

**NEHME**COMMODITIES

CLIMATE CHANGE COMMODITIES TRADING

CLIMATE RISK MANAGEMENT SERVICES

# NEHME COMMODITIES - Overview

A global trading firm dedicated to providing suppliers and consumers of **climate change commodities** – commodities that help reduce emissions and adapt to climate change - with best-in-class commercial, financial and logistical support in accessing new markets, managing risk and increasing profits.



Ethanol



Biodiesel



Wood Pellets



Biochemicals



Carbon Credits



Green Certificates



Climate Bonds



Climate Risk Products

## SPECIALIZATION – COMMERCIAL EXPERIENCE – GLOBAL PRESENCE

### SPECIALIZATION

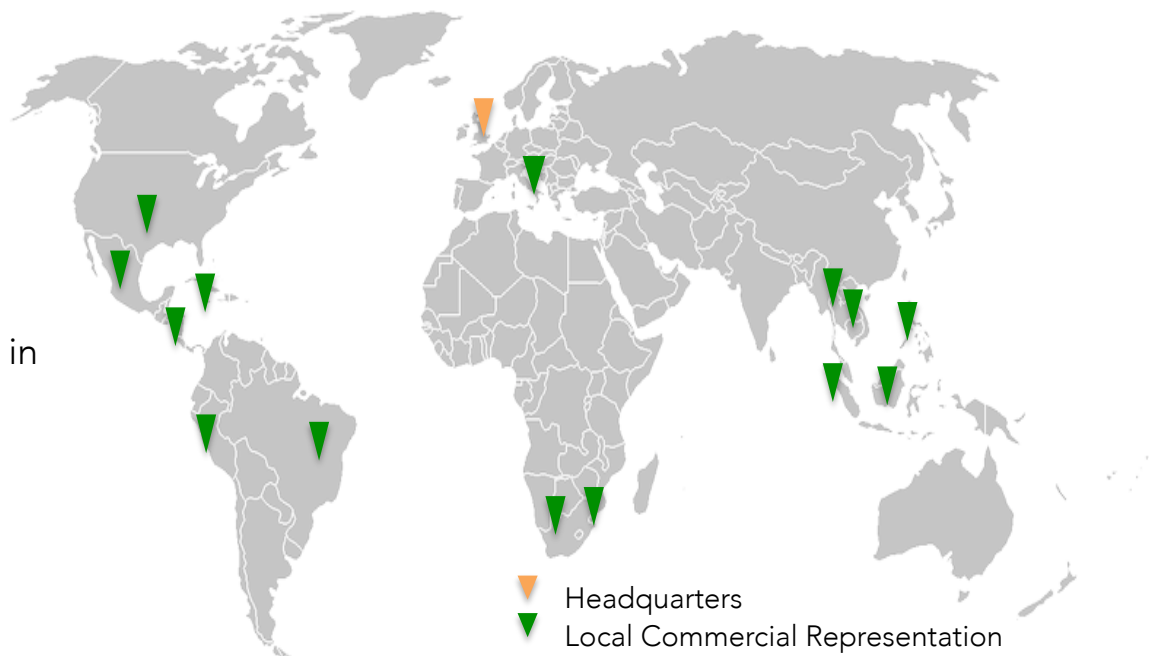
Sole focus of activity on commodities linked to climate change

### COMMERCIAL EXPERIENCE

Senior leadership with decades of experience leading commercial efforts in global trading and financial firms.

### GLOBAL PRESENCE

Headquartered in London, with commercial presence in the Americas, Europe, Africa and Asia



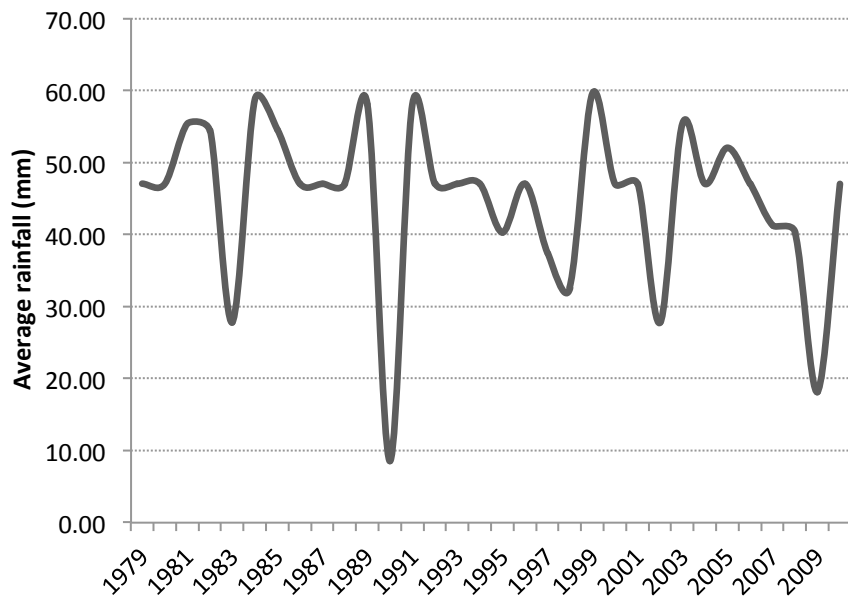
# Climate change – how to adapt

- Climate change is expected to bring more frequent and more intense extreme weather events
- Events, such as a drought or floods, have a direct economic impact on the production and export of commodities
- Climate risk management is the most efficient way to mitigate the financial impact of unexpected weather events

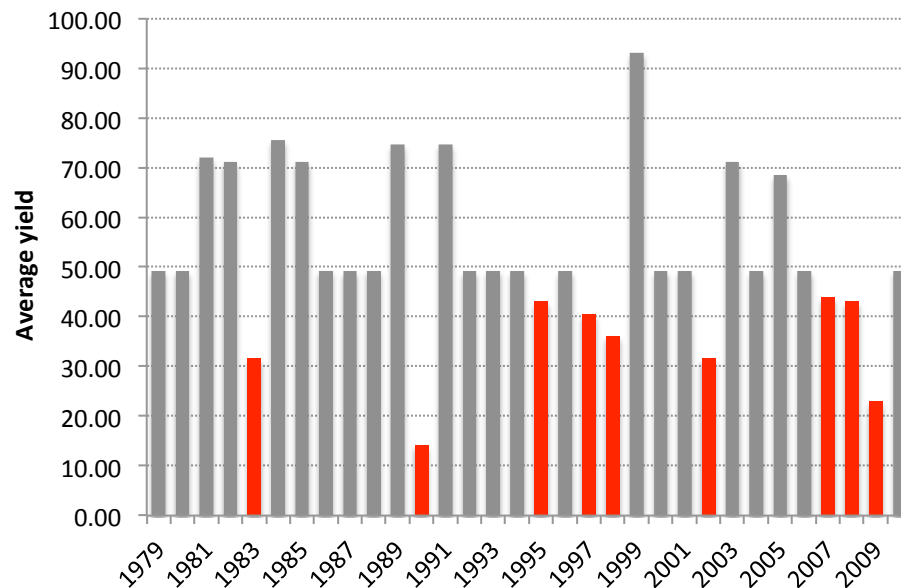


# How does Climate Risk Management works?

Average rainfall in the location over 30 years



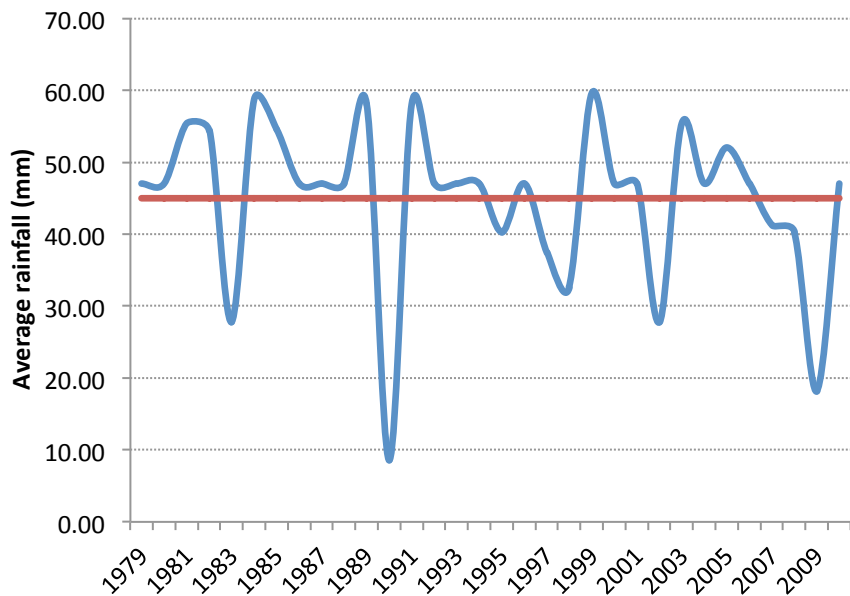
Average yield in the location over 30 years



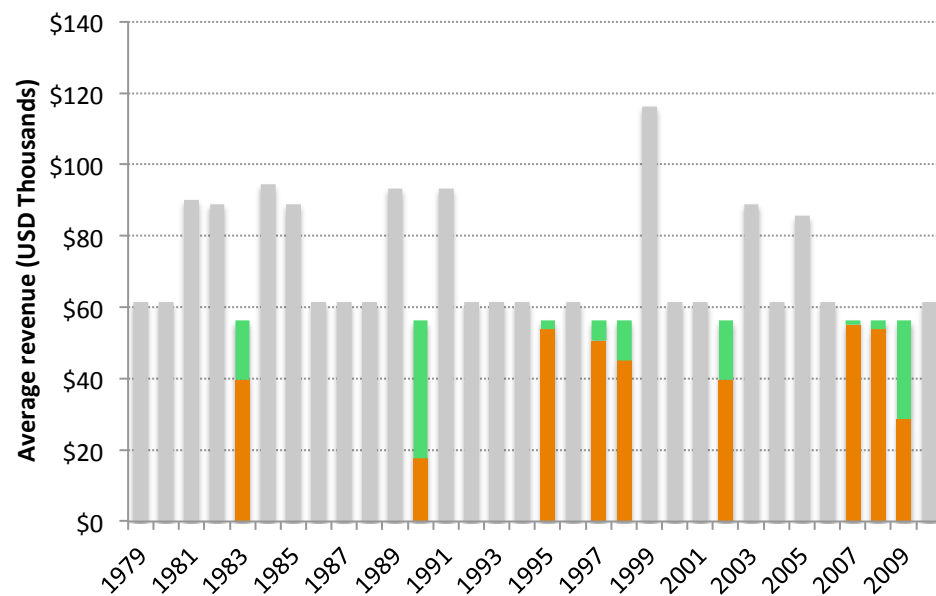
Strong correlation between precipitation and crop yield

# How does Climate Risk Management works?

Average rainfall in the location over 30 years



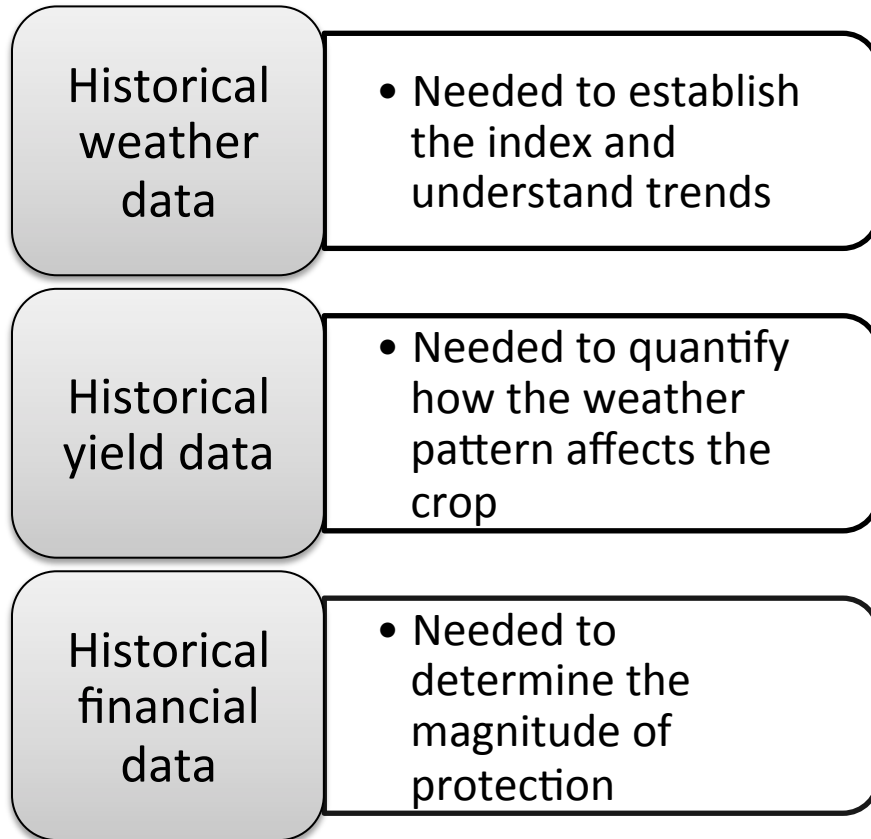
Average revenues in the location over 30 years



Climate risk protection will compensate the producer for some of the loss of revenue linked to the drought

# What is needed to structure a solution

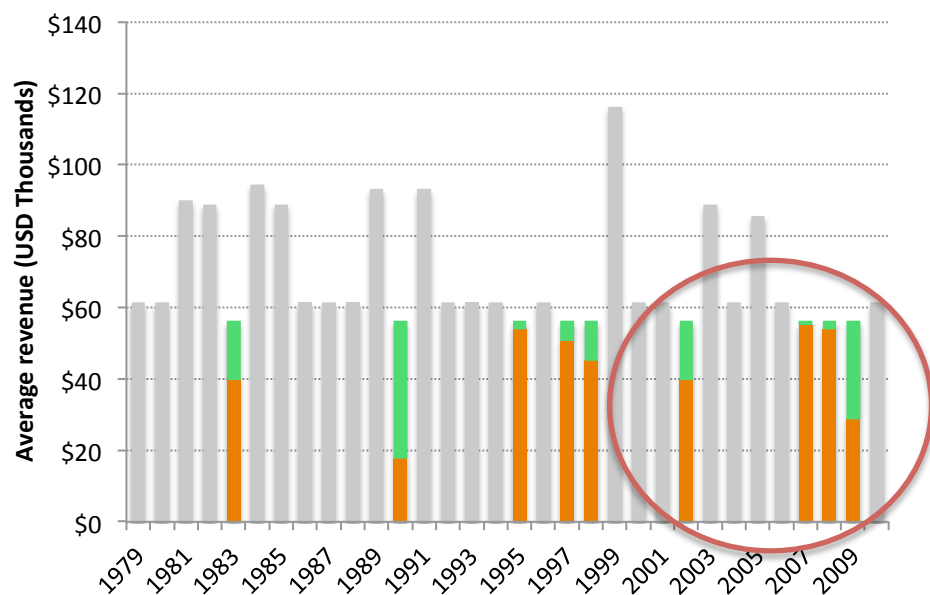
In order to structure a Climate Risk solution, it is necessary to understand the nature of the exposure to the weather



Year	Yield	Rainfall	Revenues
2001	49.30	47.00	61.60
2002	31.70	28.00	39.60
2003	71.20	55.00	89.00
2004	49.30	47.00	61.60
2005	68.50	52.00	85.60
2006	49.30	47.00	61.60
2007	44.00	41.00	55.00
2008	43.10	40.00	53.90
2009	23.00	18.00	28.80
2010	49.30	47.00	61.60

# How does it work – In numbers

As an example, below the result of a precipitation based index that pays USD 1,000 per each mm of rain below 45 mm, up to a maximum of USD 30,000



Year	Yield	Rainfall	Revenues	Payout
2001	49.30	47.00	61.60	0.00
2002	31.70	28.00	39.60	17.00
2003	71.20	55.00	89.00	0.00
2004	49.30	47.00	61.60	0.00
2005	68.50	52.00	85.60	0.00
2006	49.30	47.00	61.60	0.00
2007	44.00	41.00	55.00	4.00
2008	43.10	40.00	53.90	5.00
2009	23.00	18.00	28.80	27.00
2010	49.30	47.00	61.60	0.00

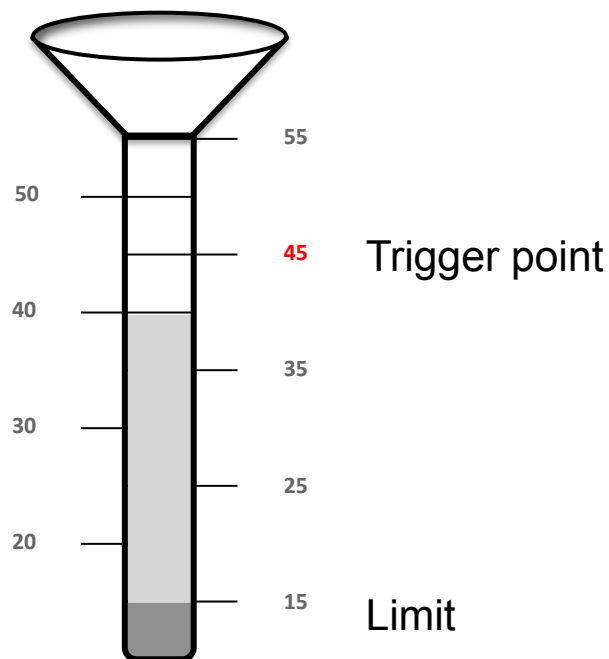
With a Climate Risk management solution in place, the producer would have received payments on 4 out of the last 10 years



## A climate risk management product has two elements

You need an index, and a payout formula

### Precipitation Index



### Payout Formula

Customised Index: based on cumulative weather variables, precipitation on this case, with a fixed payout per index unit.

$\text{MAX} (\text{MIN} ((\text{Trigger} - \text{Index}) \times \text{Tick}, \text{Limit}), 0)$

- Index: Actual value of the precipitation index
- Trigger: **45 mm** (Point at which precipitation represents a problem)
- Limit: **USD 30,000** (Maximum payout agreed)
- Tick: **USD 1,000 per mm** (Pre-agreed amount per unit of the index)

# How can you manage the Climate Risk?

Specialized funds, reinsurance firms and trading companies offer tailored insurance-like products that will provide your firm, government or organization with a pre-agreed financial compensation to offset losses driven by extreme weather events, such as droughts or floods.

## Benefits of having a climate risk protection

### Minimizing impact of unexpected or extreme weather events

- Reduced volatility of operating profits
- Guarantee of a minimum performance and return to investors

### Transparent loss assessment and quick settlement

- No lengthy claim process
- Quick payout

### High flexibility in structuring

- Taylor-made to specific needs
- Efficient

# How NEHME COMMODITIES can assist you?

NEHME COMMODITIES uses its extensive expertise on weather-risk products and relationships with all international suppliers to help your firm get protection against climate risk in an informed and cost-effective manner.

## SCOPE OF SERVICES

- |   |  |
|---|--|
| <b>1. Assess and Value the Climate Risk</b>                                     | <ul style="list-style-type: none"><li>• Map out the relevant exposure and climate-driven costs to your organisation using sophisticated data analysis of temperature and precipitation patterns</li></ul>  |
| <b>2. Structure Appropriate Coverage Required for Climate Risk</b>              | <ul style="list-style-type: none"><li>• Identify the appropriate level of protection required to minimize the economic impact of climate events to your organisation whilst ensuring such insurance-like products are affordable and appropriate</li><li>• Structure the key terms of the coverage</li></ul> |
| <b>3. Global Procurement and Negotiations for Optimal Climate Risk Coverage</b> | <ul style="list-style-type: none"><li>• Procure under a competitive global tender suppliers of this climate risk product</li><li>• Help the client assess the options, select and negotiate with the final supplier</li></ul>  |
| <b>4. Monitor and Manage</b>  | <ul style="list-style-type: none"><li>• Monitor and manage the coverage, including supporting the client with any claims and negotiations with the supplier</li></ul>  |

***Complete  
Advisory and  
Structuring  
Support  
From Start to  
Finish***

# NEHMECOMMODITIES

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