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Evolution Markets

Specialist Broker of the Year

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Andrew Ertel,
Evolution Markets

★ The past year has seen Evolution Markets move from adapting to market environments to actually shaping them. The New York-based brokerage firm led the creation of the city's Green Exchange, executed a huge carbon credit deal, and was one of the first brokers to provide investment banking services in the environmental space.

"Two of our highest priorities are getting the Green Exchange up and running as an independent company and growing out our carbon origination side," says Andrew Ertel, the president and chief executive.

According to Ertel, Evolution presented the concept and idea of the Green Exchange to the New York Mercantile Exchange (Nymex), and also brought in many of the founding members.

In early 2007 Ertel met with James Newsome, president of the New York Mercantile Exchange (Nymex) to talk about the need for an exchange that would meet the highest standards and increase transparency in environmental markets. Nymex was quietly contemplating offering carbon contracts but backed Ertel's suggestion for a stand-alone exchange focused on multiple environmental markets.

By December Evolution – along with Nymex, Tudor Investment Company, Morgan Stanley, Credit Suisse, JP Morgan, Merrill Lynch, Icap and Constellation Energy – launched the Green Exchange. It began trading in March this year. The exchange offers a range of environmental futures, options, and swaps contracts.

After two months, the volume of all products traded had surpassed 12,700 contracts. The exchange has steadily introduced new products, including the first exchange-traded certified emissions reduction (CER) options contracts, which traded

more than 1,150 contracts in the first week.

The exchange's latest product, to be listed in the third quarter pending regulatory approval, is a carbon-based futures contract modelled on the US cap-and-trade carbon dioxide emissions program, the Regional Greenhouse Gas Initiative (RGGI).

Ertel's full attention is now focused on chairing the exchange's chief executive search committee.

In August 2007 Evolution created a merchant banking division called EvoFinance, which provides step-by-step assistance throughout the deal-making process. The firm hired Patrick McCloskey to lead the venture. He was previously managing director at the New York-based investment bank Lazard, where he specialised in private equity and mezzanine financing.

Evolution also facilitated one of the largest voluntary emission reduction (VER) deals in the third quarter of 2007. The transaction, executed in India, was between 9-10 million tonnes. "We bring more carbon emission reduction and voluntary emission reduction deals to the market than any of our competitors," says Ertel.

The VER transaction was not the first market milestone achieved by Evolution. In March 2006, it brokered the first indexed-CER trade; the first brokered EU allowance option in September 2005; the first EU emission trading scheme trades using the Isda contract – a standardised contract created by New York-based trade organisation International Swaps and Derivatives Association – in June 2004; and the first trade of assigned amount units under the Kyoto Protocol's International Emission Trading programme in December 2002.

"Evolution is one of the largest brokers in the environmental space. They are good at what they do and their presence has enabled the market to grow," says a partner at a New York-based hedge fund.

In the coming year, Evolution will expand its carbon origination group, having recently promoted Lenny Hochschild to head its US division and Cindy Dawes to head its European operations. It is also looking to develop its natural gas options and physical gas businesses, and open offices in the Middle East and in India. **ER**