

Carbon Market

David Warrilow

The carbon market is an important element of the financial package. By engaging private finance and private actors in mitigation efforts, it creates a transformational effect. If properly designed, it has the potential to deliver investments at the desired scale.

Emission trade figures in 2007 have been impressive. Total emission trade was worth \$ 60 billion, up by 64% from \$ 33 billion in 2006. Of this, \$ 41 billion was in EU ETS and \$ 17.5 billion in CDM. Emission trading, by creating a price for carbon, reduced the cost of mitigation efforts and engages the private sector. Similarly, other mechanisms like CDM and JI reduce costs and deliver investment.

However, to convert trade into substantial investment in particular sectors and countries, new supporting instruments may be necessary. Such new instruments can ensure continuity in CDM and allow those that are willing to go further in new arrangements.