

your hub to euroland
How bankers see Carbon assets?
your hub to euroland

Sylvain GOUPILLE
Deputy Head Carbon Finance
BNP Paribas
www.paris-euroland.net

BNP Paribas Group and ECEP

- **BNP Paribas is the leading Euro-zone bank**
 - Market capitalisation of €80bn,
 - Net profit of €7.3bn in 2005, a ROE of 21.2%,
 - Present in 85 countries, over 140,000 employees

- **BNP Paribas Energy Commodities Export Project (ECEP)**
 - A Department of the Corporate and Investment Banking (CIB) of BNP Paribas
 - Around 1,300 dedicated professionals with worldwide coverage
 - A whole range of financing products and advisory services dedicated to the energy and natural resources sectors (structured finance, project finance, trade finance, export finance, derivatives)

How do bankers see Carbon assets?

- Different views depending on the business line:
 - Trading
 - Project Finance
 - Corporate banking
 - Asset Management
 - Retail banking
 - ...

Carbon assets are high quality assets as:

- Issued by governments and international bodies (UN)
 - Sovereign or AAA

- Easily transferable
 - Through the European and International Transaction Logs

- Exchangeable on increasingly liquid markets
 - Spot and forward transactions
 - From 50 mn tonnes in 2004 to over 1bn tonnes in 2006

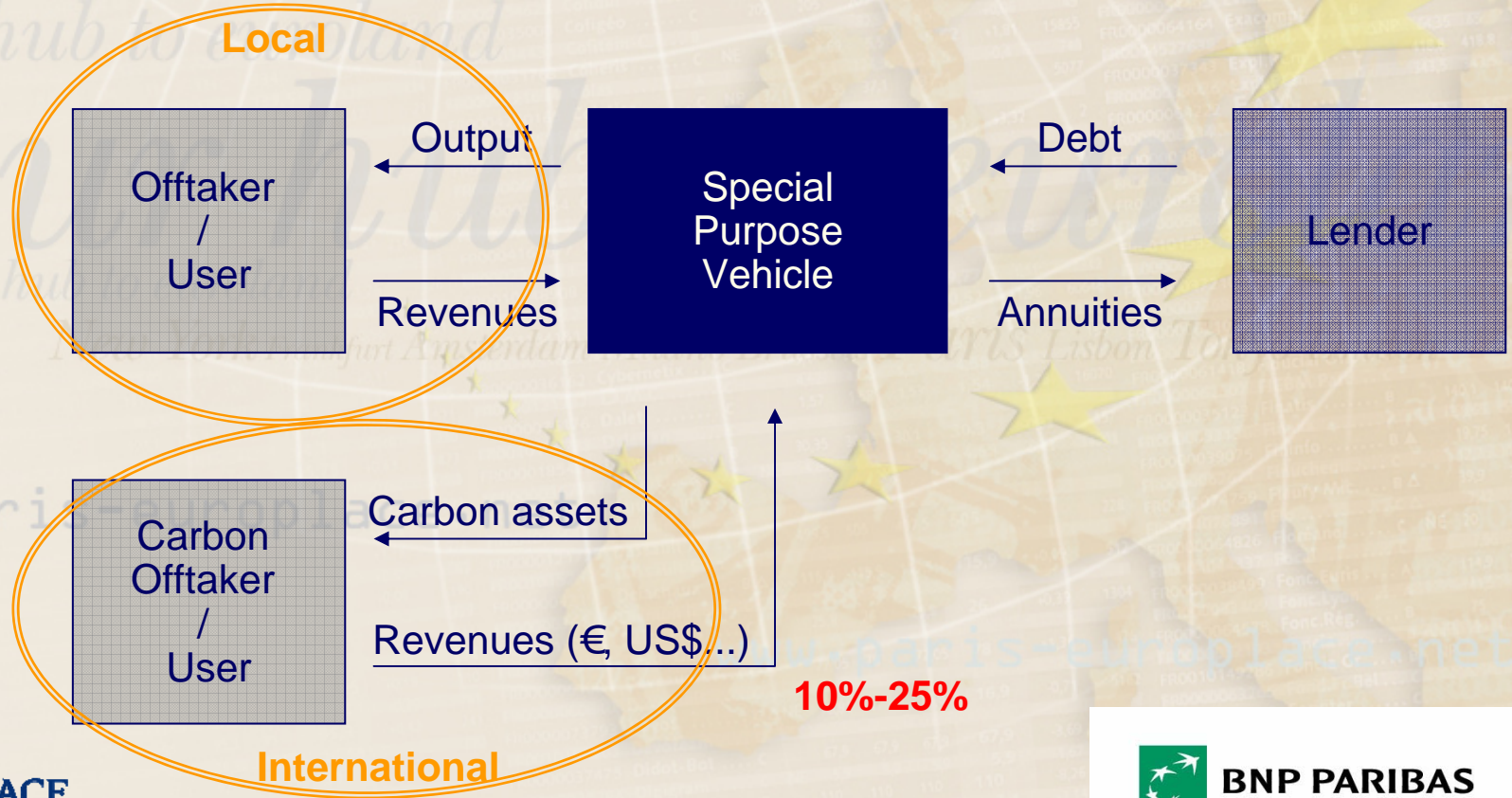
- Exchanged in hard currency
 - Euro, JPY...

For trading

- New underlying with
 - Exponential growth
 - High volatility (about 60%)
- Opportunities for arbitrage of market inefficiencies
 - Liquidity along the EUA curve
 - CER-EUA spread
- Opportunities for cross commodities
 - Spark - Dark spread arbitrage
 - UK-Continental power arbitrage

For Project finance:

- Carbon generates additional cashflows, from a new counterparty, in hard currency not correlated to the core flow
- The volume of Carbon assets is generally proportional to the core output (i.e. x CER by MWh produced)



For Corporate bankers

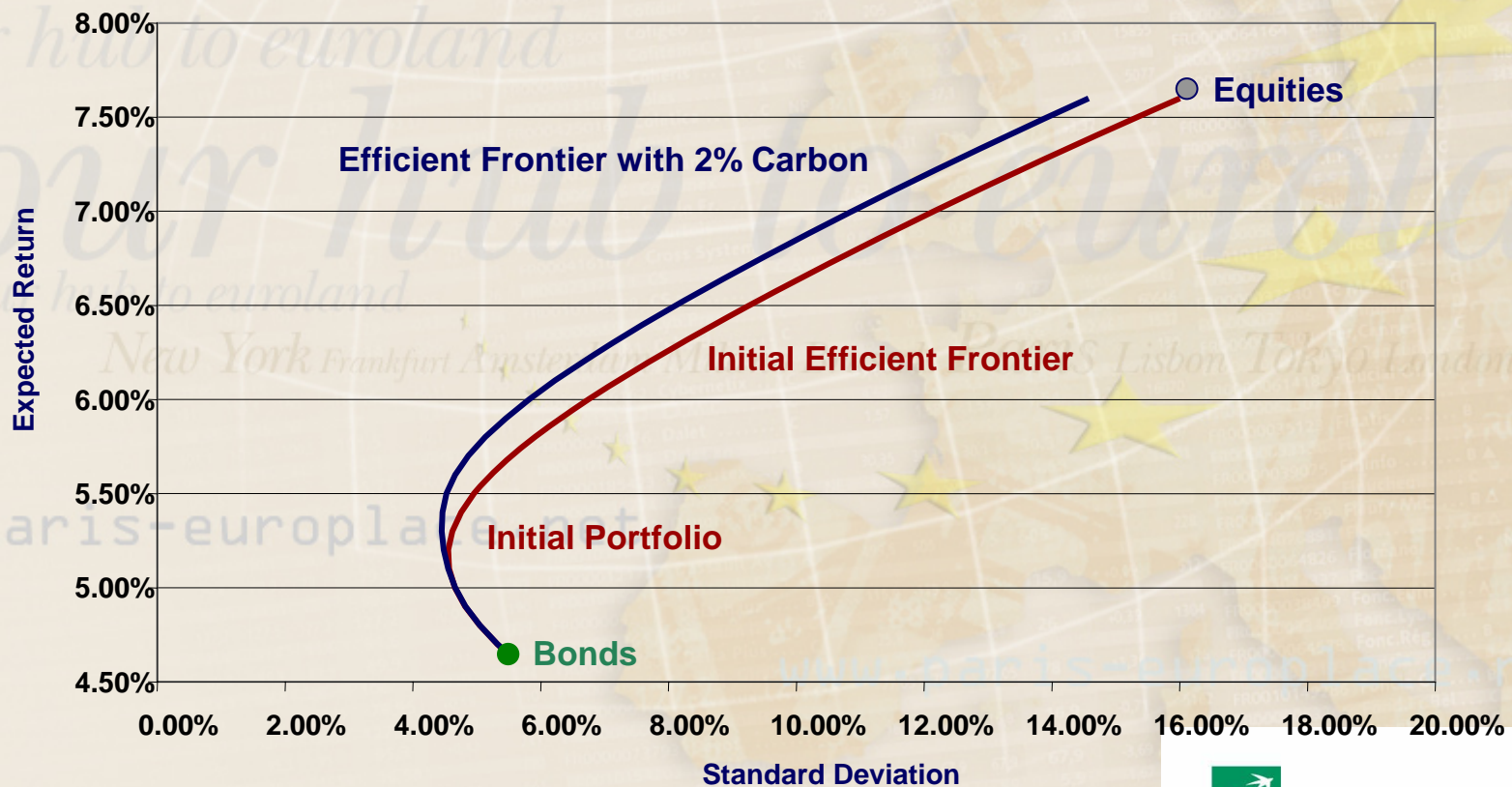
- Impact on profitability of a company
 - Additional costs (e.g. marginal unit)
 - Windfall profits (e.g. utilities)
 - Additional revenues (e.g. Carbon credits)
- Impact on balance sheet
 - New asset to be mobilised
 - Reducing cost of debt

www.paris-europlace.net

www.paris-europlace.net

For Asset Management...

- Carbon is negatively correlated to Equity and Bonds
- A portion of Carbon in a diversified portfolio improve the risk/return



For retail banking

- Carbon offsetting solutions
 - Voluntary compensation
 - Carbon neutral credit cards
 - ...
- Carbon-based financial products
 - Investment products (e.g. SRI)
 - Enhanced loans
 - ...
- Communication and information

Conclusion

- Carbon as good as cash
- View it as an asset, not a business
- Need to be proactive

www.paris-europplace.net

www.paris-europplace.net

your hub to euroland

Contacts

your hub to euroland

Sylvain Goupille: +44 207 595 4758
sylvain.goupille@bnppparibas.com

www.paris-europlace.net

www.paris-europlace.net

PARIS
EUROPLACE

FINANCIAL FORUM

Pavillon d'Armenonville

Thursday July 5 & Friday 6, 2007

www.paris-eurolace.net

www.paris-eurolace.net