

## Climate Change Projects Office



# The Role of the UK Climate Change Projects Office

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The Climate Change Projects Office (CCPO) is the UK Government's primary interface with UK climate-change companies. The purpose of the office has been to raise the awareness of the issues associated with climate change throughout UK industry, particularly amongst small and medium enterprises. This has two aspects: firstly, identifying the challenges posed by the need to respond to the effects of climate change and secondly, encouraging companies to investigate the business opportunities this may offer.

The Kyoto Protocol puts an obligation on developed countries to cap their emissions at a level relative to their emissions in 1990. This is in some cases very challenging and as a result the Kyoto Protocol introduced three market mechanisms, including the concept of emissions trading. The other two are project-based mechanisms, the most prominent being the clean development mechanism (CDM). CDM projects are activities in developing countries that result in greenhouse-gas emissions being lower than

would have occurred in the absence of the project. The difference in emissions is translated into carbon credits known as certified emission reductions (CERs) that can be used by developed countries to help them meet their Kyoto commitments.

Since 2004, the CCPO's main activity in developing UK corporate involvement in climate change has been focussed in participation in CDM projects. Effort has been concentrated on the delivery of climate change trade missions to key non-Annex I countries. ➤

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► To date, the CCPO has organised 11 missions, visiting India (twice), China (thrice) including Hong Kong, South Africa, Brazil (twice), Chile, Argentina (twice), Indonesia, Malaysia, Egypt, Uruguay and Mexico. Missions are being planned for later this year to Central America and the Andean region.

CCPO trade missions typically involve 10 to 15 companies interested in creating carbon-based partnerships with local companies. These companies are themselves diverse, including project developers, technology providers, project validators and verifiers (known in the CDM as Designated Operational Entities), carbon brokers and carbon fund managers. The nature of the carbon market is such that these companies are looking for long-term partnerships with stable companies that can offer good quality CDM project opportunities. Some of the many deals involving UK companies have their origins in meetings arranged on a CCPO trade mission.

UK interest in the CDM covers many countries and many sectors of CDM activity. Participation of UK companies in CDM projects is approved by Defra and as of 9 May 2007, Defra had issued 395 Letters of Approval covering 331 projects involving 55 companies. The CDM is an important feature of the EU Emissions Trading System as CERs can be used by participating companies to meet their obligations under the ETS.

One of the most popular destinations for UK private-sector CDM investment is China, based on a rapidly expanding industrialised economy with very diverse

CDM project development opportunities. At the time of writing, the UK is the largest single source of CDM investment in China, and China is the largest single supplier of CDM project credits in the UK private-sector portfolio. A significant percentage of the approximately £1,000 million in carbon funds under management in London will be invested in China either through project financing or emission-reduction purchase agreements.

China is particularly important to the CDM because of both the size and expansion of the economy and the huge range of opportunities for CDM projects. However, it is far from being the only country of interest to UK CDM investors. The success of the CCPO trade missions to the 12 countries visited is a demonstration of how investors approach the management of both the political and technological risks associated with the CDM.

However, the success of the trade missions is not limited to China. A recent example of a success story resulting from a CCPO trade mission is the pairing of the UK registered CantorCO2e, a leading international environmental brokerage and advisory company, with Brazilian green car developer, Obvio!

Obvio! has developed a car which pollutes less than conventional vehicles by running on renewable fuels, such as ethanol, natural gas and renewable electricity. Residual carbon emissions from both the manufacturing process as well as the actual use of the cars will be totally offset. In this way Obvio! aim to erase both its carbon footprint as well as that of its customers.

Drawing on the expertise of CantorCO2e, Obvio!

tailored its entire operation, under the guidelines of ISO 14001, for reducing carbon and other pollutants through a suite of safeguards, including waste recycling, water conservation, and renewable energy to power the plant. The green standards also apply all along the supply chain, from autoparts suppliers to distributors.

The agreement between the two companies was announced in April, at Carbon Market Americas, which marked the end of the CCPO trade mission to South America which took in Uruguay, Argentina and Sao Paulo in Brazil. This pairing of a UK and Brazilian company came about as a direct result of the CCPO trade mission to Brazil in March 2006, and the agreement was signed almost a year to the day after their initial meeting.

Over the next six months, CCPO expects to visit six additional countries to facilitate the development of partnerships between UK and local project developers.

The carbon market generally has grown tremendously over the past two years and is now estimated to be over \$20bn per year. The CDM market alone is worth over \$5bn and in 2006 the UK share of this market was estimated by the World Bank to be approximately 45 per cent trading in CERs. As a result, the City of London has established itself as the primary centre for carbon trading. The challenge in the future for the UK companies will be to maintain their current dominant position and the challenge for the CCPO will be to continue to provide the support to the UK private sector to help them to do so. ●



Jed Jones, CCPO (middle) signs a carbon-reduction deal alongside representatives from Obvio! and CantorCO2e at the Carbon Americas Summit, Brazil.