

Carbon Markets Overview

September 2010

Rakshya Thapa
CDM Specialist
CMP Technical Support Facility
Asian Development Bank



Outline

1. Overview
2. Regulatory carbon markets
 - Existing mandatory schemes
 - EUETS, Swiss ETS, NZETS...
 - Proposed mandatory schemes
 - CPRS, US ETS, Asia (Japan, South Korea, China)
3. Looking forward

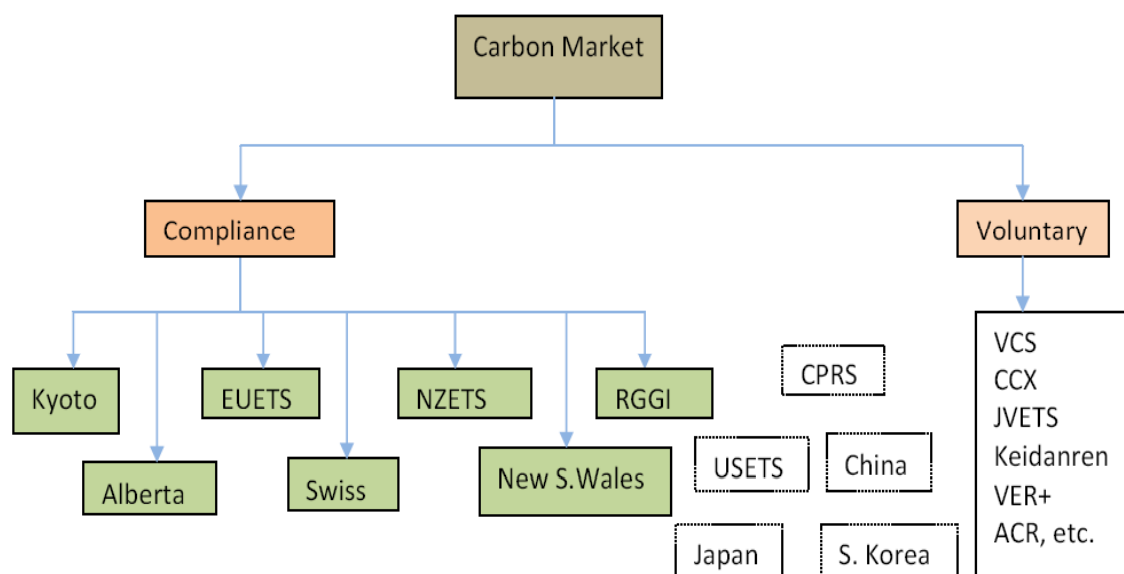


Overview

- The global carbon market is worth USD 143bn in 2009
- Extremely dynamic and new initiatives emerging
- Comprises of multiple fragmented markets
- CDM is only a part of it
- Exists under the regulatory (compliance) and voluntary markets



Carbon Markets



Existing Mandatory Schemes (1)

- **EU Emission Trading Scheme**
 - Engine of the carbon market, largest existing mandatory scheme (USD 118 b in 2009)
 - Allows the use of Kyoto credits (CERs/ERUs) subject to limits
 - Buyers are covered entities: power, steel, manufacturing sectors
 - Only existing mandatory scheme which allows the use of CERs beyond 2012 - uncertainty over eligibility /import restriction
 - CERs from LDCs to be accepted post 2012
 - Need a clear indication of base case positive list of CDM projects to increase confidence
- The **Swiss federal ETS** in operation since 2008 allows the use of international offsets (eg. CERs)



Existing Mandatory Schemes (2)

- **NZ ETS**
 - First country outside the EU to adopt a mandatory ETS
 - Covered forestry since 2008 – expanded to other sectors since 1 July 2010
 - International credits (eg. CERs) can be used in unlimited quantities
- **Regional Greenhouse Gas Initiative (RGGI)**
 - Only mandatory cap and trade scheme in the US
 - Allows CERs subject to conditions
- **New South Wales Greenhouse Gas Abatement Scheme (NSW GGAS), Australia**
 - State level, electricity sector only, does not allow CERs



Proposed Schemes

- **Carbon pollution reduction scheme (CPRS)** in Australia
 - Allows for unlimited International offsets (including CERs)
 - Defeated twice at the senate, postponed until 2012 end
 - New hopes after Julia Gillard retains office as the Prime Minister
- **US ETS**
 - US is a significant emitter
 - Senate bill recently dropped
 - The EPA proposed new rules for industrial facilities to obtain GHG permits
 - EPA rules to be effective by Jan 2011
- **Sub national US schemes** –some allow the use of CERs
- Canada's **Alberta** started 2007– does not allow Kyoto offsets



In Asia...

- No national mandatory ETS – Japan, South Korea and China setting stage
- **Japan**
 - Recently released recommendations for the planned ETS
 - Proposal most likely to be finalised by 2011 and launched in 2013
 - International credits most likely allowed (unclear eligibility-limit/types)
 - Tokyo metropolitan mandatory scheme (April 2010)
- **South Korea**
 - Process to design a regulatory ETS underway; to finalise plans by Sep 2010
 - Proposed start in 2012, most likely allow the use of CERs
- **China**
 - Intends to launch a pilot ETS before 2015
- China, South Korea and Japan may work closely



Looking ahead

- The carbon market is still evolving
- The architecture of the future legally binding global climate regime may not be the only factor influencing the dynamics of the carbon markets post 2012
- National and regional emission reduction schemes are developing which may present potential opportunities
- For stronger markets to emerge clear policy and regulatory signals are required
- The various schemes may play a pivotal role in shaping the future carbon market and potential demand for carbon credits



Thank you

- *For inquiries please contact*

Rakshya Thapa
CMP-Technical Support Facility

Tel: (+632) 632 4444 ext. 70412

Email: rthapa.consultant@adb.org

