

## **Briefing on Climate Change & Carbon Emissions**

***“So far but not so good? What next.....”***

### **Climate Change & Carbon Emissions – what market mechanisms does the industry need? An Industry Perspective**

**One Birdcage Walk, London SW1  
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~ Summary of Presentation on The Experience So Far ~  
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Greetings and address,

I am here representing Evolution Markets and London Energy Brokers Association

Why qualified:

- Evo is the largest broker of environmental products worldwide and over 50B\$ in transactions to date
- LEBA maybe 95% of what is traded OTC, although cutthroat competition, as Garth from Shell will gladly testify I am sure, and as you would expect in financial markets.

We operate in all aspects of the market, so we see a lot of what happens in the market, vested interest in defending this market

This is a market created from policy so it needs continued support and involvement from policy makers and government.

Carbon market is really a series of different and partly interacting markets.

- EU ETS which is a market created and regulated by the EU and implemented by each Member State, where installations are given a cap representing the maximum they are allowed to emit and must comply with that limit. They can then sell or buy any surplus or shortage on the market.
- Kyoto credits market which is regulated by the UN, where project developers in developing countries are able to implement emission reductions and receive a credit which can be used in developed countries for compliance
- Voluntary market which is not regulated and the smallest but sometimes get the most press coverage, as it is used by large corporations going carbon neutral and are thus used as a Public Relations exercise.

These markets have different types of credits which all represent a ton of emitted Co2 but are not necessarily fungible. Nonetheless, these markets are working and growing at an unprecedented pace.

- There have been issues in the EU ETS: one of the major reasons behind the market inefficiencies are the different levels of liberalisation and awareness within the market. For example, companies in Polish companies didn't start to sell in the market until 2006 because they weren't used to the market structure and weren't used to trading
- Similarly there were teething issues with the UN system as the Clean Development Mechanism took a long time to get going but now seems to have ironed out most issues.

- Voluntary market is currently a free for all with no regulations and needs to self-regulate if it is to function properly

You could think that the regulated markets are doomed to fail because:

- failure if emissions are not reduced to a lower level than caps that were set and
- failure if they do as allowances then become worthless as happened in the first phase so this is a tricky balancing act and continuing support from policy makers to keep it evolving is crucial.

Some issues that need addressing and that are complicated and cannot be dealt with by the market until policies come into play: post 2012, forestry as that cannot be ignored, how to deal with aviation, maybe some in the market maybe some not.

We recognize that this is one of the policy instruments at your disposal but one that unleashes innovation. People flock to London for many reasons but carbon markets are attracting worldwide attention. People from many different backgrounds coming to this market because they want involve themselves in making a difference and that's what we need to nurture if we are to successfully tackle this major issue which is Climate Change.

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