



Greenhouse Gas Markets: The Role of Banks

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Environmental Commodities

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Bank of America 
Merrill Lynch



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Bank Activities in the Carbon Markets: Broad

Sales & Trading	In this case, mainly of commodities. Market-making, flow, origination. Risk Management Products. Clearing.
Banking	Investment, Corporate and Commercial Banking
Asset Management	Securities, Fund, Index, Portfolio Products
Principal Investment	Venture, Private & Public, Corporate & Project Equity
Public Research	Market & Securities Analytics
Corporate Policy	Strategy, Corporate Social Responsibility



Bank Activities in the Carbon Markets: Trading Products & Services

Allowance & Credit Transactions

- **Spot sales**
 - **Pro:** Seller will always achieve market prices
 - **Con:** Seller takes full market risk in an exceptionally volatile market
- **Guaranteed firm volume forward sales**
 - **Pro:** Seller achieves the guaranteed secondary market price
 - **Con:** Seller would have to buy replacement units in the event of a shortfall and will have to post collateral for the tenor of the trade
- **Non-guaranteed forward credit sales**
 - **Pro:** Seller locks in price and only sells what is generated by the project(s)
 - **Con:** Buyer will require a discount for taking delivery risk

Additional Market Services

- **Allowance & Credit Hedge Products**
- **Allowance & Credit Repo**
- **Allowance-Credit swaps**
- **Spread Trades**
- **Options**

Comparing Market Actors

- **Market Focus**
- **Proprietary v Flow**
- **Origination**
- **Principal Investment**
- **Investor Products**
- **Project Finance**

Bank of America Merrill Lynch Carbon Markets Capabilities

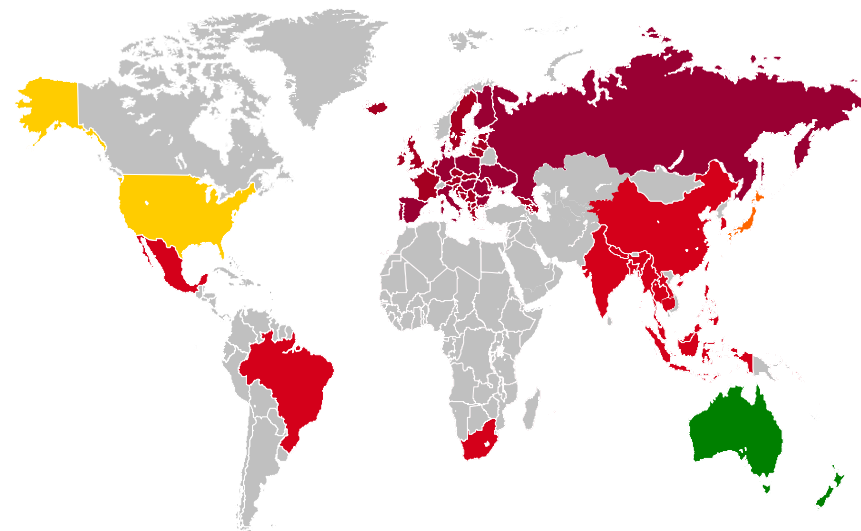
BAML is a fully integrated player in the global carbon emissions markets

- **BAML originates, structures and trades all carbon emission products:**
 - **EU ETS:** BAML is one of largest liquidity providers of EUAs and provides trading and risk management solutions
 - **CDM/JI:** BAML has originated a CER/ERU portfolio and provides CDM/JI risk management services to its clients
 - **North America:** BAML is active in the US renewables and emerging carbon markets
 - **Innovative Structures:** BAML arranges innovative carbon finance structures such as avoided deforestation projects and carbon bonds

- **International Recognition:**
 - BAML's project to protect forests in Aceh, Indonesia was named Carbon Finance Transaction of the Year by *Environmental Finance* and awarded Most Innovative in Sustainability by *The Banker*.

US
<ul style="list-style-type: none"> • RGGI, VER and REC trading • Pre-compliance, VER & REC Origination • Carbon Principal Investment

EMEA
<ul style="list-style-type: none"> • EUA/CER/ERU/AAU trading & risk management • JI origination • Carbon principal investment



Emerging Markets
<ul style="list-style-type: none"> • CDM origination • CDM risk management service • REDD+ finance for avoided deforestation projects

Australia/NZ
<ul style="list-style-type: none"> • Early mover in Australian and New Zealand carbon markets

Japan
<ul style="list-style-type: none"> • CER, ERU, AAU risk management



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