



TRADING ON CARBON MARKETS

Always anticipating new trends, the IRF is organizing a panel discussion on this promising and fast-growing market during the 2nd International Roads & Environment Conference to be hosted in Geneva, Switzerland, on 10-11 November 2008.

Signing the declaration on "Energy, Security and Climate Change" in Hokkaido (Japan) during the last G8 meeting, 17 leaders of the world's major economies have underlined the potential of appropriate market mechanisms when looking for global solutions in the fight against climate change. Emissions' trading is one of the options and certainly the instrument on which major attention has been focused after the launch of the EU Emission trading scheme (EU ETS) and the one operating under the Kyoto Protocol.

Carbon emissions trading schemes

Emission trading is a market-based scheme for environmental improvement that allows parties to buy and sell permits for emissions or credits for reductions in emissions of certain pollutants. It allows established emission goals to be met in the most cost-effective way by letting the market determine the lowest-cost pollution abatement opportunities. This kind of scheme is often organised as a 'cap and trade' system, that is to say it caps the overall level of emissions allowed but, within that limit, allows participants in the system to buy and sell allowances as they require. These allowances are the common trading 'currency' at the heart of the system.

The system is purely electronic, and so allowances are not printed on paper but exist only in an online registry account. The latter keeps track of the ownership of emission allowances as they change hands in the market. It is similar to a banking system which keeps track of the ownership of money in accounts, but does not track the deals made in the goods and services markets, which are the cause of the money changing hands.



An undeniable market trend... but not exempt from criticism

Carbon emissions' trading has experienced a tremendous growth in recent years. According to the World Bank's Carbon Finance Unit, 374 million metric tonnes of carbon dioxide equivalent (tCO₂e) were exchanged through projects in 2005, a 240% increase relative to 2004 (110 mtCO₂e) which was itself a 41% increase relative to 2003 (78 mtCO₂e). In its 2008 survey, the World Bank has estimated the size of the carbon market in 11 billion USD in 2005, 30 billion USD in 2006, and 64 billion USD in 2007 (*WB, "State and Trends of the Carbon Market 2008"*).

Despite these impressive figures, criticism has been expressed on a certain number of things: too generous distribution of free allowances, deficiencies in accounting and reporting of emissions, lack of a systemic view in the scope of action, etc. Writing on cap and trade systems, the Financial Times argued that "Carbon markets create a muddle" and "...leave much room for unverifiable manipulation" (FT, 26.04.2007).

More recent criticism relates to the broader consequences generated by the implementation of some projects under emissions trading schemes. One of them being that old growth forests (which have slow carbon absorption rates) are being cleared and replaced with fast-growing vegetation, to the detriment of the local communities.

Choosing the right option...

'Cap and trade' systems like the EU ETS scheme seem to be the model towards which we are moving on a global scale. But what about other investment opportunities besides buying and selling allowances?

The Panel Discussion '**Trading on Carbon Markets**' will look into achievements and deficiencies of cap and trade systems, price versus quantity, the quality and rating of 'green' investment opportunities and many of the issues at the heart of this debate.

Organised by the International Road Federation (IRF) in the margins of the **2nd Roads & Environment Conference (Geneva, Switzerland, 10-11 November 2008)** this panel discussion brings together major stakeholders in this field.

The IRF has the pleasure to welcome **Patrick Birley**, Chief Executive of European Climate Exchange, **Henry Derwent**, President and CEO of the International Emissions Trading Association, **Jochen Gassner**, Director of the Climate Neutral department at First Climate, **Ben Lashkari**, Director in the Environmental and Commodity Markets (ECM) unit of Swiss Re Capital Markets Limited, **H.E. Abdullah A. Al-Mogbel**, Deputy Minister of Transport for Roads, Kingdom of Saudi Arabia, **Axel Pierron**, Senior Vice President at Celent and **Thomas Houston**, Executive Vice President & General Counsel at Global Eco Rescue (GER), who will provide insights on the risks and opportunities of this fast growing financial market and explain how to shape short and long-term investment strategies despite constant changes in the legislative framework.

True to the slogan "reduce what you can, offset what you can't", the 2nd IRF Conference on Roads and Environment is IRF first carbon neutral event. IRF offsets the emissions through myclimate (www.myclimate.org) – one of the leading providers of carbon offsetting measures - thus walking the talk!

To attend this inspiring and future-oriented panel discussion, please contact:

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