

Carbon Market

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Carbon Market

- Important element of Financial Package
- More than that - transformative – engages private finance and private actors in mitigation;
- Potential to deliver investment at scale if properly designed
- Trade is not equal to investment – needs lever investment and supported by other instruments.

Market in 2007

- Trade figures impressive
 - Trade worth \$60bn in 2007 up from \$33bn in 2006 (Volumes up 64%)
 - \$41 billion - 2/3 in the EU ETS (1.6 billion tonnes traded)
 - \$17.5 billion in CDM (1 billion tonnes traded)

Market Design: Instruments

- **Emission Trading** at the core of the system – it drives investment – need to see more trading
 - Creates a price for carbon
 - Reduces costs
 - Engages private sector
- **Offset Mechanisms – CDM and JI** - reduce costs and deliver investment – but to deliver at scale to
 - need a more objective effective system of emissions reduction assessment,
 - supportive domestic policy and instruments –
 - and a mechanism to provide for own country contributions,
- **New Instruments** – May be necessary to deliver at scale in particular sectors and countries; new instrument mean can
 - maintain continuity in CDM,
 - allow those that are willing to go further in new arrangements