



SUSTAINABLE ENVIRONMENTAL SOLUTIONS

# Carbon Credit

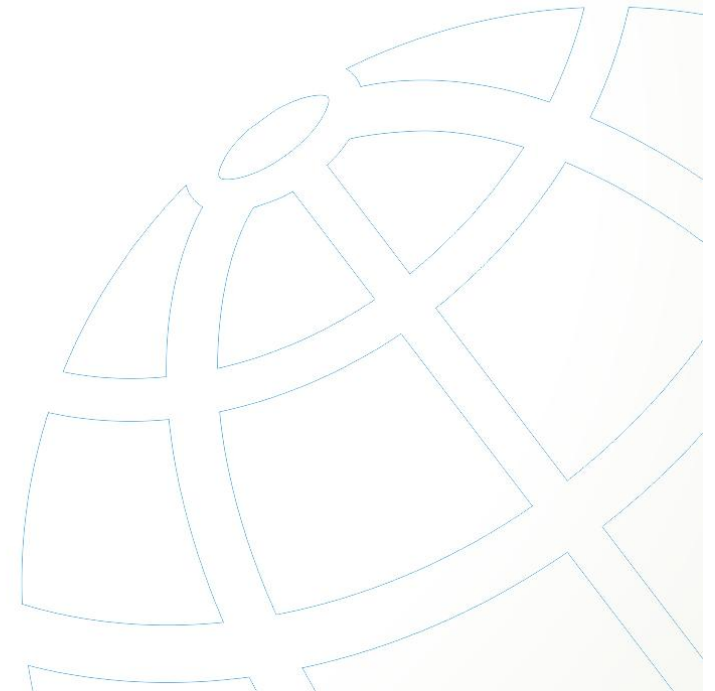
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## Information about “Carbon Credit

- ❖ There are over 1.535 CDM projects all over the world.
- ❖ The most recent data of the Brazilian government point to 221 projects registered.
- ❖ Here they are :
- ❖ India with 623;
- ❖ China with 446.





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## Project of Law nº 3.552

The National Congress decrees:

❖ Article 1 - The Mechanism of Clean Development (CDM) aims at the stabilization and concentration of Greenhouse Effect Gases-GEG in the atmosphere in a level that will stop a dangerous anthropic interference in the climatic system, through the Certified Reduction of Emission -TCR by companies that emit less GEG, for negotiation in the global market.

❖ Article 2- The TCR is a title that corresponds to a unit emitted in agreement with the 12 th article of the Kyoto's Protocol equal to a metric ton equivalent of carbon dioxide (CO<sub>2</sub>e), calculated using the potentials of global warming, defined in the 2/CP.3 decision or like those revised subsequently according to the article 5 of the Kyoto's Protocol.



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## Types of accepted projects

- ❖ CDM – Mechanism of Clean Development-ONU
- ❖ TCR – Certified Reduction of Emissions



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## What is the Certified Reduction Market of Emission (TCR)?

It is a market created by the transactions of buying and selling of RCE that can be purchased, also by companies belonging to countries of the annex B, aiming at lessening their goals of emission reduction. The TCR is a unit transmitted by the Executive Council of the MDL (ONU), as a result of the activity of an MDL project . It represents the removal or the non-emission of a metric ton equivalent to carbon dioxide by the company.



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# What is CDM?

## (Clean Development Mechanism)

The underlying idea to CDM can be summarized in the observation that the reduction of a GEGs unit, transmitted in consequence of some industrial process or “sequestered” from the atmosphere voluntarily by a company located in a developing country, can be negotiated in the global market with industrialized countries( or companies in the countries) that need these “credits” to fulfill their goals for reduction of the emission of gases with the Kyoto’s Protocol. So, through this flexibilization mechanism, it is possible to reduce the GEGs global emissions and at the same time an important alternative for the sustainable development of the emergent countries are presented.



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# What are the stages of implantation of a CDM project?

- 1) A CDM project has to go through the following stages to be acknowledged in the Kyoto Protocol and generate credits, that is, certified reduction of emissions:
- 2) The project proponent (a company) must elaborate the Project Design Document (PDD)
- 3) The Chosen Operational Entity must validate the methodology used in the PDD
- 4) The Chosen National Authority must approve the proposed project.



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# What are the introductory stages Of a CDM project?

5 ) The project must be, straight away, registered in the CDM Executive Council.

6) The project proponent must perform the monitoring activity.

7) The Designated Operational Entity makes the verification and the certification of the emission reduction which is a result of the project.

8 ) The CDM Executive Council emits the certified reduction of the emission (TCR)



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## Setor Scope

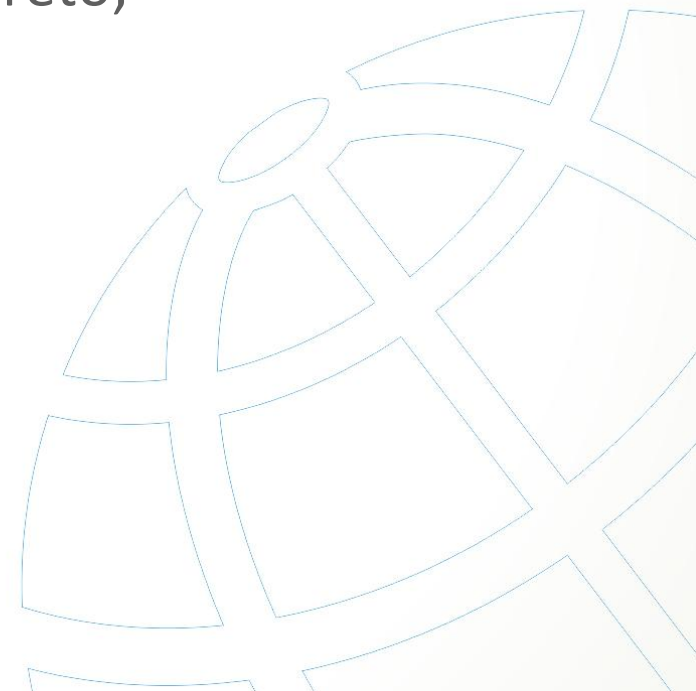
- ❖ Energy Industry ( renewable and non-renewable sources;)
- ❖ Energy distribution;
- ❖ Energy demand;
- ❖ Manufacturing industry;
- ❖ Chemistry industry;
- ❖ Construction;
- ❖ Transportation;
- ❖ Mining/mineral production.

# Setor's Scope



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- ❖ Metallurgy;
- ❖ Fuel fugitive emissions (solid, liquid and gassy)
- ❖ Fugitive emissions of the production and consumption of halocarbons and sulphur hexafluoreto;
- ❖ Solvent use;
- ❖ Management of Solid residue
- ❖ Forestation and reforestation;
- ❖ Agriculture





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# Circular Letter of the Central Bank that authorizes the negotiation of Carbon Credits in the

## BM&F

- ❖ Circ. DIR. MEET BACEN 3.291/05 - Circ. - Circular MEET BOARD OF DIRECTORS IN BRAZIL CENTRAL BANK nº 3.291 on 08.09.2005 D.O.U.: 15.09.2005 Obs.: Ret. DOU on 30.09.2005 The Board of directors in Brazil Central Bank, in session realized on 1º september 2005, depending on Laws 4.131, on 33 September 1962, articles 10 and 11 of law 4.595, on 31 December 1964, article 12 of law 7.738, on March 9th, 1989, of law 7.766, on 11 May 1989, law 10.755, on 3 november 2003, in the Provisory Rule 2.224, on 4 september 2001, in the Decisions 3.265 and 3.266, both on 4 March 2005, and a Decision 3.311 and 3.312, both on 31 August 2005, and having in view:
  - ❖ Art. 2º Circular 3.280 on 9 March 2005 decided:
  - ❖ Art. 1º to rewrite the following passage of the Regulations of the Exchange Market and International Money-REMM, noticed by Circular 3.280 on 9 of the Regulations of Exchange Market and Money Title International: 1- Exchange Market
    - ❖ CHAPTER: 8-Codification of Exchange operations
    - ❖ SECTION: 2-Objective operation
    - ❖ SUBSECTION:10-Several activities
    - ❖ OBJECTIVE OPERATION Nº CODE
    - ❖ Carbon credits 29/(NR)45500

# Carbon Credit Market



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The carbon market on BM&F is an electronic environment of negotiation developed to make viable in a quick, safe and transparent way, the closing of business with Certified Reduction of Emission (TCRs), generated by Clean Development Mechanism projects (CDM). The operations are carried out through electronic auction, via web, and reserved for the BM&F at the request of public and private entities that want to offer their carbon credits in the market. Nowadays, the carbon credit market in the BM&F makes possible the negotiation of credits in the cash market. So it is expected the creation of a specific module for negotiation in relation to credits that are still in a process of generation and certification.



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# Market Carbon Credit

- ❖ The negotiation system of carbon credits created by BM&F provides direct access, via internet to the following types of participants:
  - ❖ Banking companies associated to the BM&F representing their clients;
  - ❖ Participants of the carbon global market qualified by the BM&F, including: market traders of the RCE and also of the European permission market, carbon funds, funding multilateral organisms, governmental entity.
  - ❖ As the auctions refer to a negotiation of RCE in cash, they are only scheduled after the approval by the CDM Executive Council ( entity of ONU responsible for the approval of the CDM projects and by the emission of correspondent certificates) of the RCEs emission request to be in the auctions. The carbon market in the BM&F can offer safeguards.
  - ❖ The auctions are also spread through the main international vendors linked to the BM&F.

# Market Carbon Credit



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The BM&F offers to the market participants the possibility of making public auction, in which the business section and the details of the closed business are spread to the foreign public, or private auctions, in which all the information related to the registered offers and closed business are kept in secret of the parts involved and additional operational procedures, under the RCEs seller demand, that aims at guaranteeing the good business performance, such as: prior guarantee deposit, in the BM&F, by the clients and/or potential seller, in the form and the value established in the auction announcement of which they will take part; BM&F performance as a participant ( the focus point) of the CDM projects whose RECs will be in auction.



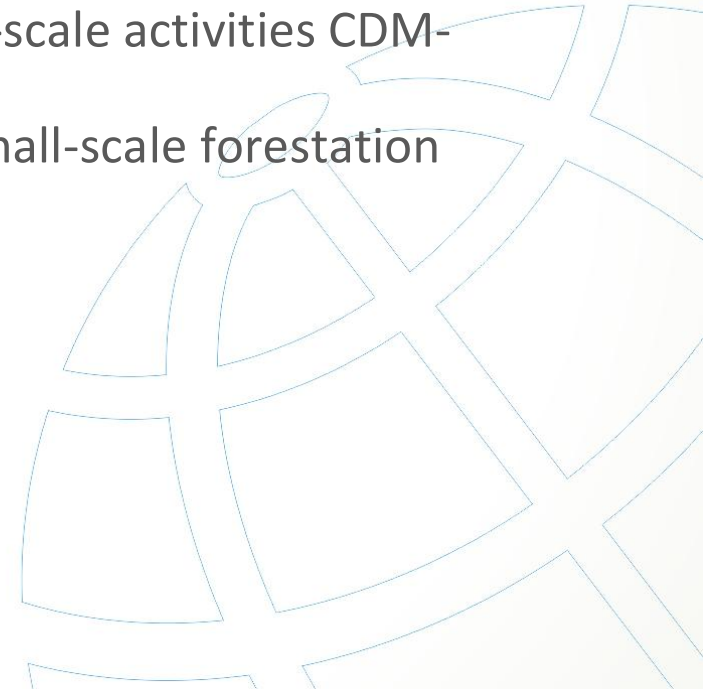
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## Substantial Documents

- ❖ The best information in the LINKs:
- ❖ UNFCCC : United Nations Framework Convention on Climate Change
- ❖ [http://cdm.unfccc.int/Reference/PDDs\\_Forms/PDDs/index.html](http://cdm.unfccc.int/Reference/PDDs_Forms/PDDs/index.html)
- ❖ CDM Project Design Document - Clean Development Mechanism (CDM)
- ❖ AR: CDM Project Design Document for AR (CDM-AR-PDD)
- ❖ SSC: CDM project design document for small-scale activities CDM-SSC-PDD
- ❖ SSC AR: Project Design Document Form for small-scale forestation and reforestation project activities
- ❖ (CDM-SSC-AR-PDD)



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# IWF Technical Group



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## Tracer Dr. Elvio Luiz Schelle (Ph.D)

*PhD in environment by The University of Sheffield – England*

Knowledge and experience in studies and environmental and mineral projects mainly in the Amazon and Center Western regions, as well as in localities of South Yorkshire-England province

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*Specialist in Information Security-University Federal of Santa Catarina/Brazil*

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