Carbon trading – going up in smoke?

Emissions trading is based on the idea that the environment has a value and that polluting it therefore has a cost. Regulatory caps on greenhouse gases (GHG) have created an "emissions allowances" market, while the trend towards "offsetting" has provided investment for clean technology

CARBON TRADING – CUSTOMERS

1 Regulated
Government sets emissions limits (currently 5.8% below 2005 levels in EU)

2 Voluntary
Companies and individuals seeking to offset emissions

Limits apply mainly to power, cement, steel, oil and gas industries

Transport, responsible for 26% of emissions, will soon be included in EU caps

MARKETS

Carbon credits: Companies buy emission "allowances" – **1.131bn tonnes CO_2 in 2006**

50m tCO_2 over-supply of EU allowances led to price crash in 2006

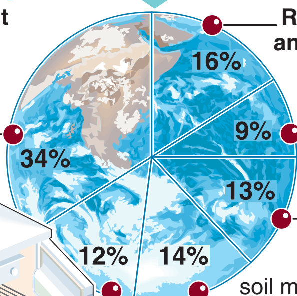
Carbon offset: Funding for emission reduction projects
Regulated – 508m tCO_2
Voluntary – 10m tCO_2

Voluntary market unregulated – prices range from \$1-\$78 per tonne

WHERE THE MONEY GOES

UN "Clean Development Mechanism" projects – Certified projects, mainly in developing world

% of credits



Renewables and biomass energy

Energy efficiency

N_2O emissions Agricultural soil management

Methane Coal mine capture, landfill gas, animal waste

Other

Destruction of HFCs By-product of refrigerant manufacture – each tonne equivalent to 11,700 tonnes CO_2. *Very inefficient method of reducing HFC output*

Sources: World Bank, IETA