

THE Emissions Trader

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A publication of the Emissions Marketing Association
Serving the International Emissions Trading Community

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From the EMA President: Ethics Are Every Emissions Trader's Business

The events of the past year may lead some to believe that ethics are a thing of the past. After all, the news has been full of items including the accounting scandals at Enron and WorldCom; the insider trading allegations for Martha Stewart; the conflicted stock analysis and recommendations of Frank Quattrone; and the false price reporting to price indices. Even the emissions trading field has not been untouched, as allegations of commercial fraud come to light in California's RECLAIM market. It seems a week doesn't go by without the *Wall Street Journal* carrying news of another indictment on its front page.

Yet, as we note the passage of the one year anniversary of the Sarbanes-Oxley Act of 2002 which mandated stricter Board oversight and financial reporting controls for firms, there are two observations I would like to make as EMA President: Executive accountability exists in the emissions field and EMA has a strong policy statement of ethics applicable to all members.

Examining the first item in more detail, it is important to note that since the inception of the US Acid Rain Program in 1990, a Designated Representative, usually an officer of a company, has been certifying "under penalty of law" that they have "personally examined" and "that the statements and information are to the best of [their] knowledge and belief true, accurate, and complete." They made this certification knowing that the penalty for noncompliance could include "the possibility of fine or imprisonment." So while Congress is to be commended for protecting investors with the passage of Sarbanes-Oxley Act, in reality they have simply afforded investors similar protections that have been applied to the nation's environment for more than a decade. The certifications under the Acid Rain Program pertain not

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“Assessing the Implementation of Environmental Markets Around the World”

Topics at the 7th Annual Fall Meeting & International Conference Include:

- *North American SO₂ and NO_x Market Update*
- *US Greenhouse Gas Policy Update: Will A Market Develop In the Absence of Kyoto?*
- *Renewable Energy Certificates, Green Power & Related Topics*
- *GHG Project Measurement & Verification*
- *Environmental Risk Management – Compliance Risk Management*
- *Implementing GHG Emissions Trading Programs*
- *Greenhouse Gas Inventory, Accounting, and Registry Issues*
- *Joint Implementation (JI) and Clean Development Mechanism (CDM) Case Studies*

Introduction to Emissions Trading Workshop
Risk Management for Emissions Traders Workshop

See enclosed Fall Meeting Preliminary Program for more information!

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A few comments from your EMA Chairman:



On July 15, Energy Argus' *Air Daily* published its inaugural edition of its "Broker Index". Although many publications currently produce indexes tracking price movement in the allowance markets, this one is unique. This index was made possible by efforts of the EMA Ad Hoc Index Exploratory Committee and a broad cross section of industry participants to facilitate the development of a financial market.

The EMA Board of Directors recognized the benefits a financial market would bring to allowance trading and formed the Index Exploratory Committee last year, opening the committee to all interested parties. A key benefit of financial trading is improving the attractiveness of the allowance markets to banks and other financial institutions which do not maintain control allowance unit accounts and increasing competition in the market. Financial trading also enables new trade types, including swaps, and options on swaps, that are currently impossible.

The Index Exploratory Committee exercised EMA's convening power to assemble the traders, brokers and publishers who would be stakeholders in a financial market. This group met

repeatedly over the following year to complete an "academic process" to design an accurate and timely preferred index on which to settle financial transactions.

This process resulted in the publishing of the "Procedure Suggestion – A Price Index for SO₂ and NO_x Allowances" on June 4, 2003 (available at www.emissions.org). This document was distributed widely to media outlets to encourage a publisher to adopt the committee's suggestions and create an index appropriate for settling financial transactions. The document called for the formation of an EMA independent Steering Committee to act as an advisory body to the publisher. *Air Daily* has formed such a committee and is compiling its index in accordance with the EMA suggestions. The *Air Daily* effort is completely independent of EMA. All index publishers are welcome to utilize the EMA procedures.

I hope this development puts the allowance market much closer to the advent of financial trading and all the benefits it will bring our profession. I congratulate *Air Daily* on being the first publisher to adopt the EMA standards. I also congratulate the Index Exploratory Committee on its successful efforts to facilitate the development of an accurate index which makes financial trades a real possibility.

Matthew Most, EMA Chairman

EMA on the WEB



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EMA brings the following benefits to you as a professional in the emission markets:

- Discounts to EMA's educational conferences or workshops, saving you \$500 per meeting
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EMA Calendar of Events



Sunday, September 21, 2003
Miami, Florida



Wednesday, September 24, 2003
Miami, Florida



September 21-23, 2003
Miami, Florida



May 2-4, 2004
New Orleans, Louisiana

Advertise with the EMA!

There are now four ways for your company to advertise through the Emissions Marketing Association, reaching the emissions market participants throughout the world.

1. *The Emissions Trader* is circulated to the EMA database of over 4,500 individuals worldwide on a quarterly basis and posted in two formats on the EMA website.
2. The *Environmental Markets Update*, a twice monthly publication is emailed to EMA members and posted on the EMA website on a delayed basis for the public.
3. The homepage of the EMA website offers banner advertising for companies interested in electronic promotion.
4. The EMA website also offers a Member Services Listing for EMA members to be listed under their major business focus within the emissions markets.

All of these opportunities are available to help promote your company or institution in a very economical way. Please go to the EMA website at www.emissions.org for more information and rate schedules.



Hats Off to EMA's Executive Director



Congratulations to David Feldner, EMA's Executive Director. In May 2003, David was notified that he had been designated as a Certified Association Executive (CAE) by the American Society of Association Executives (ASAE). This honor is the highest professional achievement available from the ASAE.

To earn his CAE certification, David not only needed to demonstrate sufficient work experience to qualify for the award, but also had to pass a comprehensive written examination demonstrating a high level of knowledge, ethical fitness and leadership in the field of association management.

The CAE designation is not easy to achieve with only 3,000 ASAE members, out of over 25,000, having been honored with this recognition.

EMA is proud to have David on its team, and wishes him a successful career as a Certified Association Executive!

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Units

Wastewater
Credits

Renewable Energy
and Certificates

NO_x, SO_x, VOC,
CO, PM₁₀, CO₂

Emissions Marketing Association Code Of Ethics: Preamble

The Emissions Marketing Association is dedicated to promoting the advancement and application of policy and regulation relevant to the market-based emissions trading industry. The primary purpose of this Code of Ethics is to educate industry members concerning standards of conduct in their dealings with customers, peers, service providers, members of related organizations, and the public at large.

Mission

The mission of the Association is to promote market based trading solutions for environmental management and to serve its membership. The Association will pursue this mission through the following objectives:

- a. Promote the advancement and application of policy and regulation relevant to market based emission trading systems.
- b. Encourage and facilitate information exchange among members and other professional and technical groups, and the public.
- c. Provide programs in education and training to improve knowledge and skills of members and the understanding and acceptance by the public.

Article I

General Obligations

Members of the EMA shall conduct themselves as informed, law abiding citizens. They shall be informed of and adhere to those federal, state, and local laws, statutes, ordinances, codes, and regulations applicable to the emissions trading industry and to their businesses such as those dealing with restraint of trade, consumer protection, truth in advertising, truth in lending, selling, and reporting.

Article II

Obligations to the Public

Members of the EMA shall dedicate themselves to sound and competitive business practices. Specifically, they shall strive to:

- A. Compete lawfully and honestly.
- B. Build their businesses on the merits of their own products, services, and abilities; and not falsely disparage the products, services, or abilities of competitors, or others.
- C. Accurately represent the characteristics or effects of the emissions trading program(s).
- D. Accurately represent the benefits of the emissions trading program(s).
- E. Accurately represent their credentials, training, experience, and abilities and those of their employees and agents.
- F. Avoid the omission of material facts in promoting their products or services if the effect would be to mislead or misrepresent.
- G. Be familiar with and adhere to the regulations, laws, statutes, etc. already in place in the emissions trading industry.

Article III

Obligations to Professionalism

Members of the EMA shall maintain and advance their knowledge and skills in the emissions trading industry. Specifically, they shall strive to:

- A. Ensure that their employees and agents, through continuing education, have a practical working knowledge of the technologies used in, and the capabilities of, the products and services they provide.
- B. Improve their own professional expertise by staying abreast of industry technological and scientific developments as well as the laws and regulations inherent to emissions trading.
- C. Adhere to and promote the business ethics embodied in this Code.

This Code of Ethics for members of the Emissions Marketing Association has been adopted to promote and maintain the highest standards of service and conduct among its members. Adherence to these standards is required for membership in the association.



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EMA MISSION

EMA was founded to foster market-based trading solutions for environmental management and to serve its membership.

EMA promotes the advancement and application of policy and regulation relevant to market-based emission trading systems.

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Emissions Marketing Association

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Chairman's Column

From the EMA President:
Ethics Are Every Emissions Traders
Business

Emissions Marketing Association
Code of Ethics

EMA Mission

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From the EMA President: Ethics Are Every Emissions Trader's Business ...continued from cover

only to raw data for air emissions, but also cover the ownership and transfer of allowances in the emissions markets.

Second, before it became *de rigueur* to implement ethics statements in response to wrong doing in an industry, members of the Emissions Marketing Association had been covered by a Code of Ethics (reprinted on pg.6) that preemptively set out standards of conduct for the emissions industry. The Ethics Policy covers general obligations to uphold laws, codes and regulations; obligations to the public; and obligation to professionalism.

I close this month's column by admonishing emissions traders, whether members of the EMA or not, that emissions trading is a privilege. It allows for environmental goals to be achieved faster and with less disruption to consumers than more draconian command-and-control approaches. But if the emissions trading industry does not maintain high standards of ethical operation, emissions trading will not be expanded or may be taken away. This makes *ethics every emissions traders business*.

Daniel Chartier, President

*Comments on this article are welcome at
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