

Low Carbon Society in Asia (From Business Perspective)

13th February, 2009

Emission Reductions Projects Development Department
Environmental Business Division
Mitsui & Co., Ltd.

1. Mitsui's Activities in CDM

2. Analysis of CDM

- as a tool for supporting realization of “Low Carbon Society”**

3. Mitsui's possible contribution to realize “Low Carbon Society” through its business

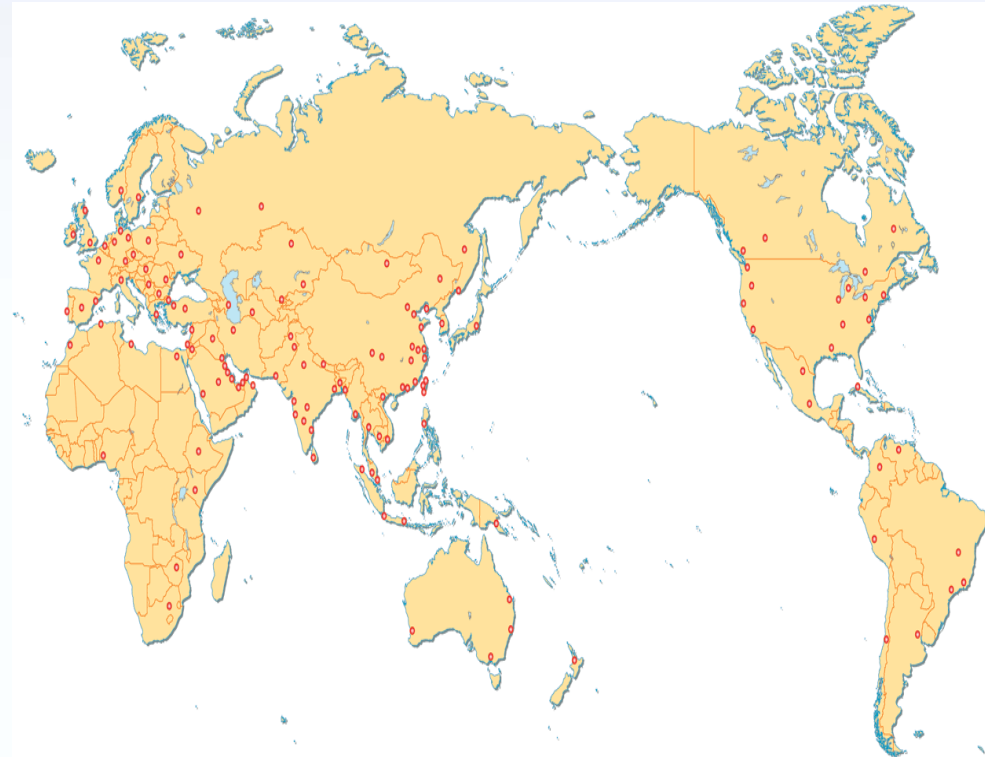
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As of Mar/2008 otherwise specifically mentioned

Profile

- Foundation: July 1, 1876
- Establishment: July 25, 1947
- Number of Employees (Consolidated): 42,621
- Subsidiaries and Associated Companies: 558
- Financial Information (FY 2007)
 - Revenue USD 50.3bil
 - Net Income USD 3.6bil
 - Total Assets USD 85.0bil
(1 USD = ¥ 114)
- Long Term Credit Ratings
 - Moody's A2
 - S&P A+
- Market Capitalization (Oct/2008)
USD 23 bil

Global Network


























- Number of Offices (Jun/2008)
 - Overseas: 149 (68 countries)
 - Domestic: 12

Introduction of Mitsui's Various Business Field

MITSUI & CO., LTD.

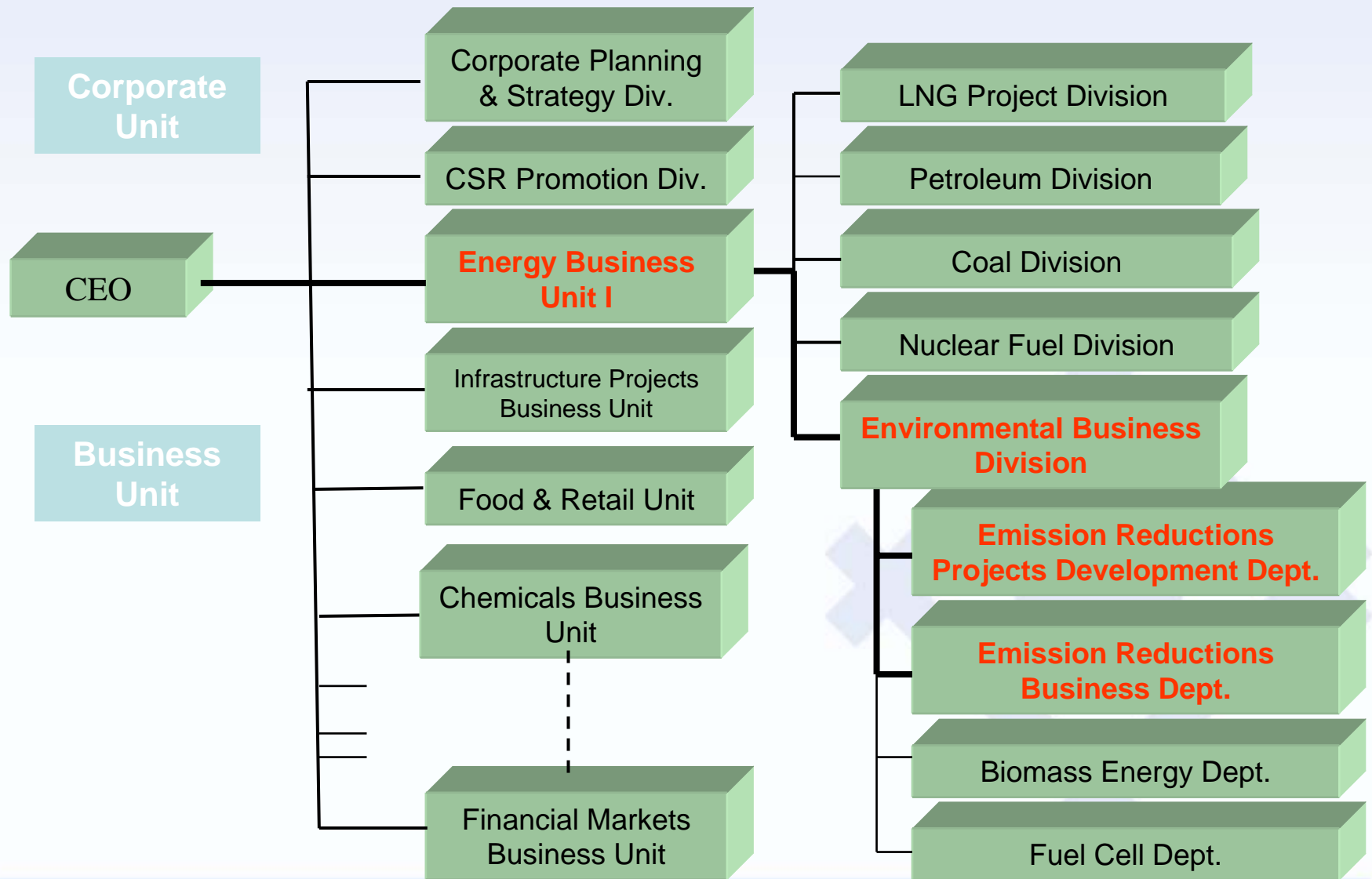
- Mitsui & Co., Ltd. has been operating the global business under the 15 business units.

Iron & Steel Product B.U. (ex. pipeline)			Energy B.U. I & II (ex. oil & gas)		
Mineral & Metal Resources B.U. (ex. mining)			Food and Retail B.U. (ex. demand chain management)		
Infrastructure Projects B.U.			First Consumer Service B.U. (ex. apparel)		
Motor Vehicles B.U. (ex. automobiles)			Second Consumer Service B.U. (ex. real estate)		
Marine & Aerospace B.U. (ex. ships, airplanes)			Information, Electronics and Telecommunication B.U. (ex. e-commerce, IT)		
First Chemical B.U. (ex. biotechnology)			Financial Markets B.U.		
Second Chemical B.U. (ex. Plastic products)			Transportation Logistics B.U. (ex. shipping)		

1. Mitsui's Activities in CDM



Mitsui's Organization Chart



Mitsui's Activities in CDM

【Basic Policy】

Mitsui will support realization of CDM projects by rendering solution for Project Owner's concern and realize stable procurement of CERs for supply to Buyers taking into account Buyer's needs and requests.

Buyer's needs and requests

- ① Stable procurement of CERs at reasonable price
 - ② Improvement in yield of CERs
 - ③ Diversification in procurement portfolio of CERs
- ⇒ Mitsui will render solution through realization of various type of CDM projects at various host countries by performing its “research” and “realization” function.

Project Owner's concern

- ① Technology
 - ② Capital Expenditure for the Project
 - ③ Procedural Support in CDM process
 - ④ Support in “Monitoring”
- ⇒ Usually, CDM projects are regarded as “side business” by Project Owners who have operated main business. Hence, in many cases, they are not familiar with how to realize CDM project by themselves. Mitsui will support Project Owners to realize CDM by rendering solution for their concerns.

Mitsui's Functions

【Project Finding】

- **Find out Project opportunities/Project owners** through its own networks in existence.
- **Review of “sureness”** of the project by integrated approach (including analysis of main activity related to CDM projects)

【Project Realization】

- **Rendering Technology**: EPC, Introduction/Transfer of technology
- **Finance**: Equity, Loan, Prepayment of CERs price
- **Procedural Support**: PDD preparation、Validation, Verification etc.

【Project Monitoring】

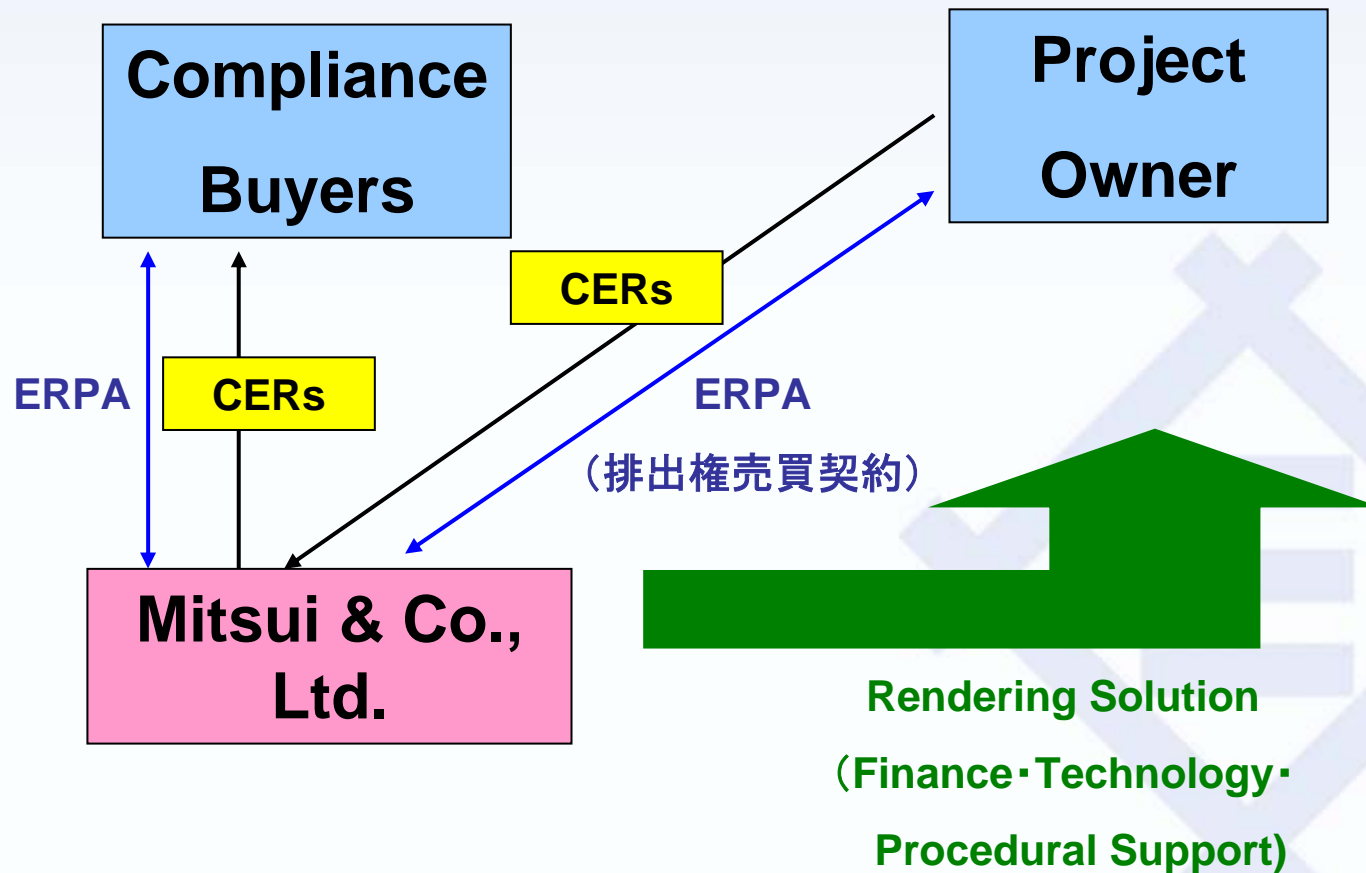
- **Project Monitoring** through Mitsui's own representative offices at Host Country

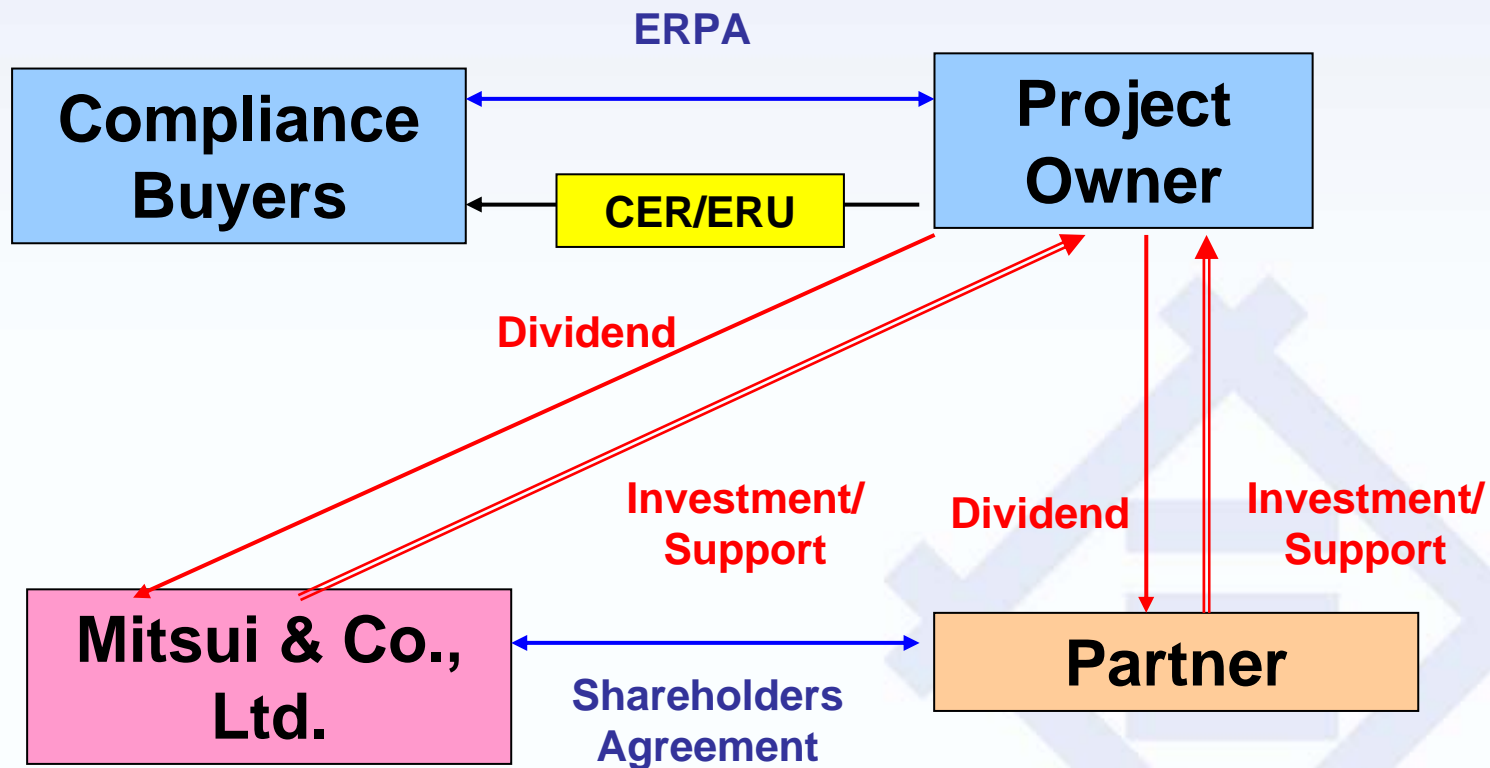
【Alliance with Strategic Partners】

- **Alliance with entities which hold “key” technologies** (by way of equity investment, alliance agreement, etc.)
- **Alliance with financial institutions** (co-development of CDMs)

【Example】 Purchase – Resale model

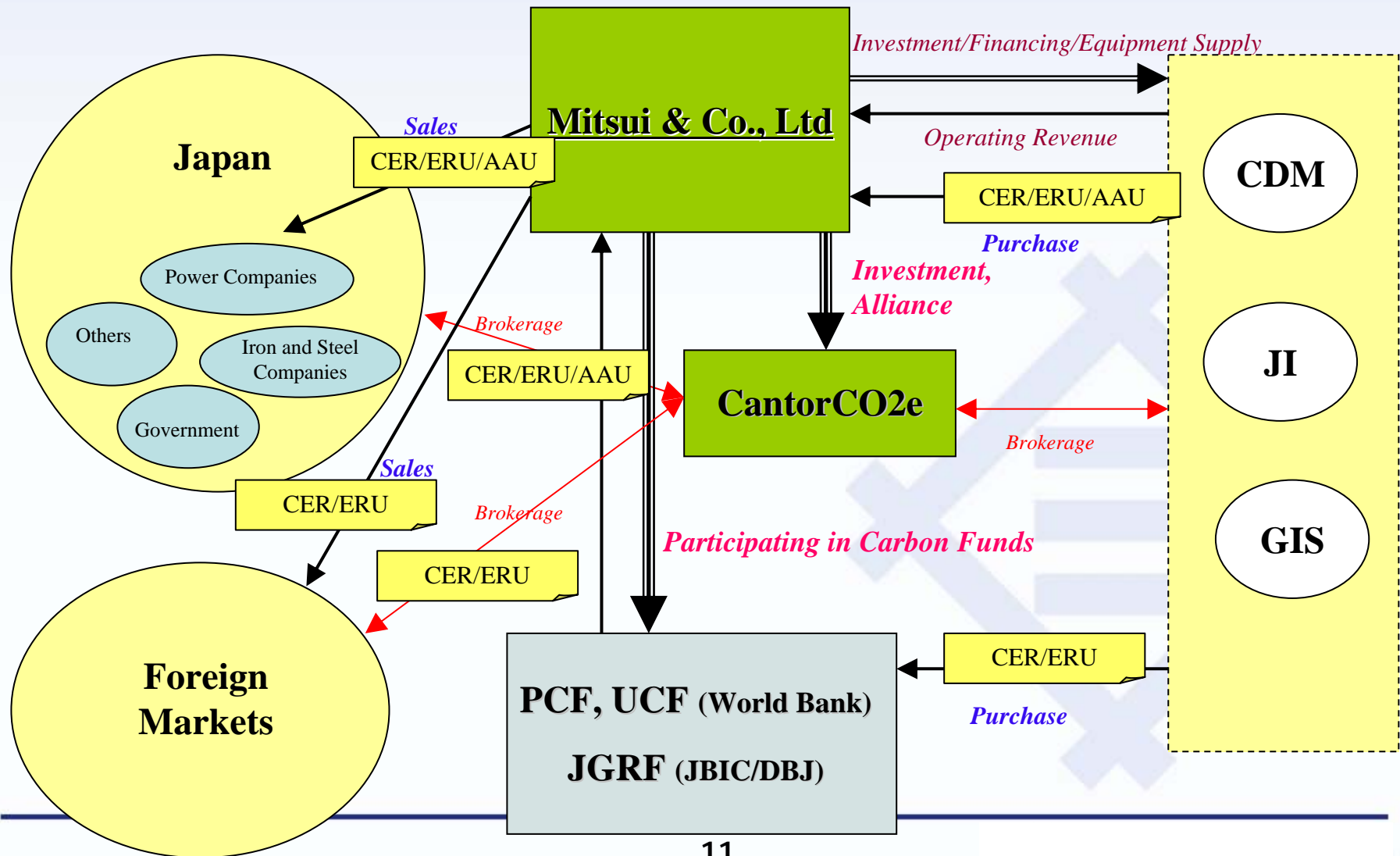
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Marketing and Sales Activities

Development of CDM/JI/GIS Projects



CDM project development examples

<u>Country</u>	<u>Project Type</u>	<u>CER Volume</u>	<u>Participation by Mitsui</u>
• Chile	Landfill Gas	1.5 mil tons-CO ₂ e	Project Development, Investment & Marketing
• China	Coalmine Methane	3.0 mil tons-CO ₂ e	Project Development, Finance & Off-take
• China	Coalmine Methane	5.0 mil tons-CO ₂ e	Project Development & Off-take
• Armenia	Landfill Gas	1.4 mil tons-CO ₂ e	Project Development & Investment
• Indonesia	Swine Methane	1.2 mil tons-CO ₂ e	Project Development, Investment & Marketing
• China	HFC23 Incineration	11.5 mil tons-CO ₂ e	Off-take
• China	N ₂ O	1.4 mil tons-CO ₂ e	Project Development & Off-take
• China	Wind farm Project	1.6 mil tons-CO ₂ e	Project Development & Off-take
• India	N ₂ O	2.3 mil tons-CO ₂ e	Project Development & Off-take

NOTE: Projects listed above are only for press release due to confidential obligation.

Up to date

Total 60 million tons contracted.

Total 100 million tons targeted by 2012.

2. Analysis of CDM

as a tool for supporting realization of “Low Carbon Society”



Character of CDM as a finance tool

【Character ①】 Cash flow creation model

- Sales revenue of CERs is an additional cash flow for the project, but, it will not cover Capital Expenditure of the Project at the beginning.

(In some case, existence of long-term sales contract of CERs indirectly contributes in raising fund for Project Owner.)

- It is difficult to include long term (more than five years) sales revenue of CERs in project feasibility study.

(Due to short/middle term of international/domestic framework)

⇒ CDMs will not directly lead long-term projects (Transportation/ Infrastructure etc.)

- Amount of sales revenue of CERs will be easily affected by volatility of CER price. (So far, volatility of CER price is relatively high. CER price have been affected by policy / economic recession / fossil fuel price etc.)

Character of CDM as a finance tool

【Character ②】 Only applicable to Mitigation activities

- CDM finance will not cover following area:

- a) Not Mitigation, but necessary for Mitigation Activity

(example: grid stabilization in case of introducing large amount of electricity from renewable energy sources)

- b) Adaptation activities

- c) Basic infrastructure for monitoring emission of GHG (Inventories, Verification organizations etc.)

- CDM finance have been concentrated to Countries/Project category which have large reduction potential.

⇒ CDMs in LDC countries are relatively few.

CDMs in energy efficiency improvement are relatively few.

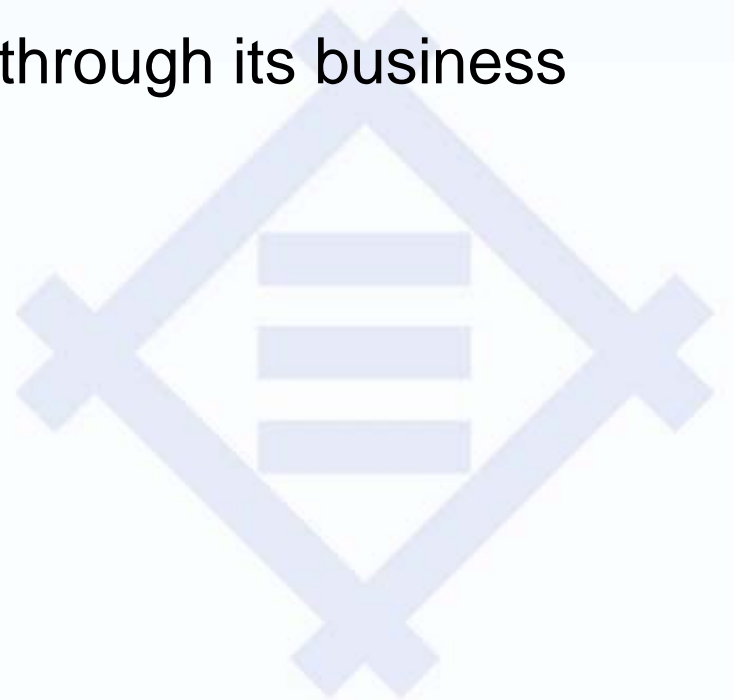
【Epoch-making Aspect】

- CDM mechanism have produced **“International Currency”** for added value in reduction of GHS emission, which cause money flow from Japan/EU to Developing countries.

【Discovered “Problem” through experience】

- Uneven distribution of CDMs in country/project category
 - Some problems could be solved by improvement of CDM scheme. But, some problems could not be solved by CDM itself.
- ⇒ It is clear that some area/projects in realization of low carbon society could use the benefit of CDM, but CDM is not almighty. In some area, other scheme / political support shall be necessary as a drive.
(⇔It does not mean some project could not be realized through “business”. CDM is just one of possible business opportunities led by international framework.)

3. Mitsui's possible contribution to realize "Low Carbon Society" through its business



① To realize an adequate energy portfolio in Japan/Asia

- We have various channels with private/public players all over the world. We should lead discussion among such players regarding energy security/procurement from middle/long term perspective taking into account “low carbon society” and sustainable development of “industries”.
- We will not stick any specific energy asset which we have now. We could make investment into any new energy assets.
- We could gather fresh information through our network all over the world.

As a Japanese Conglomerate

② Alliance with Japanese Partners in realization of low carbon society in Japan

- With Motor Vehicles industry (Infrastructure of “hydrogen supply” 、 New transportation/city system planning) 、
- With Consumer Electronics Industry (introduction of energy efficiency improvement into households/buildings)
- With Technology Holders (Solar Panel / Replacement Industry Gas)
- We have a lot of opportunities and responsibilities to co-develop business opportunities which contribute to realize Low Carbon Society.
⇒ In order to realize as a “business”, we should produce “system” in line with policy for motivating action for realization of Low Carbon Society.

③ Integration of Finance / Actual Business

- It is impossible to realize Low Carbon Society by using only “Taxes” “ODA” “Public fund”.
- We should utilize “surplus money” which have no “intention” at this moment, by realizing new financial alliance / scheme which give such money feasible and valuable opportunities to realize business, taking into account Low Carbon Society movement.

As an International Player

④ Realize global action/business

- Climate Change is not a domestic issue, not an issue only for developed countries. It really requires global action.
- In Mitigation activities, we could have opportunities of expanding CDMs development / realizing alternative fuel supply at developing countries and introduction of Japanese technologies.
- In Adaptation activities, we could co-work with Governmental program by way of executing EPC / Infrastructure construction / water supply business etc.

Brainstorming for Panel Discussion

How to motivate action towards Low Carbon Society in Asia?

- ① In procurement of Kyoto Credits, to set preference on “CERs from specific sector CDMs (or JIs) in Asia”:
⇔ “high quality CDM credits from third countries should only be accepted in Community scheme once those country have ratified international agreement from 2013.” (EU ETS Phase 3)
- ② Corroboration of
 - (i) ODA or other public financial support and
 - (ii) CDM mechanism. (for ex. Tiefa CMM utilization CDM project in Liaoning province, China)
- ③ To set and achieve more “area-wide” commitment under UNFCCC.
- ④ To introduce other financial scheme to motivate projects which couldn't enjoy benefit of CDM scheme.

THANK YOU FOR YOUR LISTENING !

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