

Propelling the growth of Singapore-based companies to new heights

International trading

Carbon, the new frontier?

Under the auspices of International Enterprise (IE) Singapore, numerous International Partners (iPartners) consortiums have been formed. The objective of these consortiums is to enable a group of Singapore-based companies to pool their resources and expertise, and tackle overseas markets together. iPartners consortiums have been formed in areas as diverse as airport construction, subway systems and F&B operations. One of the latest such consortium is the Green house Gas Emissions Reduction (GHGER) Group, which is in a very niche area. The group marked its formation with its first-ever Climate Change and Energy business mission to India last month to seek opportunities in this area.

Under the Kyoto Protocol, a worldwide treaty, countries agree to abide by the reduction of their greenhouse gas emissions with respect to emission levels as at 1990. This has led to the development of the Clean Development Mechanism (CDM), whereby companies from Annex I (developed countries) can “trade” their greenhouse gas (GHG) emission “quotas” if it makes sense from a cost point of view. This has further spawned the development of supporting functions for this sector, such as consultancy, asset management services

and the provision of technological solutions, legal services and so on, which is what the GHGER Group does.

“Aside from local projects, there is a plethora of overseas opportunities for Singapore based companies as the focus in the coming years will be on Asia, where the efforts to reduce GHG emissions will play a pivotal role in mitigating global warming,” says Ted Tan, acting CEO of IE Singapore.

Why India

For its business mission to India, the GHGER group set its sights on a \$25 million pie. “Though this was our first trip to India, we are in negotiations [with conglomerates there] for several projects identified by IE Singapore,” says Paul Yap, CEO of Hazelberg Asia, a company that provides the technology to process and reuse flyash, which is a by-product of coal-fired generators that is otherwise dumped. Hazelberg Asia plans to process the flyash into cement substitutes for mixing into concrete, for both India and the regional markets.

So, why was India chosen among the numerous countries with potential?

“India’s main advantage in developing CDM projects is that it has one of the first incentives through the World Bank and GTZ in developing capacity through various international governmental programmes,” says Kesava Shotam, group managing director and CEO of Asia Carbon International, a private company that offers a wide range of services for this industry, from advisory to project development. GTZ, or Die Deutsche Gesellschaft für Technische Zusammenarbeit GmbH, is an organisation under the purview of the German government that helps countries across the world in development projects.

India now has about 300 projects pending the registration of the CDM regulator.

“It was important for our iPartners consortium to tap the India market and to learn of the development of CDM projects in India,” says Shotam.

What’s needed?

While there is good potential, some key ingredients are needed in order for the industry to develop. For example, right now, certified emission reduction certificates (CERs) are not fungible — in other words, interchangeable with a specific quantity, says Shotam.

But, the Asia Carbon group, upon recognising

this, has set up the world’s first CDM focused exchange in Singapore. The ACX-Change, as it is called, aims to provide liquidity for the market. It has also come up with an auction process to trade CER futures on its own platform. So far, the ACX-Change has carried out five monthly auctions, with more than 2.18 million CER Forwards changing hands. Such a platform is “providing transparency and price discoveries hitherto not available to both buyers and sellers of CERs”, says Shotam.

However, he emphasises that the development of CERs leans very much on the regulatory framework of the United Nations Framework Convention on Climate Change, the United Nations body overseeing issues relating to the adverse effects of climate change. “It is fundamental to get this in place to ensure liquidity is based on certainty of delivery rather than ‘phantom’ emission reductions,” he says.

So, while the industry is just developing and is unfamiliar to many, IE Singapore is pleased to learn there is some private-sector interest for a start. “We are glad to see industry players like the GHGER Group taking an interest in this emerging market and encourage Singapore based trading companies to explore new opportunities with this consortium,” says Tan.

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