Put Price on Carbon Liability

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Constructing new canal for LCSs with shared roles

Stern report said that expected cost of cutting emission consistent with a 550 ppm Co_2e will be 1% of global total GDP per year, almost $500bn by 2050. Is is huge or not? I could say no. Because there is over $125trillion in global household wealth only as of 2000 estimated by UN-WIDER. A character of this huge money is uneven distribution. The richest 2% of adults own more than half of them. If we can make new canal for those money pouring LCSs, we can secure $500b every year through new markets trading carbon and related goods. In order to make such canal, we need shared role among governments, financial authorities, accountant organizations and financial players. Governments have to 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 liabilities?

Almost similar, but slightly different. For companies, it is very big different. Because pricing carbon affects for only companies who traded carbon credits. But pricing carbon liabilities affects all of companies values not only present ones but also future ones. Carbon is priced whether regulated or not, such as voluntary carbon trading. But if governments regulate GHG gas emission, every company other than small emitter have to cost them as a certain amount whether buy or sell. That cost affects company's value. That means setting international accounting standard for carbon assets and liabilities are very important. Accountant organizations should try to corporate and coordinate to set up them with transparent, appropriate and accurate way.

Two roles for financial institutions.

Evaluating those carbon liabilities, financial institutions have two roles. One is evaluating carbon liabilities of investment and loans to companies. Second is providing suitable carbon financial products for global investors including above richest households. Carbon liabilities should be calculated in the acquisition price of the assets, and measured by an expected present value technique to estimate fair value.