

Element Markets

Emissions US – House of the Year

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Rather than scaling back its activity in light of the difficulties in the environmental markets in 2009, Element Markets sought out new opportunities and strengthened its client base across the US market. The largest holder of projects on the Climate Action Reserve registry, Element Markets transacted nearly 20 million greenhouse gas credits last year. In addition to signing nearly a dozen aggregation service agreements in 2009, it also continued to provide structured environmental compliance and portfolio-optimisation services to a range of end-users including governments, corporations, academic institutions and large industrials.

In fact, Element used the combined effects of the financial crisis and the lack of movement from US legislators in developing a federal carbon emissions trading scheme last year to strengthen its base in the environmental markets.

“Because of the way the company is structured, with trading, marketing and development operations across our greenhouse gas/emissions and renewable energy business units, we’ve been able to take advantage of the slowdown in the carbon space to gain market share in all sectors,” says Angela Schwarz, president and chief operating officer of Element Markets.

While other organisations paused their activities in this area, or even exited the market altogether, Element took the opportunity to capitalise on new opportunities and build deeper relationships with those players that are likely to be most impacted by future regulations governing carbon emissions. “Whether it was the ability to contract for projects that

we probably would not have considered a year ago, or developing partnerships with market players that haven’t been as fortunate from a cash-flow perspective, I think we’ve been able to make good use of the current market conditions,” Schwarz says.

Element is active across the range of North American greenhouse gas markets, including the Regional Greenhouse Gas Initiative (RGGI) and the Alberta Greenhouse Gas Reduction Program. It also participates in voluntary programmes such as the Climate Action Reserve (CAR) and Voluntary Carbon Standard (VCS) offsets. It saw a fivefold increase in traded volume between 2008 and 2009.

Schwarz adds: “As well as the federal sulfur dioxide (SO₂) and nitrogen oxide (NO_x) markets, our emissions desk is active in the regional Emission Reduction Credit (ERC) and allowance markets, where we assist clients in managing New Source Review permitting and ongoing compliance in air quality non-attainment areas within the US.”

While Element’s emissions reduction book was impacted by the recessionary effects of the financial crisis, according to Schwarz, the company successfully repositioned its book and continues to be an active market participant. “We found opportunities where credits had moved away from fair value,” she says.

In terms of project development,



Angela Schwarz,
Element Markets

reduced capital flows into the sector in general prevented many developers from continuing as planned with projects. However, this coincided with a dramatic drop in construction costs, encouraging Element to build on its involvement in this sector as well.

Over the past year, Element has worked on a range of projects focused on renewable energy and greenhouse gas mitigation activities. “We have concentrated on coastal wind development and our project portfolio currently holds in excess of 1,100 megawatts (MW). In terms of solar project development, we have built a portfolio that is now in excess of 200 MW. These have been very successful initiatives for us.”

The main areas of focus on the greenhouse gas credits side of the business are methane projects, in particular landfill gas, coal mine methane and agricultural methane destruction projects.

“The company has been built for scale,” Schwarz says. “We are celebrating our fifth anniversary this year and everything the company has done so far has served to lay a foundation for the growth that we are starting to experience and expect to continue over the next five years.”

And over that period, Element will not only expand on its current activity, but will also look to grow in other areas. Schwarz says: “We see substantial growth potential in the renewable energy credit market and are becoming more bullish on solar, while we continue to like the methane space.”

The uncertain regulatory outlook for emissions trading in the US has certainly not dampened Element’s enthusiasm for continued participation in the environmental markets. “Like most companies we were glad to see 2009 close, but overall we like where we have ended up,” says Schwarz. ■