

## Carbon Trading & The Kyoto Protocol

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### Overview

- Establishing a base level/allocation
- Regulation of trading
- The value of carbon
- Obtaining credits

### Establishing a base level

- Carbon emissions trading associated with the Kyoto protocol are designed to slow global warming
- Under the Kyoto protocol, industrialized countries must reduce CO<sub>2</sub> emissions by an average of 5.2% by 2012
- Countries are given an allowance to emit CO<sub>2</sub>, those that fall below this level can sell their extra emission rights to those who surpass it

### Baselevel (cont)

- By comparing emissions to 1990 levels, countries that have worked to reduce emissions over this time are rewarded
- Those countries that have not ratified the protocol will not be eligible to trade carbon
- The structure of this trading program gives countries an incentive to sign the protocol
- Countries will be able to decide whether it would be cheaper to upgrade with cleaner technology or purchase extra emission rights

## Carbon trading regulation

- All participating countries must prove their compliance to individual emission caps
- This can be accomplished by establishing a carbon representative from each country
- There will also be an independent international council established (IEC) to oversee and enforce carbon trading policies

## The value of Carbon

- The expected global market value of carbon is US \$20 per ton of carbon
- By setting a defined value for the price of carbon, investment decisions can be made

## Obtaining credits

- Credits can be obtained by carbon sequestration through natural processes (forests)
- Clean Development Mechanisms (CDM), offers credits to companies that help set up or finance cleaner industry in developing states
- Credits can also be obtained by reducing emissions through renewable energy sources (solar, wind, geothermal power) or reducing overall energy demand

## Sources

- [www.thecarbontrader.com](http://www.thecarbontrader.com)
- [www.futureharvest.com](http://www.futureharvest.com)
- [www.niwa.cri.nz/ncces/cem/2002-01/trading](http://www.niwa.cri.nz/ncces/cem/2002-01/trading)