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Staff wanted

Staffing pressures in the carbon market are shifting from project origination to implementation – with the US poised for a wave of hiring. **Caitlin Randall** reports

With the growing malaise in the world's financial markets, layoffs rather than hiring sprees are increasingly the order of the day. But the carbon markets are providing a bright spot amid the gloom, although the pace of hiring has slowed from last year, when banks and other companies scrambled to fill slots in their rapidly expanding emissions trading teams. Now, demand for staff has shifted from the trading teams to project management, say recruiters and market participants.

"Banks and carbon companies have been in recruitment mode for over a year. There's also been a good amount of shuffling the pack among trading teams. That's settling down, with most teams now consolidating," says Chris Lascelles, a senior consultant with London recruitment consultants Ruston WHEB. "The big demand now is in project implementation."

Project implementers – experienced executives who can take a carbon offset project through from conception to credit issuance – are in "high demand," according to Fabio Mondini, a senior consultant in global energy with Russell Reynolds Associates in Milan. He notes that a backlog of Clean Development Mechanism (CDM) projects has heightened the need for qualified candidates.

"There is most definitely a shortage of experienced people in the carbon market and related functions within the corporate world, and that shortage is even greater among CDM project developers," Mondini says.

"Last year, we hired 100 people," says Sue Hayward, head of human resources at project developer EcoSecurities in the UK. "For now, we're consolidating the staff we have, but we expect to see some growth in China, both local and international hires, all on the implementation side."

A particular bottleneck exists among the Designated Operational Entities (DOEs) – the private sector firms charged within the CDM process with validating and verifying project proposals before they are submitted to the CDM Executive Board for approval. The surge of CDM projects in the pipeline – there are more than 3,000 proposed projects in the system – has left DOEs rushing to fill vacancies.

"There's an urgent need [in the market] to gear up capacity of project verifiers and validators," says Luc Larmuseau, Antwerp-based head of environmental resource management at one such DOE, Det Norske Veritas (DNV), which expects to hire 100 new staff for its Kyoto projects business this year.

"It's a difficult situation made more difficult by the banks who have poached staff from DOEs," he adds. "People within investment banks want a tour of duty with the DOEs to gain experience."

A senior London-based banker with a large Wall Street firm agrees that last year saw "some poaching by banks from project developers," but adds that the "content experience" gained in project management isn't often the best qualification for working on a carbon trading desk. "Experience in project methodology can always be outsourced," he said. His team, he added, is still hiring, but with an eye towards the US and Asia.

One result of last year's hiring spree by the banks was upward pressure on senior-level salaries across the board. "Salaries for senior executives have doubled in three or four years and [these executives] are in much more senior positions within the company hierarchy," says Mondini at Russell Reynolds. He says a senior executive position on an environmental team in one of the top-five European energy companies now commands about €400,000 ($250,000) a year, double the level four years ago.

According to London recruiters, a senior consultant with two to three years experience in the carbon market might earn £35,000–50,000 ($70,000–100,000) base salary in a development company and £60,000–80,000 in an investment bank.

"One aspect of the downturn in financial markets might be to ease some of the upward pressure on salaries," says James Burnham, a spokesman for boutique investment

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bank Climate Change Capital in London. In August 2005, the company had 35 employees. It now has a staff of 140.

First Climate, a carbon asset management firm based in Zurich, is also looking for new staff, according to Linda Manieram, the head of human resource management, who says the newly merged company (which brings together 3C Group and Factor) aims to hire 20 employees this year across a variety of job openings, including project originators, carbon risk managers and project finance executives.

"We thought we'd find a real shortage of applicants in the CDM market, but we advertised aggressively and the response has been phenomenal," Manieram says, noting that 800–1,000 CVs have crossed her desk in the past seven weeks, of which 30% are "high quality, dynamic CVs".

Many are "crossover" candidates from the financial markets who have extensive background in project finance, but little in-depth knowledge of the carbon markets. "The market is not really ripe enough to demand both wide-reaching experience in the carbon markets as well as a strong financial background. We need to be realistic," Manieram adds.

Mondini at Russell Reynolds agrees. "How can you have experienced senior executives in such a young market? Naturally there is some scope for crossover, but it tends to be from the energy sector where there is at least a basis for understanding the complexities of the market."

For Jason Ward, a London-based recruitment consultant, "energy derivative traders are as close a fit as possible in terms of crossover. They deal with the same kind of clients and follow the same market dynamics."

The credit crunch gripping the financial markets has so far had little impact on hiring, even among the banks, according to Ward and others. He says that, while last year's hiring boom has eased, there's still plenty of demand among financial institutions for qualified applicants. "I'm still placing senior people, despite the credit crunch," he says.

One senior trader with a large investment bank in London says recent chaos in the financial markets has been less of an issue than setbacks suffered in the carbon market itself, with shares in several carbon companies falling sharply, and ongoing regulatory uncertainty.

"It's a bit disingenuous to say the financial markets' troubles have spilled over into the carbon market, particularly when commodities continue to do well. If anything, uncertainty over the long-term review of the market is affecting potential recruitment," he says, referring to the review the European Commission is carrying out into the EU Emissions Trading Scheme (ETS).

The emissions markets have been dogged by difficulties since the start, such as the 2006 price crash in the EU ETS when it emerged that more carbon permits had been issued for the first phase of the EU's scheme than were needed. In spite of this, market participants remain optimistic, pointing out that teething problems are to be expected in a fledgling market.

"It's a young market but, unlike the internet bubble, we're here to stay," said Manieram at First Climate. "People are knocking on our doors for a number of reasons. There's a great deal of insecurity about the financial markets and people are looking for something new and innovative. There's the perception that risk has diminished in the carbon market, and a lot of people like the idea of working in a business they believe is helping the planet."

> **"There is most definitely a shortage of experienced people in the carbon market"**
> Fabio Mondini, Russell Reynolds Associates

"There's a huge demand from graduates wanting to get into the carbon space," said Lascelles at Ruston WHEB. "But it's tough to find an entry-level position. The market has been going for about five years and the demand today is for people with at least two to three years experience."

Susan Wood, chief executive officer of Sindicatum Carbon Capital Americas in Houston notes: "This is a market that people feel good about. Maybe it's generational, but a lot of graduates are eager to be a part of the market. It's a way to marry business with environmental action."

It is in the US where the next wave of hiring is likely to be concentrated, as participants anticipate the introduction of a mandatory, federal greenhouse gas cap-and-trade scheme, as supported by all three presidential candidates.

Ahead of a mandatory US programme – and what many market participants see as a potential goldmine – carbon asset management firms, banks and project developers are looking to establish a firm foothold in the US carbon market. This has led to some early recruiting and big plans for the future, according to market participants. For now, however, there seems to be more talk than action when it comes to signing contracts.

"People are talking a lot about hiring staff, but it's still pretty muted," says Kedin Kilgore, a New York-based director of environmental markets at bank JPMorgan. "In that sense we're an exception. We've added 40 people to our environmental markets team," although much of that dramatic increase came through the acquisition in March of an existing project developer, ClimateCare.

US recruiter Donna Rodgers, a partner with Green Parnerships New York, says: "I don't see a huge hiring boom [in the US]. There's definitely a lot of interest, but not a lot of contract closure."

"The focus here is still on the voluntary market and there are a lot of hurdles before a mandatory system is in place. That having been said, it's probably a smart idea [for a company] to position themselves in the US market before the inevitable happens," she adds. She says salaries for originators in the US range from $100,000 to $250,000 plus a bonus package, depending on the candidate's background and experience.

But, as in Europe and Asia, carbon businesses in the US complain that finding experienced candidates is not easy. "There's a shortage of people who know where value is in the current market," said Wood at Sindicatum. "In the US, there are no hard and fast rules. Everything is developing independently state to state, region to region. You really need to understand how to navigate the market, which makes finding good people a challenge … there is a serious shortage of experts."

Andy Dvoracek, who recently joined project developer GE-AES Greenhouse Gas Services in Virginia as director of greenhouse gas projects, predicts an upsurge in hiring as the US market develops, but sees a clear-cut difference in the US and European approaches, due in part to the 2012 Kyoto deadline.

"There's a big push on the part of European project developers to get CDM projects through verification and monetised by 2012," Dvoracek says. "Recruitment in Europe is very much focused on project implementation whereas the US market, which isn't constrained by that 2012 marker, is more focused on originators to find and contract projects and on positioning [companies] for compliance."