

Put Price on Carbon Liability

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- **The Economics of Climate Change**
- Stern said: Expected cost of cutting emissions consistent with a 550ppm CO₂e stabilisation trajectory averages **1% of GDP** per year.
- = New markets will be created :worth over **\$500bn** a year by 2050.

Tax or Market?

- Does most of Governments have enough money in their pockets?
- Companies hate to be taxed more.
- What about markets?
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- There are enormous amount of money in this planet.
- How much?



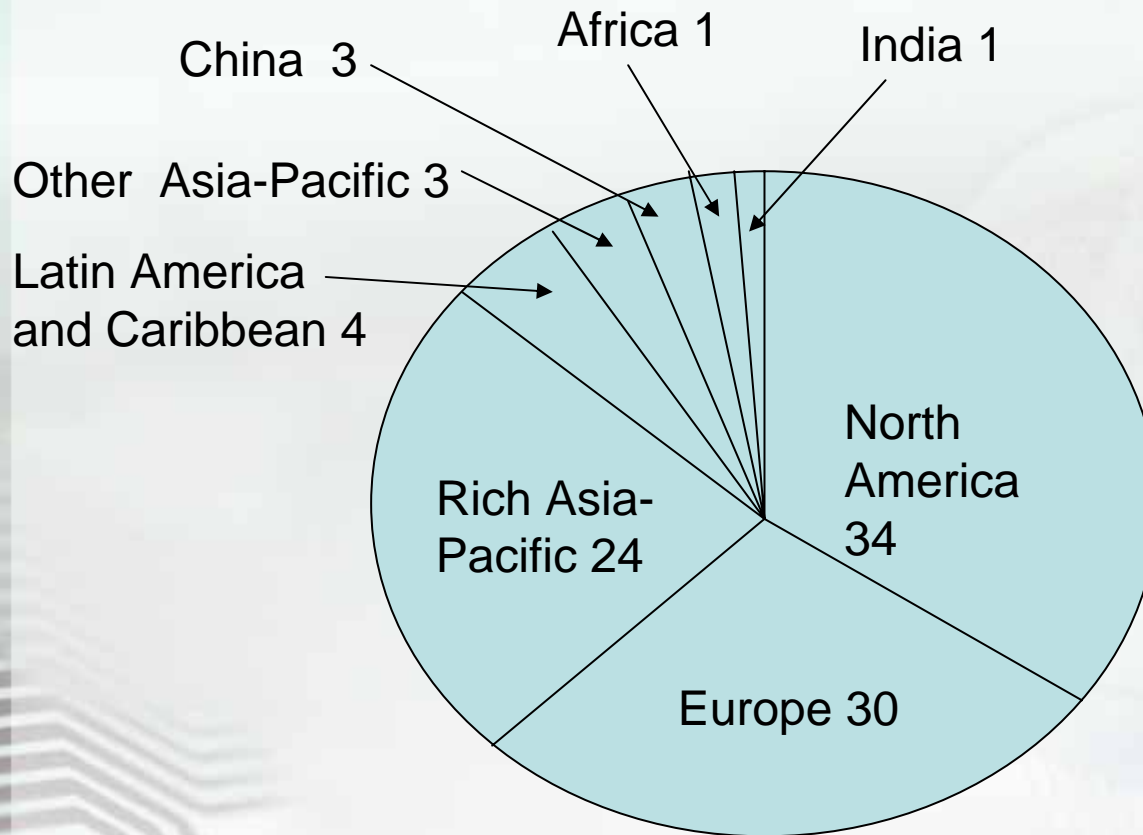
United Nations
University

WIDER

World Institute for Development Economics Research

- \$125trillion in global household wealth only as of 2000 (=at least \$160trillion in current year).
- But the richest 2% of adults own more than half of them.
- We can use these money ?
- Yes. But we should make new canal for money pouring LCSs.

Regional wealth Shares



As of 2000

UN-WIDER 2006

Constructing new canal for LCSs with shared roles.

- Governments regulate GHG gas as pollutants in legal framework.
- Financial authorities should treat carbon liabilities of companies as material issues.
- Accountant organizations should set up common international standards of carbon liabilities on B/S of companies.

Is it same pricing carbon and pricing carbon liability?

- Almost similar but slightly different.
- For companies it is very big different.
- Former affects for companies who traded carbon credits.
- Latter affects all of companies value not only present ones but also future ones.

Accounting for Emission Rights (Carbon Liabilities)

- A history of IFRIC3
- It's draft proposal was issued in December 2004.
- IFRIC is the International Financial Reporting Interpretations Committee in the IASB (International Accounting Standards Board) .

It specified that;

- Allowances are an intangible asset at fair value.
 - This liability is measured at B/S as current market value.
 - Companies will amortise the government grant (deferred credit) to profit or loss.
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- IFRIC had strong opposition from companies above interpretations especially treatment of emission liabilities as government grant.
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- IFRIC Board decided to withdraw IFRIC3.

Two role for Financial institutions

- They should evaluate carbon liabilities of investments and loans to companies.
- They should also provide suitable carbon investment products to global investors.

Carbon Principles

- Citi, JPMorgan Chase, Morgan Stanley
- Climate change guidelines to power companies in the US.
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- 1- Energy Efficiency.
- 2- Renewable and Low carbon distributed energy technologies.
- 3- Conventional and Advanced generation.

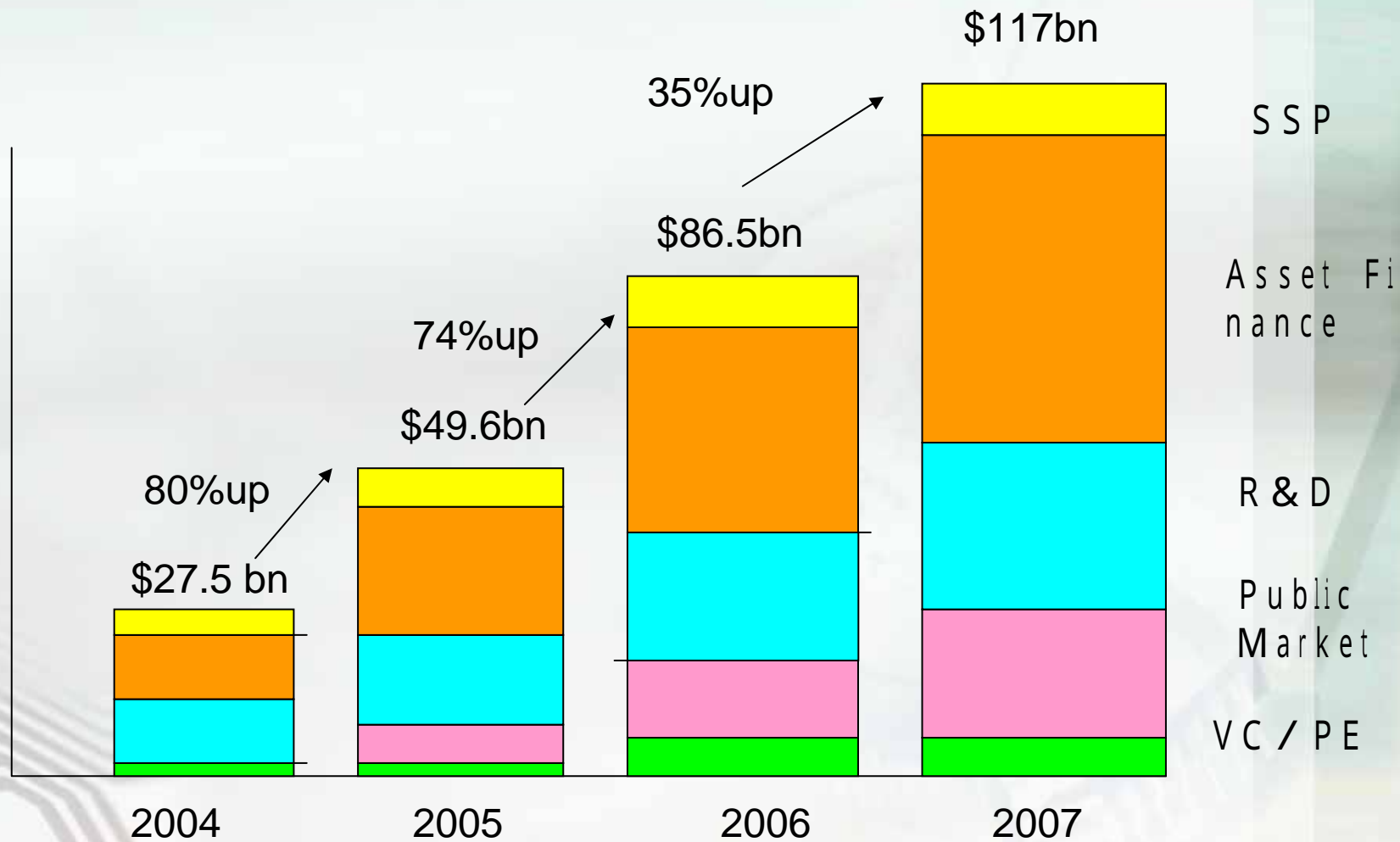
Measurement of Environmental Liabilities

- The amount of the obligation embedded in the acquisition price of the asset.
- A market quote in active market for transfer of the obligation(e.g. carbon trading).
- Application of an expected present value technique to estimate fair value.

Calculating of Intangible Environmental Assets

- Capitalized Environmental Costs
- Right of Recovery
- Emission credits
- Goodwill associated with a company's environmental performance or risk profile.

Global Investment for Renewable energy markets



Thank you very much

- Yoshihiro Fujii