

ABATEMENT SOLUTIONS - ASIA PACIFIC

A “hard currency” for the
global carbon market

6th Annual Workshop on Greenhouse
Gas Emission Trading, Paris

27 September 2006

What drives a common currency?

- Why is it called “hard currency”?
- How did the US dollar become the world’s hard currency?
 - War, politics, resources, religion...
- How long until we move to the Euro
 - or perhaps back to gold
 - or maybe oil?

What does hard currency do?

- Provides a common basis for valuation
 - Big Mac Index
 - Gold and other real commodities
- Allows value to be transferred across borders
- Provides confidence in transactions
- Point of reference for other currencies

Within the global carbon market

- Permit schemes
 - EU ETS
 - KP 1st CP
 - RGGI
 - Australian NETS
 - JVETS
 - California
 - CCX ...
- Credit schemes
 - CDM
 - JI/GIS
 - NSW GGAS
 - Climate Trust
 - Offsets for RGGI, Aus NETS, CA ...

What is the glue that links them?

- All of the permit schemes have seen the value of recognising CERs
 - Sustainable development & tech transfer
 - Potentially cheap abatement
- Most importantly, CERs are recognised as robust and representing real abatement – thanks to the CDM-EB
- For permits, it is perhaps a little like “printing money”

“One-way CER gates”

- Allows CERs to be “used” for local compliance purposes
 - or “converted” to local units and then used
- Does not allow CERs to be created
 - However, larger players will create opportunities to shift value around
- Provides a link to global abatement costs and perhaps serves as a cap on the cost of compliance

Do we need deeper links?

- What would “bilateral linking” provide, that “one-way CER gates” doesn’t do?
- Will the politics of compliance markets tolerate “market draining”?
 - Non-compliance is more than just a function of market efficiency
 - National interest is inevitably the priority
- Do we trust the “quality” of other units?

ABATEMENT SOLUTIONS - ASIA PACIFIC

rob.fowler@abatementolutionsap.com
+61 402 298 569

AS-AP's mission: to accelerate the transition to a more sustainable human existence in the Asia Pacific region

27 September 2006