistics (As on March, 2015)

Total no. of projects registered with UNFCCC	7630
Total No. of CERs issued to projects	1.55 bn
Total No. of Registered projects from India (% to total)	1565 (20.51%)
Total No. CERs issued to Indian Projects (% to total)	203.31mn (13.09%)

- China continued to lead with 3,762 registered CDM projects followed by India and Brazil with 1565 projects and 335 projects respectively. No new CDM projects were registered from China and Brazil during April 2015. India's share of issued CERs was over 13.09 % of the total issuance.

5. Carbon Credits / CDM Services by IDBI Bank

IDBI Bank has undertaken the pioneering role in the Indian banking sector in the area of environment banking. Since early 1990s, as a Financial Intermediary of the World Bank, IDBI has been associated with implementation of the national projects for phase out of production and use of Ozone Depleting Substances (ODS) viz. Chloro Fluoro Carbons (CFCs), Hallons and Carbon Tetrachloride (CTC). IDBI

Bank is actively involved at national and international levels in various fora on climate change and is working with no. of national and multilateral agencies for sustainable carbon credit business. IDBI Bank provides complete range of CDM related services tailor-made to suit the needs of the clients as under:

- A. Funding of the CDM projects;
- B. Advisory Services for facilitating registration and trading of Certified Emission Reductions (CERs)/ Voluntary Emission reductions (VERs)
- C. Upfront Financing against Carbon Credits Receivables
- D. Related Banking and financial advisory services for syndication (Debt/Equity) etc.

India Chiller Energy Efficiency Project (ICEEP)

The Ministry of Environment & Forest (MoEF) & Climate Change, GoI, in association with the World Bank (IBRD) has launched ICEEP in September 2009 for providing incentives by way of financial grant for accelerated replacement of energy inefficient Chlorofluoro Carbon (CFC) based centrifugal chillers with energy efficient non-CFC based centrifugal/ screw chillers. The project had arranged grant funds from the Global Environment Facility (GEF) and Multilateral Ozone Trust Fund (MLF) aggregating USD 7.30 million. IDBI Bank has been implementing ICEEP as Project Implementing Entity (PIE) and Financial Intermediately (FI). The project development objective was to promote deployment of energy efficient technologies to reduce GHG emissions under Kyoto Protocol and support GoI in complying with its obligations under the Montreal Protocol for complete phase out of new CFCs in the production & consumption sectors through provision of incentives directly to chiller owners in order to lower their opportunity costs and upfront capital cost and demonstrate significant rate of return on investment for CFC chiller replacement. The project identified more than 100 CFC chillers with cooling capacity of 100 TR and above, of which 59 were registered for replacement with sanction of grant aggregating US \$ 2.24 million. The project released financial incentives aggregating USD 0.87 million (Rs.415 lakh) to 17 beneficiaries in the public and private sectors for replacement of 31 old CFC chillers by 31 new energy efficient non

CFC chillers. Other chiller owners registered for incentives had, however, preferred to retrofit or replace the remaining 28 CFC chillers at their own costs.. All the chiller owners have reported that the new non CFC chillers installed under CEEP are achieving envisaged energy efficiency. The project has thus generally achieved its project development objective of phasing out large CFC based chillers by installation of new non-CFC energy efficient chillers in the country. The World Bank has declared the project as closed as on December 31, 2014 and disbursal grace period has since expired on April 30 ,2015.

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