

## Reducing emissions paramount Carbon-trading mechanisms working too slowly: prof

LYNN MOORE  
The Gazette

Tuesday, June 10, 2008

Carbon-trading systems will likely be a boon to lawyers, lobbyists and arbitrage junkies, a panel on emissions trading heard yesterday at the International Economic Forum of the Americas conference underway in Montreal.

But it is unlikely that the requisite global trading mechanisms will be in place and working quickly enough to rescue the planet from a climate catastrophe, Michael Dorsey, an environmental studies professor at Dartmouth College in the U.S., said.

"Time is the key variable," Dorsey told a session at the annual international economic forum that draws delegates from the world of government, business and international organizations.

Reducing greenhouse gas emissions - linked to climate change - as endorsed by the Kyoto Protocol, is paramount. While Kyoto laid the foundations for carbon trading, there are better alternatives to the "steep learning curve needed to learn" how to create regulated and transparent trading systems, Dorsey said.

Those alternatives include creating a "real market" by taking back existing subsidies for fossil fuel producers, taxing industries for emissions at the source and driving those new revenues into green energy offerings, he said.

In May, the World Bank reported that the carbon trading market more than doubled in value in 2007 to \$64 billion U.S. from \$31 billion in 2006.

The largest trading system is the European Union's Emissions Trading Scheme, or EU-ETS, launched in 2005. Last month, the Montreal Exchange, in partnership with the voluntary Chicago Climate Exchange, launched the Montreal Climate Exchange to trade carbon futures contracts.

The exchange will allow industry to learn "how we can use carbon credits in a business solution to reduce carbon dioxide," Luc Bertrand, president and CEO of the Montreal Exchange, told the session.

But the establishment of a single global price for carbon credits "is still at the concept level," said Bertrand, adding that current per-tonne costs vary from about 27 euros in Europe to about \$7 U.S. in Chicago and about \$10 in Montreal.

Carbon exchanges use "market forces to move the economy to less intensive carbon future," he said.

But working out the kinks will take time.

"It's a minimum of 10 years of work until we get it really right, but I think in the meantime we are doing the right thing, both from a social point of view and an economical point of view," Bertrand said.

Among the issues plaguing economists who study carbon trading strategies is that there is no "supranational authority that can actually impose co-operation" to protect the climate, a "global public good," Christoph Böhringer, an economist at the University of Oldenburg in Germany, told the session.

"It is very very hard to deter defections from ... agreements," he said.

Canada has decided not to comply with Kyoto and "if you go through the newspapers, you'll read (such comments as): "It's not really that bad because after all no one will sue us (and) there is no sanction that could be applied to us," Böhringer said.

The EU-ETS is complicated and has multiple prices within it, he said. Those multiple prices make the EU-ETS "a paradise" for those who engage in arbitrage, Dorsey said, referring to the simultaneous purchase and sale of an asset in a bid to profit from price differences.

lmoore[at]thegazette.canwest.com

© The Gazette (Montreal) 2008