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Dear valued reader of the Emission News!

As we have announced since October 2014, the Emission Newsletter will be a paid subscription service from March 2015 onwards.

The present issue is only partial readable, as it remains free of charge.

Information about the paid version and on how to subscribe to the full version of the newsletter can be found [here](#) and on www.emissionshaendler.com

Emission News 13-2015

Practical Information for Emission Trading

Edition 14.12.2015

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Source: ICE London

Facts on the Paris World Climate Agreement 2015- Is the EUA-Price a Victim of a Decarbonisation?

The "Paris Agreement" which was concluded by the Parties' Conference of the UN Framework Convention on Climate on 12th December 2015 will influence the nations' handling with the climate for decades and will replace the old Kyoto protocol beginning 2020.

Emissionshändler.com® describes once again in the second part of this [Emission News 13-2015](#) what consequences would have been occurred respectively will occur in case of a failure of the Paris negotiations if the realization of the agreement will not be successful in the coming years. The first part of the letter, however, includes the most essential results of Paris and describe the probable effects on the EU emission trade and its price development which might appear already in the coming days and weeks.

The Paris Agreement on the UN Framework Convention on Climate

The Parties' Conference of the UN Framework Convention on Climate decided the "Paris Agreement" on 12th December 2015. The Agreement is supposed to be signed by as many of the 195 Contracting States as possible, this in the frame of a festive ceremony in New York on 22nd April 2016. The time limit for signature will last until 21st April 2017. The Agreement comes into effect on the 13th day when at least 55 Contracting States with at least 55% of the global greenhouse

gas emissions will have signed it. The Agreement starts 2020 and will replace the Kyoto protocol.

Aim of the Agreement is the global answer to the threat by climate change as well as the efforts to strengthen poverty eradication, this by means of

- keeping the increase of global average temperature "clearly" below 2°C and following the aim to limit this rise in temperature to 1,5°C at pre-industrial level
- increasing the ability to adapt to the negative effects of the climate change as well as to promote a climate resistance and a low emission development
- bringing financial streams in accordance with a low emission development.

All States are encouraged to undertake and to communicate "ambitious" efforts in order to achieve this target. The States aspire to reach the highest point of global emissions "as soon as possible" and to undertake fast reductions afterwards while being conscious that reaching this highest point will last longer for developing countries. Every State fixes a nationally determined contribution (voluntary commitment) which is intended to be achieved (climate change targets) as well as the national measures which describe how these are supposed to be realized. On communication of these commitments every State is obliged to present all information being necessary for clearness, transparency and comprehension in conformity with rules which still need to be fixed.



The commitments should be renewed every 5 years, more ambitious if possible (for the first time in 2023, voluntarily beginning of 2018).

The climate secretary also elaborates a concluding analysis of these commitments with regard to achievement of the above-mentioned target.

The commitments and the reports about the achievement include measures for emission reductions resp. avoidance as well as measures for emission deposition and emission storage (subterranean or by means of reforestation and similar). The measures should facilitate environmental integrity, transparency, accuracy, completeness, comparability, consistence, and the avoidance of double counting. Appropriate guidelines still need to be fixed.

The Member States can voluntarily agree to deliver their commitments together. Reduction performances (new shortcut: ITMO) can be transmitted in this context. A new mechanism will be established for this (replaces former CDM, JI and trading mechanisms). It will be surveyed by an institution which still needs to be determined (probably not the climate secretary) in accordance with rules, modalities, and proceedings which still need to be concluded by the Parties' Conference of the Paris Agreement. Organization of the latter still needs to be fixed (all this will last several years and shall partially refer to the experiences of CDM/JI).

Furthermore new "mechanisms" for the adoption to the climate change will be determined. Developed states as well as other states are supposed to participate voluntarily in these mechanisms. The already existing mechanisms for "losses and damages" of the climate change, for the climate protection funds, for technology transfer, for capacity building, climate building and similar items will continue to be lead under the roof of the Paris Agreement.

Mentioning numerous other organizational rules will not take place here and now.

Does "Decarbonisation" mean a Price Drop for EU Emission Rights?

The word of a future world's "decarbonisation" having strictly been avoided in the Paris Agreement appeared already once as a (positive?) ghost in the CO2 stock exchange sky.

It seems that from an economic aspect the aspired ostracism of fossil energies being desired by all

sides may already cause market relevant forces to draw their inferences.

These forces certainly recognised, too, that after the Paris Agreement even a German government normally cannot afford any more to keep coal power plants at the network longer than necessary. It is unthinkable to imagine if the former climate chancellor would turn into an anti-climate chancellor only because a too highly motivated aim prescribes to save jobs in the coal industry. This kind of weighing up might be more dangerous for the chancellor's image after the Paris Agreement because she cannot feel encouraged to set a bad example to the world.

Infobox

Aviation after Paris Agreement

With the Paris climate talks ending with a worldwide agreement and a success - two particular industries that contribute as much CO2 as Japan and UK yet aren't directly represented in the current COP21 agreement: international shipping and aviation.

So – aircraft and ship owners are off the hook?

Far from the truth – that only means that states and continents have to step up their efforts to make up for the fact that there is no measurable reduction target from those two sectors.

For aircraft operators with flights into the EU that implies that EU-ETS will not go away – quite the contrary. In the absence of a palpable result at the 2016 ICAO conference ETS will not just continue for Intra EU flight but in 2017 return to full scope (either arriving or departing aerodrome is in the EU). For the years 2015 and 2016 ETS is governed by the regulation (EU) 421/2014 stating that for those 2 years only Intra EU flights need to be reported, in an attempt to promote progress at the ICAO assembly. Whether or not this remains enough encouragement for ICAO to commit to firm reduction targets by implementing a GMBM (global market based mechanism) remains to be seen.

More information about handle all compliance issues regarding the 2015/16 ETS period for aviation by: ETS Verification, Guido Harling, www.etsverification.com , guido.harling@etsverification.com.

Such kind of thinking may have caused market participants to watch the CO2 price which moved steadily downwards from 8,64 Euro/t after the end of the first conference week on 4th of December.



When on Friday 11th December it turned out to be possible that 195 nations could come to a climate agreement which consequence would be for fossil energies to play a smaller role (whenever this will happen), the price Within 4 hours the DEC15 price 5% and Euro/t. All in all this was % since 4th December 2015.

We now may assume that the upcoming annual delivery date DEC15 could have caused some speculators to close inevitably their

On the other hand it seems to be quite probable that one or another EUA portfolio had been dissolved for strategic reasons in order

As for the climate we can only hope that less fossil energies will be needed in the future while more regenerative energies will be employed. But this also means that surplus in emission rights

Climate change is here - We Cracked the 400 ppm Threshold



*Schmelzender Gletscher Tracy Arm Fjord, Alaska
Bild © Climate Company®*

Energy Situation Now and Then

In former centuries it was usual that the need of energy was covered by natural sustainable sources. This included above all the bio mass but also water and wind power were taken as soon as the technical opportunities allowed this. Wind mills that grind flour are a picture of former times in everybody's mind, as well as the romantic memory of the miller's beautiful wife. Also water-powered drop hammers were not uncommon. This worked but was associated with considerable efforts. Hundreds of years ago regional environmental damages occurred due to excessive exploitation of firewood. The radical change came up by the regional population growth and the technical progress on invention of the steam engine and electricity generation and transmission. In order to profit from these possibilities, highly concentrated primary energy was needed. This was found for the time being by burning coal, later by burning oil and natural gas.

Exploitation of Fossil Energy Sources

When looking back, the way how people exploited fossil energy sources can be considered as second fall of mankind. Our today's view shows in particular:

- Mineral resources grown over millions of years were commercialised basically at production costs. The real value (for example in the form of substitution costs) was neglected.
- Environmental damages caused by burning were regionally removed by higher chimneys but not considered in a global correlation
- The worldwide exploration became a gigantic business branch and its exploitation was principally

Infobox

Creation of the Message for Operation and annual Report 2015

According to the relevant EU laws and the national implementation of these laws is the requirement to submit the MzB for any operator of a facility which free allocation in the 3rd trading period 2013-2020 and operate a facility subject to emissions trading. This obligation also exists in principle, if there is no change in the operation was found and also when no CO₂ was emitted. This release includes all the operating allocation elements and their activity rates in the past and future as well as any technical changes to system components or the operation of the plant or individual system parts.

The MzB must be create in a software management system provided for this purpose (FMS) by each operator and to 31.01. leave a year for the previous year (§§ 19 - 22ZuV2020).

Even then, at first created in the summer of 2014, it made sense for many operators to transfer the tasks of creating the MzB to an external consultant in order not to be subject to involuntary allotment reduction or to miss the chance of an allocation increase.

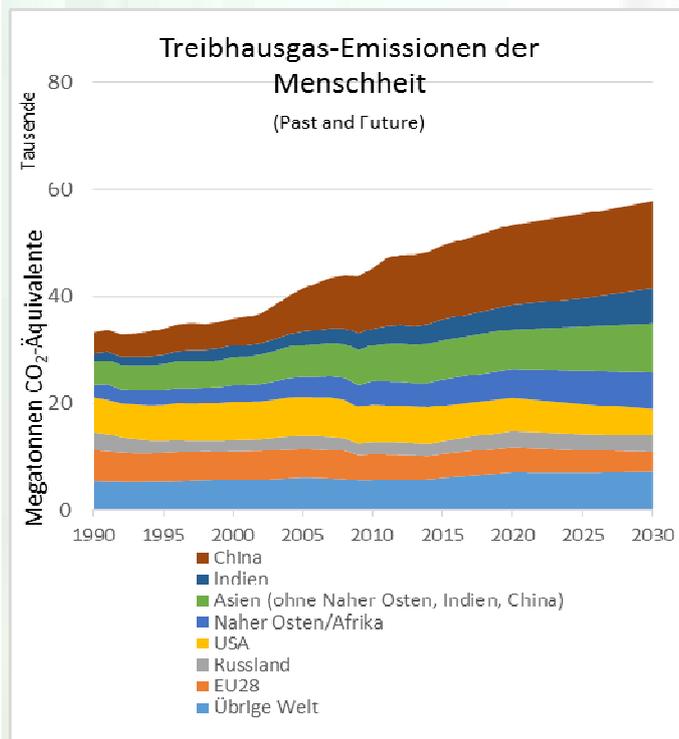
To request a quotation or further inquiries, interested operator contact as possible before the end of the year [Emissionshändler.com®](mailto:info@emissionshaendler.com) under +49 (30)398872110 or info@emissionshaendler.com.



set above environmental effects. One serious example for Germany: The brown coal mining which dramatically damaged complete landscapes with their settlement structures!

- Mineral rights to fossil energy sources became important investment objects without considering if their real exploitation would ever be possible.

The graphic below may help to answer the question which nations and areas are responsible to what extent for global emissions.



Greenhouse Gas Emissions of Mankind), Graphic: Climate Company®, data of Prof. Meinshausen/ [University Melbourne](#).

A New Thinking is Asked

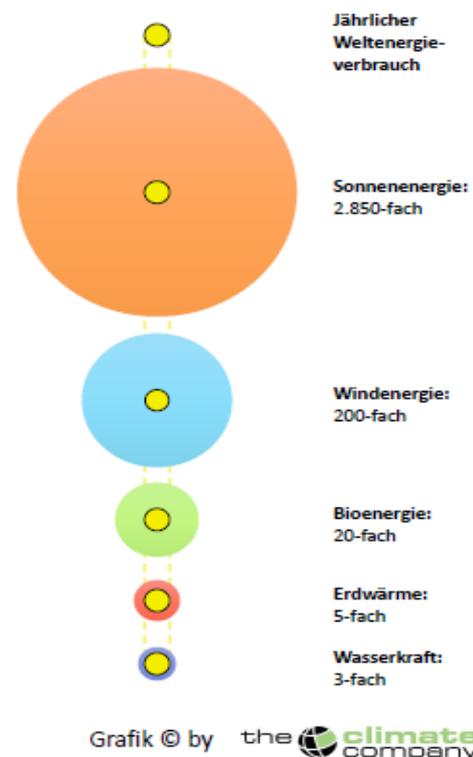
Attentive critical observers are drawing the attention to the fact that this way of energy supply has no future. Ever since modern technology allows the utilization of regenerative energies on a large scale, a completely new target direction will have to be pursued.

The "New Thinking" starts with a global consideration: What kind of regenerative resources are at our disposal and to what extent?

The continuous energy stream to the earth takes place by means of sunlight. Its intensity rises up to several thousand times of the world's energy need. Modern technical possibilities, especially the photovoltaic exploitation of sunlight and largely technical exploitation of wind energy ensure an

energy supply at comparable costs without further need of fossil energy sources. Because actually only a small part of the radiated energy will have to be "captured". The huge progress in low-loss energy transmission and battery storage mean a further help.

Jährlicher Weltenergieverbrauch im Vergleich der Mengen zu den Ressourcen der vorhandenen regenerativen Energien



Graphic: Climate Company®, data: [Agentur für erneuerbare Energien](#)

Of course there are obstacles on the way to realisation of the above-mentioned knowledge. These are in particular

- a very long term depreciation (10 to 20 years) of investments for the exploitation of fossil energy
- a dramatical loss in value of the possession for usage rights of fossil fuels exploitation being fixed in the energy companies' books and in funds as soon as a successful change-over to Exploitation of Renewable Energies takes place
- That managers, experts, and complete industry segments being specialised on the exploitation of



fossil energy sources will lose their value as soon as these are no longer needed.

These are strong obstacles! That is why it is such a difficult process to agree upon reasonable and pioneering action methods despite the harmful effects on the global climate which can no longer be denied. If sufficient time was available, such a change could be realized in the course of 100 years without remarkable friction loss. The problem is, however: no time at all is available. Only an immediate change can save the earth from inestimable damage - even at the price of losses in capital goods. It is evident that considerable compromises will have to be accepted by many parts before a worldwide agreement on a common action method will be found.

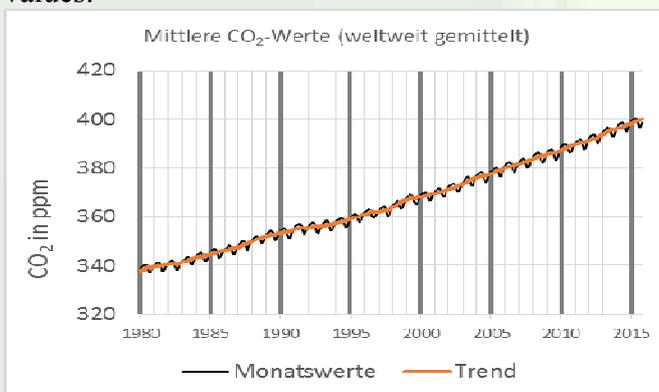
How can the Ticking Clock be recognised?

"The clock is ticking" is not only a popular saying but can be proven and shown accurately on a mathematical and graphic basis.

CO₂ Content in the Atmosphere

Primary features are well representable. On one hand the CO₂ content in the atmosphere is concerned. The CO₂ gas causes a reduced retro-reflection of geothermal heat to the universe. A main reason for global warming is an increase of CO₂ in the atmosphere.

Methods have been developed in order to find out a significant average in concentration, this by means of measuring the CO₂ content in many places of the world. The following picture shows the resulting values.



Graphic: Climate Company®, data [Noaa Research](#)

The black fluctuating line shows the average monthly values which follow a typical up and down through the year.

Apart from the seasonal variations the orange year line shows an alarming trend straight upwards, only adjusted by fluctuations due to seasonal variations. When the limit of 400 ppm was exceeded for the first time in November 2015 (projection basing on October data), the experts were alarmed by this confirmation of their pessimistic predictions. The now reached value only presents a 70% likelihood that the 2 degree aim will be achieved (see also further below).

According to a general agreement the exceeding of the 450 ppm limit will lead to uncontrollable effects. If the present trend cannot be stopped, its consequences will occur already in approximately 20 years.

The Increase of the Average Temperature

Another primary feature is the increase of the global average temperature. Determining the average temperature is made in accordance with model calculations which consider land area and sea surface temperatures. Climate experts agree that an average temperature increase of more than 2 degrees will lead to a damaged climate situation which consequences can hardly be estimated. The increase in temperature can only be limited below 2 degrees if the 450 ppm level will be observed.

- "In order to observe the Two Degree Aim with a probability of 50%, the greenhouse gas concentration might not exceed 450 ppm.
- In order to observe it with a probability of 70%, the concentration might not exceed 400 ppm."

Source: [Wikipedia](#)

This is an abundantly clear message that only a trend reversal can "save" the climate situation - above all by means of drastic limitation on burning fossil fuels. The 2 degrees temperature increase will be reached before the end of the 21st century without this trend reversal!

The World's Climate Summits Against Insistence on Old Structures

For reasons mentioned above all climate summits since Kyoto fight against representatives of the old structures not to dilute the decisions so far that only minimum effects will be reached for the climate protection.



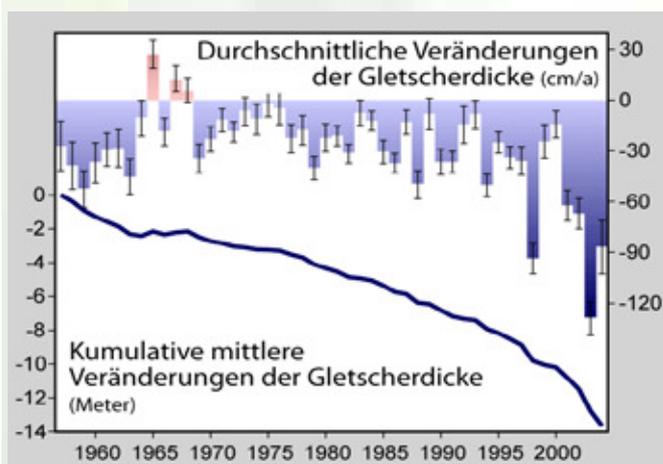
Even the principally effective instrument of CO₂ trade having been introduced bindingly in 2003 has not yet shown any clear effect because the CO₂ budget being available was much too big due to false estimation. Thus the CO₂ price stabilized in a much too low area that could have lead to an investment steering to lower the CO₂ emissions.

Contrarily the big energy supplier RWE increased the use of the climate damaging brown coal during the past years because the low cost of additionally purchased emissions rights had not yet balanced out the advantage of using climate-friendly natural gas.

However, in the meantime you can say that such short-sighted action methods having also been shown on the investments turned out to be detrimental for these enterprises afterwards. Also their stock price signalises already a partial drastic loss in value.

The Visible Effects on the Climate Change

The secondary effects of the climate change are much more visible and significant for the layman. A very visible consequence is the reduction of ice masses occurring worldwide on the glaciers. The glacier thickness reduced continuously within the last 60 years and is nowadays 14 metres smaller.



Source: [Wikipedia](#)

The consequences are dramatic on longer sight because the melting of water storing in the ice must lead to a rise of the sea level! Many areas in the world - even densely populated - would become uninhabitable. The next flow of refugees would be preprogrammed.

The prediction how fast the levels will grow in the future is still varying but show in any case that one

of the most serious secondary consequences of the climate change has to be expected here.

Many densely populated coast areas would be concerned. Such as in richer districts like the Netherlands in the same way as poorest districts in the world like Bangladesh.

Also many areas far away from the coast will be concerned by global warming. Districts being threatened by typhoons will have to bear considerably more violent storms because the energy growing from the sea will increase in accordance with the ocean warming. And this is inevitably be accompanied by the global warming.

Infobox

German Government and Authorities are Travelling Climate Neutral

As the Federal Environment Ministry informed in a press release, the Government and many subordinated authorities are supposed to realize their business trips on a climate neutral level which means to compensate the appropriate travel activities by means of company cars and aircraft with CO₂ savings in climate protection projects.

The Minister Ms Hendricks ordered the German Emissions Trading Authority DEHSt being subordinated to the Federal Environment Agency to buy corresponding certificates from the new and "highly valued climate protection projects".

The volume of these certificate purchases is estimated with two million Euros for business trips which are already registered in the household and which include the period beginning with the legislature of 2013. The number of ministries and authorities concerned is stated with 17 as well as 58 subordinated upper authorities as there are for example the Federal Environment Agency.

According to the Federal Environment Minister Ms Hendrick's statements the Government intends to set an example, encouraging other institutions and enterprises to compensate their emissions, too.

Climate Neutral as a gift, how it works?

Info and gifts by www.climate-company.de

What does this Development Mean for Society and Economy?

As hard as it might be, mankind has to modify its methods of energy supply! A turn from the exploitation of fossil fuels to the use of regenerative energy has to be made! Fortunately this turn is possible today technically and with economically the help of technical knowledge and proceedings. The only hope are now the results of



the Paris Climate Conference negotiations which will bring the expected global change and which will consequently also be carried out.

The devaluation of the known stocks of conventional energy sources resulting from this change and representing a significant value share in the portfolio of enterprises and funds so far will present serious effects on the value of the according shares or fund units! It will be shown here that those who refused too long an acceptance to change will have to bear the biggest loss. New structures in industry and society will be built which extent many countries concerned are still unable to divine. If we only think of those countries who achieve their revenues essentially from the sale of their stocks in oil and natural gas! Present estimations found out that the value of oil in the ground of the Near and Middle East is as high as the whole capital stock of all enterprises of the world wide economy.

The experience shows that the new structures will develop faster than most of us can imagine as soon as the knowledge of the above-mentioned environmental facts has become common property. The today's fast transmission ways of information will contribute an essential part on it.



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Wir wünschen allen unseren Kunden und deren Familien ein frohes Weihnachtsfest und ein gesundes und glückliches Klima-Jahr 2016.



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Kind emission regards



Michael Kroehnert