



Mitsubishi UFJ Securities

Challenges in Meeting Your Target

Carbon Expo 2007

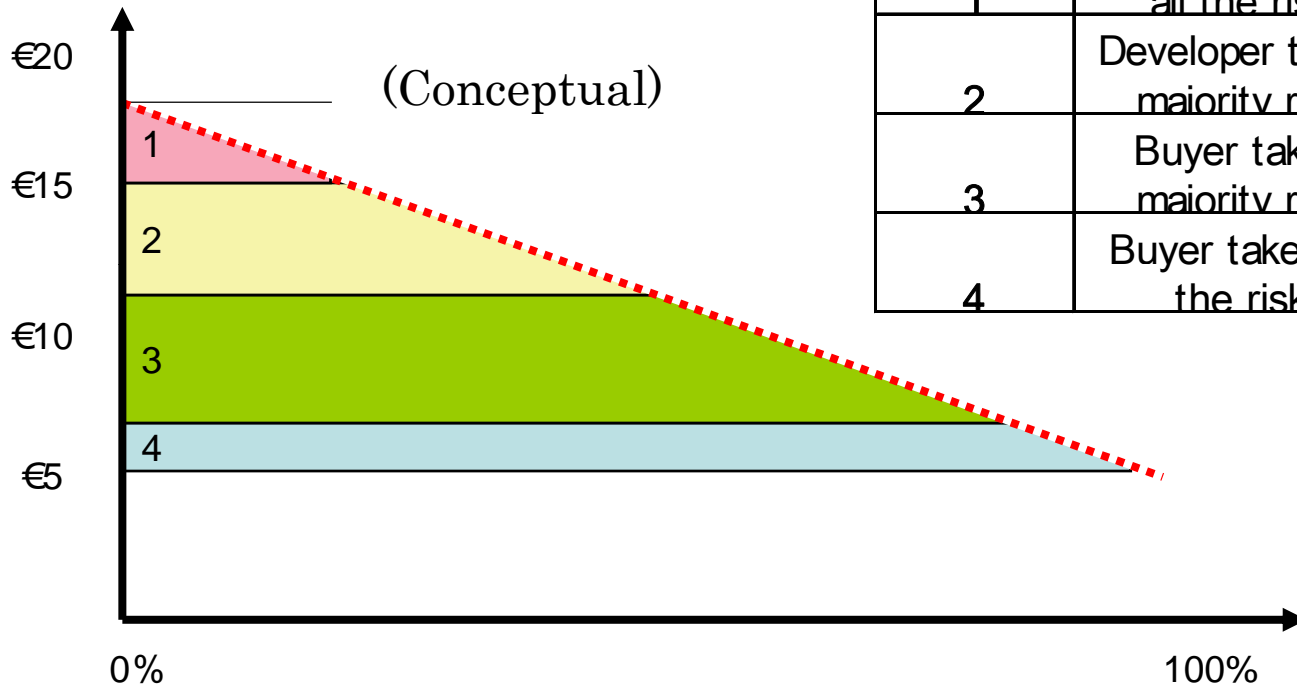
Mitsubishi UFJ Securities
Clean Energy Finance Committee



Portfolio Management

- Must meet the target!!
- Cost Minimization

Risk v.s. Cost



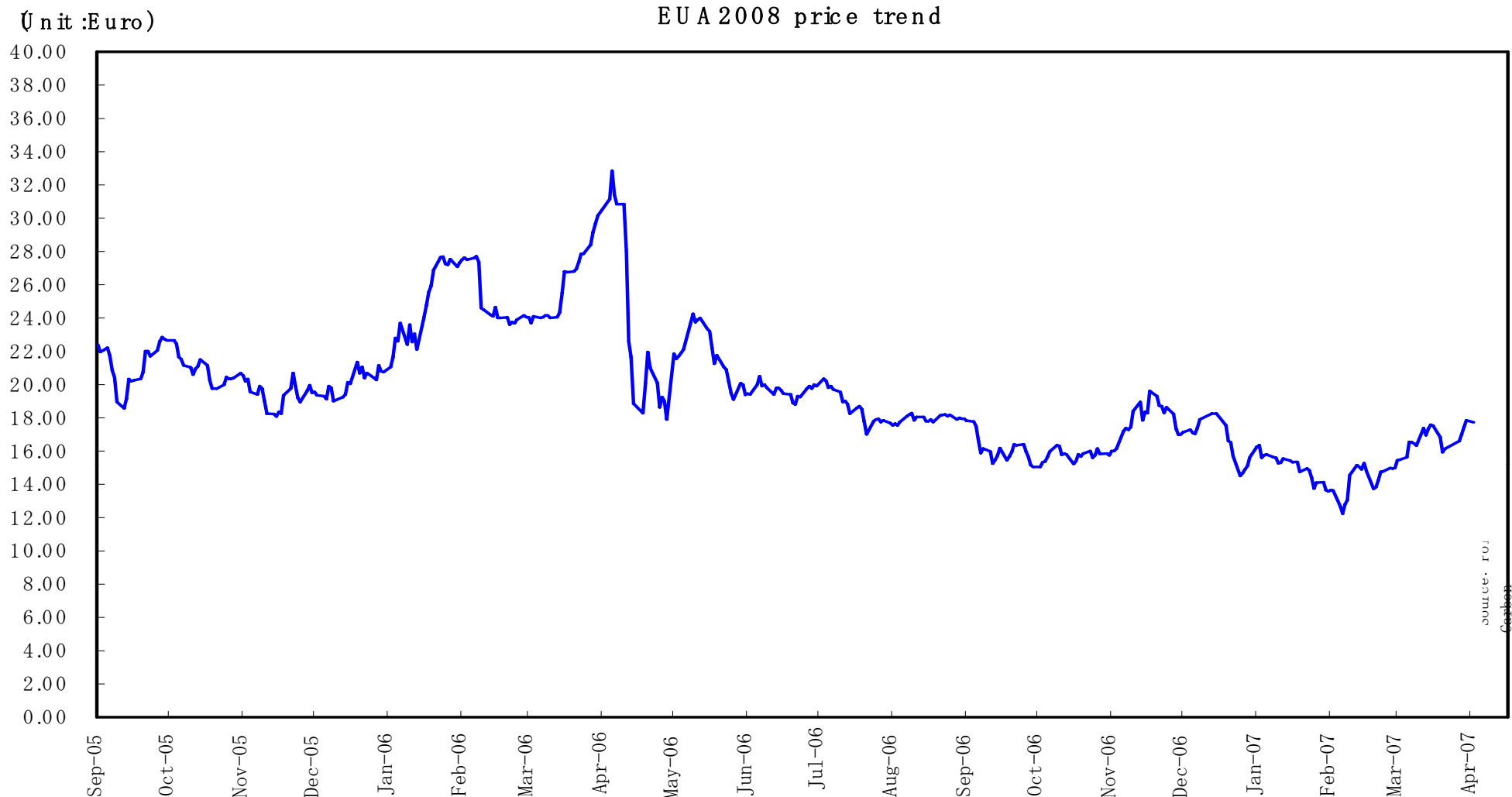
	Risk Sharing	CDM Stage	Developers' Guarantee
1	Developer takes all the risk	Registered	Full
2	Developer takes majority risk	Validation-Registration	Compensation if not delivered
3	Buyer takes majority risk	PDD writing-Validation	Partial Compensation
4	Buyer takes all the risk	PIN	None

- Kyoto Risk
- CDM Risk
 - Regulatory risk
 - Delivery risk
- Country Risk
 - Political and administrative risk
 - Economic risk
 - War and riot risk
- Developers' Risk / Project Risk
 - Implementation
 - Resources and experience
 - Operation risk
 - Financial risk (viability)
 - Cash flow



Price Trend

- EU-Emission Allowance 2008 delivery under the EU-ETS often used as a price indicator



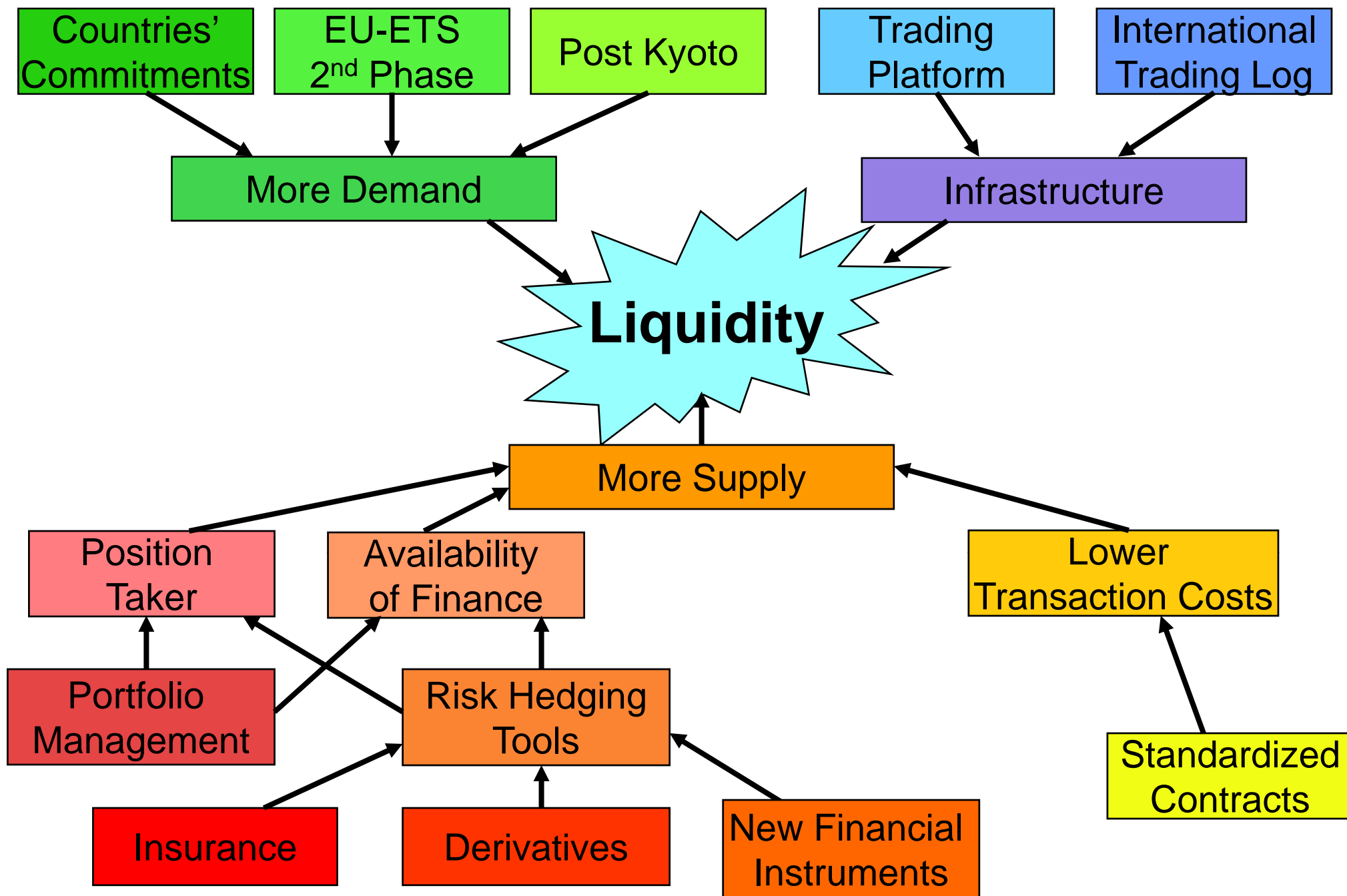


- Option 1: Issued CERs
 - High price
 - Low transaction cost
 - Option 2: Early Stage CERs
 - Low price
 - Portfolio management
 - High level knowledge of CDM
 - Volume
 - High transaction cost
 - Option 3: Mixture of Option 1 and 2
 - Medium price / Medium risk, i.e. Balanced Approach
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- Option 1 (Low Risk CERs): Low volume of secondary market transactions
 - 40 million ton has been traded in 2006 (Source: Point Carbon)
 - Limited trading platform
 - International Trading Log
 - **Lack of liquidity**

- Option 2 (Relatively High Risk CERs): Challenges in portfolio management
 - Project identification and initiating CDM process
 - Uncertainty in future price
 - Annex I Countries' Commitments
 - Post Kyoto
 - EU-ETS Phase II
 - **Lack of liquidity**
 - ⇒ Low volume of trade
 - ⇒ Limited hedging mechanism

Increase Liquidity



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Clean Energy Finance Committee

- As part of new environmental business unit, it was established in Feb. 2001 to assist renewable energy and energy efficiency projects in developing countries with our firm's financial expertise.
 - The Committee is a fully-fledged business unit with thirty-three staffs, speaking thirteen languages in total.
 - Networking with local consultants in Hong Kong, India, Philippines, Indonesia, Brazil and Argentina.
 - A global leader in CDM consultancy: one of the only two private firms in the world with five approved methodologies.
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Mitsubishi UFJ Securities' Approach to CDM

- MUS's services are to assist project developers in obtaining CERs through
 - Project Design Document Production
(Methodology production, if needed)
 - Acquisition of required approvals

MUS has written over 70 PDDs for CDM projects in various countries and more in the pipeline

- To promote further development of CDM projects, MUS has hosted capacity building seminars around the world
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