

Market for Voluntary Carbon Compensation *An Overview*

World Bank

*EMG meeting on
C-Neutral and Sustainable Procurement*
Washington D.C., June 26 2007

Why a Carbon Market?



Because of **regulatory** pressure (present or anticipated) or for **voluntary** reasons, **firms, governments, and even individuals** constrain their greenhouse gases (GHGs) emissions.

Since GHGs mix in the atmosphere, **it does not matter where emissions are reduced.**

Both internal abatement and purchase of “GHG commodities” (**allowances & offsets**).

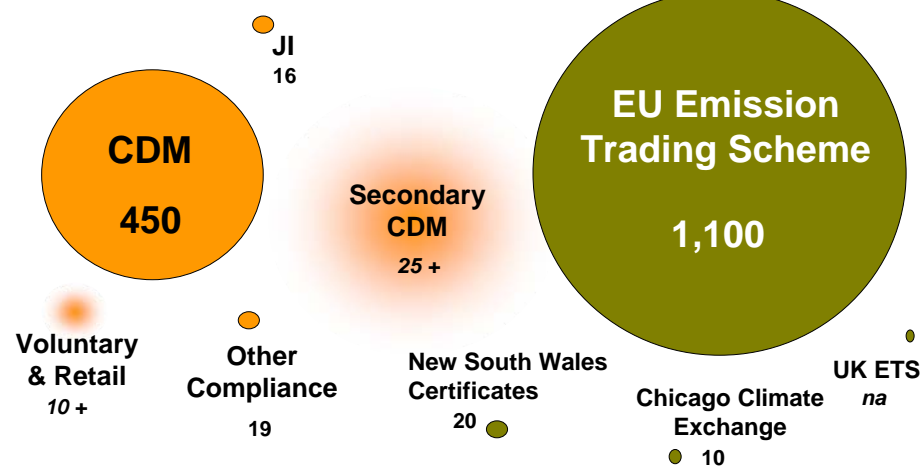
Volumes transacted in 2006



(in MtCO₂e)

Project-Based Transactions

Allowance Markets

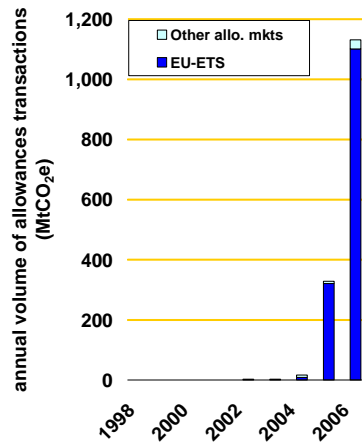
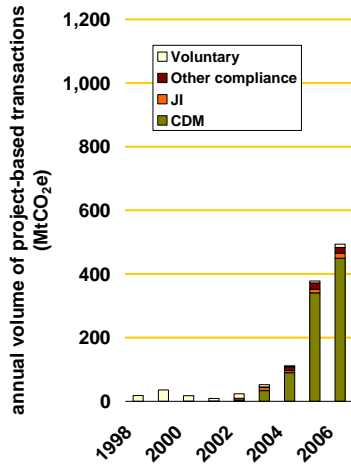


Evolution of largest C mkts.

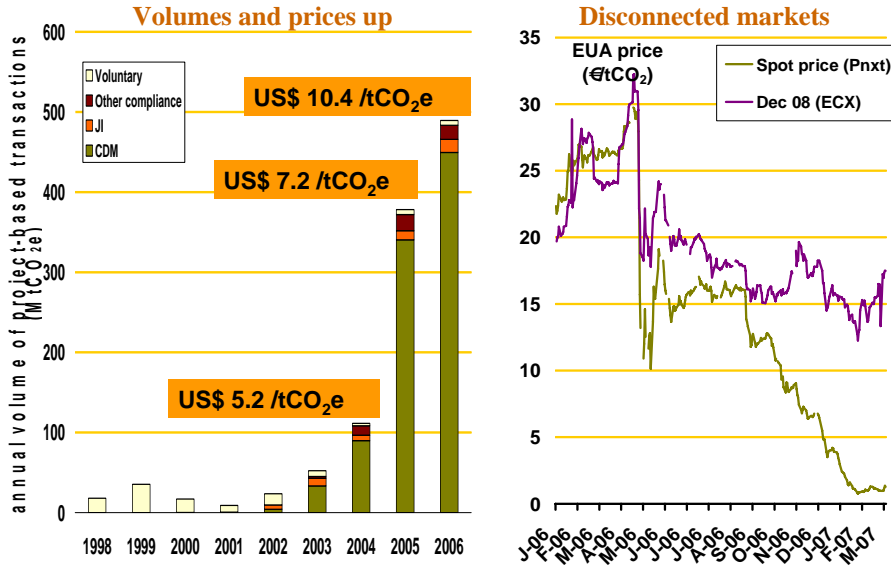


Project-based transactions

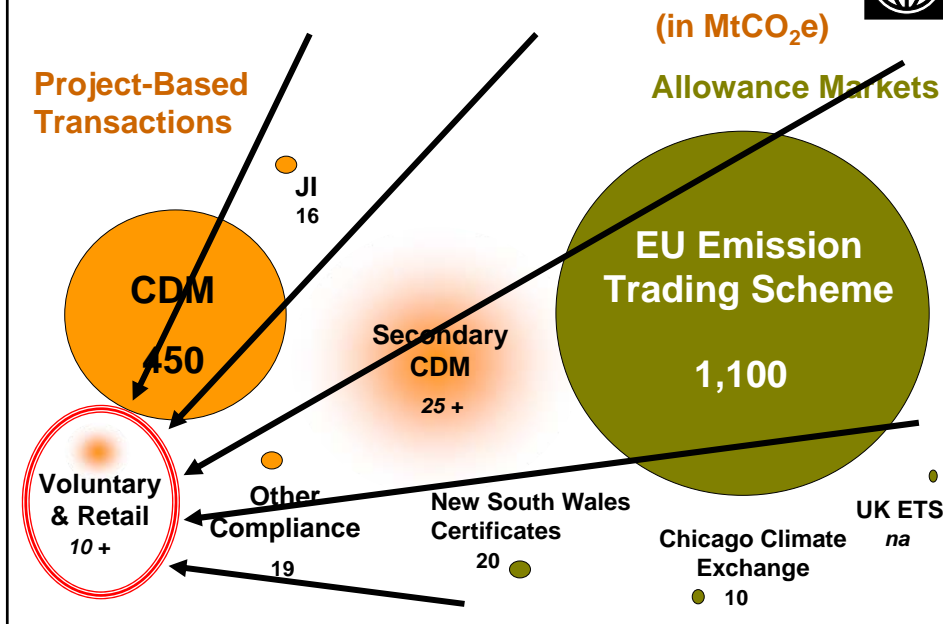
Allowances transactions



Prices: project-based and EUAs



Volumes transacted in 2006



A fragmented, but growing mkt



Who's buying?

Entities not under compliance (Europe, w/ recent push in the US)

- **companies** C-neutral for PR or “capacity building”
- **good & service providers**: C-free shipping, event organizers, *etc.*
- **individuals**: commuting, travels, housing, *etc.*
- **intermediaries** (retailers).

Who's selling?

Africa, but also **local offsets** in North America.

Steady growth in the next few years?

From 10+ MtCO₂e in 2006 to 400 MtCO₂e by '10 (60% in the US)

Smaller w/ strong SD attributes



Why selling?

Small projects, methodology issues, outside Kyoto

Asset classes

Typically small **forestry** projects, w/ **SD & community benefits**

Now, more on Energy Efficiency and Renewable Energies

Examples

- Kuyasa low-cost urban housing energy upgrade (7k tCO₂e/yr)
- Avoided deforestation in Mozambique (100 tCO₂e/yr)
- Ecuadorian Rain Forest Restoration (650 tCO₂e/yr)
- A/R activities at Scolel Te (Mexico) (30 tCO₂e/yr)
- Wind farm in China and Turkey (>50k tCO₂e/yr each)

Looking for a standard



Projects selection criteria:

Credible tCO₂e w/ SD and community benefits > prices

More than 15 standards addressing diversely:

Additionality, Verification, Registration, Permanence

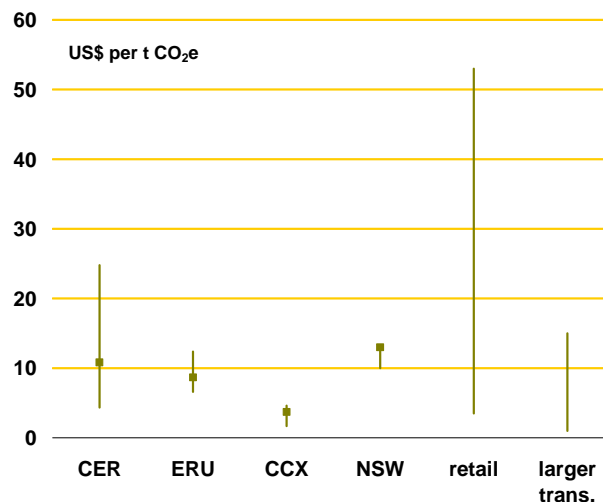
Credible **compliance units received strong interest**

CDM/JI, CCX, NSW

New standards being developed, **capitalizing on CDM**

Standard	Gold Standard	VCS	VER+
Sponsors	WWF, SSN, Helio International	the Climate Group, IETA, World Economic Forum	3C and Tuev Sued
Status	2003 for CDM and JI May 2006 for Voluntary	final by Dec 07	active
Offset types	EE (demand side) & RE w/ community benefits	all project types	all project types
Website	cdmgoldstandard.org	v-c-s.org	tuev-sued.de

Prices: sustainability commands premium





Thank you



Further readings

E. Harris (2006). The Voluntary Retail Carbon Market: A Review and Analysis of the Current Market and Outlook. MSc thesis, Centre of Environmental Policy, Faculty of Natural Sciences, Imperial College, London: UK.

R. Bayon, A. Hawn & K. Hamilton (2006). Voluntary Carbon Markets. Earthscan, London:UK

Market studies to be soon released:

Ecosystem Marketplace and New Carbon Finance
Caisse des Dépôts