

# **DEUTSCHER BUNDESTAG**

**Ausschuss für Umwelt,  
Naturschutz und Reaktorsicherheit  
16. WP**

**Ausschussdrucksache 16(16)254\*\* (Teil III)**

Öffentliche Anhörung zum  
Entwurf des Gesetzes zur Änderung der  
Rechtsgrundlagen zum Emissionshandel im Hinblick auf  
die Zuteilungsperiode 2008 bis 2012  
- Drucksache 16/5240 -

## **Stellungnahme**

### **Beitrag von**

- Ingo Ramming, Carbon Trade



Dresdner Kleinwort's Emissions Trading Team

## House of the Year – Emissions Europe 2007



Dresdner Kleinwort is a leading player in EU emissions trading. With a dedicated team who actively market emissions products, we have been at the forefront of this market since its inception, pioneering its development by bringing innovative solutions and landmark deals to the market.

### A powerhouse in the emissions trading market

For emissions-emitting companies, the EU emissions trading directive has created a trading discipline which offers a variety of investment and risk management opportunities.

Dresdner Kleinwort has been pivotal in the development of this market. In 2001, we became involved in a pilot project aimed at trialling emissions reduction and establishing political support for the Kyoto Protocol. These successes have firmly established Dresdner Kleinwort as a leading and experienced partner in the emissions trading arena.

Further, Dresdner Kleinwort is the only bank who offers specific emissions-based financing to corporates – this draws on our multi-disciplinary approach to the emissions market involving expertise in research, finance, trading, commodities and risk management.

### Industry recognition

- **Emissions Trading House of the Year**  
Investment Banking Awards, October 2006  
The Banker
- **Emissions Trading Team of the Month**  
Capital Markets Team of the Month, July 2006  
The Banker

### Award winning research

- **No.1** – Lueder Schumacher, Utilities Research  
Individual Analyst Awards  
Thomson Extel Pan-European Survey 2006
- **No.2** – Utilities Research  
Institutional Investor All-Europe Research Rankings, 2006
- **No.3** – Utilities Research  
Thomson Extel Pan-European Survey 2006

### Emissions Trading Team recent developments

#### The first convertible certificate

In January 2006, Dresdner Kleinwort issued the first convertible certificate (with an option to convert to a physical allowance) listed on EUWAX and Smart Trading (Frankfurt) for small installations.

#### Integration into the Commodities Business

During 2006, Dresdner Kleinwort integrated emissions into the commodities business to realise the synergies between the emissions market and other parts of the energy market. By leveraging on Dresdner Kleinwort's leading corporate finance franchise in the utilities sector, we aim to maintain and strengthen our position as a leading player in emissions.

The growth of the commodities business extends the range of customers for the business. Interest from companies who hedge energy have become more prevalent in the market, and for them emissions is becoming increasingly important. A clear example of this is the airline sector which is currently preparing to enter the EUA scheme.

#### Joint venture with Gazprombank

In January 2007, Dresdner Bank AG and Gazprombank announced a joint venture entity to invest in primary projects generating CO<sub>2</sub> certificates through the mechanisms of the Kyoto protocol – with a view to repackaging these credits for resale to investors on a secondary market basis.

This joint venture will invest in the rapidly developing carbon emissions trading market. It marries the emissions trading expertise of Dresdner Bank with Gazprombank's access to local (primary project) assets and local knowledge in order to exploit secondary investor demand for credits relating to the carbon market.

Gazprombank is a subsidiary of Gazprom, which owns and operates Russia's unified gas supply system and exports natural gas to Western Europe. Gazprombank offers banking services to clients from many sector industries, including chemicals and engineering, and has a client base of over 2 million retail clients.

Dresdner Kleinwort's emissions trading in the press

Capital Markets Team of the Month  
The Carbon Emissionaries

Dresdner Kleinwort has been a pioneer in the development of the emissions market. In 2001 it became involved with Hesse Tender, a pilot project aimed at trialling emissions reduction and establishing political support for the Kyoto Protocol, finally trading the first emissions certificates in Germany in 2002.

“Early on, we saw how the issues surrounding emissions would affect a lot of our clients and wanted to be involved in finding solutions,” says Ingo Ramming, managing director in the emissions trading team. The bank subsequently executed the first emissions trade under International Swap and Derivates Association (ISDA) documentation in June 2004; the first cash-settled trade in December 2004 (opening up the market beyond complying installations, to pure investors); and last June issued the first retail instruments linked to emissions right for German Private investors.

Source: The Banker Magazine, 7 July 2006

Market-leading team developing innovative solutions

Dresdner Kleinwort has achieved significant ‘firsts’ in developing emissions trading solutions, tailored to our clients’ specific risk profiles:

- The first EU emissions trade using the International Swaps and Derivatives Association’s documentation executed by Dresdner Kleinwort and Fortis in June 2004
- The first cash-settled forward trade on EUAs between Dresdner Kleinwort and Sampo Bank in December 2004
- The first retail certificates tracking the performance of EU allowances (EUAs) issued by Dresdner Bank AG in June 2005
- The first CO2 hybrid product (structured bond combined with interest rate option and redemption in EUAs) in November 2005

Dresdner Kleinwort's Emissions Trading Team



From left to right: Michael Otto, Martin Fraenkel, Ingo Ramming, Lueder Schumacher and Patrick Weber

Dresdner Kleinwort's research expertise in emissions

Dresdner Kleinwort provides clients with a broad and well informed research perspective by encouraging a cross-fertilisation of ideas within its research division

Our Utilities Research team actively covers the emissions market by producing pricing estimates, market sentiment and sector specific research.

The image shows two screenshots of research reports from Dresdner Kleinwort. The left screenshot is titled 'Current affairs' and 'Key highlights', discussing European energy markets and carbon prices. The right screenshot is titled 'Carbon Derby' and 'Comorb of the last call!', discussing the European Commission's plans for Phase II allowances and the impact of the carbon price on EUAs.

Commitment to the emissions market

Dresdner Kleinwort has provided further evidence of its commitment to the emissions trading market as a founder member of the European Carbon Investors and Services Association (ECIS).

The association will represent the market perspective on emissions trading and climate investments to policymakers worldwide. It aims to proffer advice and guidance on the development of the carbon emissions trading market and will liaise with the EU and the EU Member States to realise the aims of the Kyoto protocol.

# Carbon Trade & Finance

A joint venture between Gazprombank and Dresdner Bank

In January 2007, Dresdner Bank and Gazprombank launched Carbon Trade & Finance, a joint venture entity, to capture opportunities in the rapidly developing carbon emissions trading market. The joint venture, based in Luxembourg, will invest in primary projects generating CO<sub>2</sub> certificates, with a focus on Russia and the Commonwealth of Independent States (CIS).

## Opportunities in carbon finance

Project-based credits – both from Clean Development Mechanisms (CDM) and Joint Implementation (JI) projects – will play a key role in governments' compliance of their Kyoto Protocol targets, and installations' compliance with their emissions goals under the EU Emissions Trading Scheme. At present, this role is dominated by credits generated by CDM projects in Asia – particularly in China which accounts for 70% of the credits generated – whilst the JI pipeline is at the moment considerably smaller.

Preparation for JI has been ongoing for a number of years. While the CDM rules were largely in place by the end of 2001 and projects were generating reductions shortly thereafter, the rules for JI were only finalised in 2004. Indeed, JI projects are only eligible to generate emission reduction units from 2008, the beginning of the Kyoto target period, whereas CDM projects can, in principle, claim credits from 2000.

However, the finalisation of the first project determination under the JI mechanism at the end of March 2007 is the long-awaited signal that the mechanism is now up and running. The JI mechanism will provide companies with additional (carbon) financing possibilities and will play an important role in the diversification and optimisation of the carbon portfolios of governments, compliance companies and financial investors. Most portfolios are currently heavily skewed towards credits generated out of Asia. JI, with the majority of projects located in Eastern Europe and the CIS, will diversify portfolios and reduce the risk of carbon investing. Diversification of the regional and technological risks is crucial to encouraging investment in the market.

Russia has enormous potential to benefit from the opportunities offered by the Kyoto Protocol. Carbon Trade & Finance, together with the complementary strengths of its shareholders Gazprombank and Dresdner Bank, can offer clients unrivalled expertise in order to benefit from opportunities in the carbon market.

## Carbon Trade & Finance – providing integrated carbon solutions

Carbon Trade & Finance, jointly owned by Gazprombank and Dresdner Bank, invests in emission reduction projects in Russia and the CIS. The company has been established in Luxembourg as a SICAR (société d'investissement en capital à risque).

Carbon Trade & Finance provides clients with integrated carbon solutions – from risk management, project advisory and carbon finance to the actual purchase of carbon credits. The company will develop secondary products for financial institutions, compliance buyers and governments. Carbon Trade & Finance is in the process of establishing a Moscow-based carbon consultancy company as a subsidiary and through this advisory company will offer a specialised, local, hands-on consultancy service to enable clients to maximise opportunities offered by the Kyoto Protocol.

With Gazprombank's access to Russian and Eastern European clients and customers and the company's energy know-how, coupled with Dresdner Bank's investment banking and emissions trading expertise, and access to European clients, Carbon Trade & Finance is uniquely placed to provide clients with carbon solutions.

## Our shareholders

Gazprombank, one of Russia's leading banks, is owned by Gazfund and Gazprom Group – one of the world's largest energy groups. With a branch network covering the whole territory of the Russian Federation, Gazprombank has over 36,000 clients in Russia from all the key industries. The bank has a leading position in the Russian domestic capital markets, including a large specialist project finance team and local investment banking expertise.

Dresdner Bank's involvement in the joint venture will be led through its investment bank, Dresdner Kleinwort. Dresdner Kleinwort is the investment bank of Dresdner Bank AG and a member of Allianz. Dresdner Kleinwort is a prominent player in the emissions and renewables markets and was voted 'Emissions Trading House of the Year' in 2006 by 'The Banker'. Allianz Group is one of the world's leading insurance companies and is at the forefront of investments into sustainable energy. Allianz was rated the most sustainable financial company in 2006 by Dow Jones Sustainability Index rating.

**Joint Implementation** is a mechanism which allows developed countries, particularly those in transition to a market economy, to host carbon-reducing projects funded by another developed country. The arrangement sees the credits generated, called emission reduction units (ERUs), go to the investor country while the emission allowances of the host country are reduced by the same amount.

**Clean Development Mechanism** is an initiative under which projects set up in developing countries (to reduce atmospheric carbon) generate tradable credits called certified emission reductions (CERs). The credits can be used by industrialised nations to offset carbon emissions at home and meet their Kyoto reduction targets. The projects include afforestation, reforestation and implementation of clean fuels technology.

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