

## **Press Release: Global Carbon Market Worth €2 trillion by 2020” - Point Carbon**

Published: 23 May 08 14:47

A massive 67%, or €1.25 trillion, could be transacted in US ETS alone

*Oslo (22 May 2008)*

With the introduction of a greenhouse gas cap-and-trade scheme in the US, global carbon markets could be worth almost €2 trillion, with total transaction volume forecast at 38 billion tonnes carbon dioxide equivalent (Gt CO<sub>2</sub>e) per year by 2020, according to Point Carbon, the leading provider of market intelligence, news, analysis, forecasting and advisory services for the energy and environmental markets.

According to the estimates, some 67% of this €2 trillion, equivalent to €1.25 trillion, would be traded within a US emissions trading scheme (ETS) while the second largest ETS, the EU scheme, would trade 9 Gt CO<sub>2</sub>e, equivalent to 23% of the global market. This is, Point Carbon believes, a possible scenario given that the two main market segments by volume – the US and EU – have already formulated fairly specific proposals for how they will trade carbon in twelve years' time.

The figures, released today in Point Carbon's Carbon Market Analyst, entitled Carbon Market Transactions in 2020: Dominated by Financials?, assume a carbon price in 2020 of €50.

A more conservative scenario explored in the report foresees the prospect that only regional schemes develop in the US. This eventuality, if combined with the least ambitious EU ETS version and only a handful of other countries trading carbon in 2020, would result in transactions of just 8 Gt by 2020.

Point Carbon's central scenario, valuing the market at almost €2 trillion, is based on the assumption that a cap-and-trade scheme along the lines of the original Lieberman-Warner bill will indeed, by 2020, have been introduced in the US and that in the EU ETS there will have been a 25% reduction target, including emissions from aviation.

Besides the US and EU, Point Carbon assumes that by 2020 trading schemes are operational in Australia, New Zealand, Canada, Japan, Korea, Mexico and Turkey. Also included is trading for international marine and aviation sectors, as well as a continuation of government procurement of carbon credits in the EU and Japan – but not in any other countries. Taking these complex scenarios as a whole produces an underlying asset of 9.4bn carbon allowances and credits in 2020, with the US ETS making up 54% of underlying assets, equivalent to 5bn, and the EU ETS 19%, equivalent to 2bn. Point Carbon assumes the average turnover rate in the world carbon market will be about four times underlying

assets by 2020.

According to Kjetil Røine, manager at Point Carbon and author of the report, “Having a concept of the future size of the carbon market is important for at least two reasons. First, market volume says something about the number, size and kind of participants that a market can accommodate. Importantly, a large market involves not only compliance buyers and sellers but also financial players, who will provide liquidity to the market. Secondly, an indication of 2020 market size will say something about the place we think emissions trading will have in a future climate structure – not immediately after the end of the first Kyoto commitment period, but well into the post-2012 regime. This is important for long-term investors in sectors exposed to a carbon price”.

Senior analyst Endre Tvinnereim and co-author of the report added, “Looking at US and EU plans and policy statements, it is not unlikely that the two would link their carbon trading schemes in the next decade, creating a very large GHG cap-and-trade scheme. Such a joint scheme would combine all the attributes that would make it attractive to financial players and produce a high turnover rate.”

“With a US-EU engine established as a core, the global carbon market might rival at least some of the established commodity markets in the world. Add a few major developing countries to the mix, and the atmosphere is the limit for the carbon market”.

### **Note to editors**

- The carbon market has seen substantial growth since its modest start in 2003. Globally, the traded volume of carbon contracts has increased from 28 Mt in 2003 to 2.7 Gt in 2007, with forecasted further growth to 4.2 Gt in 2008.
- The Kyoto Protocol on climate change, which entered into force in February 2005, resulted in the launch of The EU’s emissions trading scheme (ETS). The world’s first greenhouse gas cap-and-trade scheme, it regulates company emissions in such a way that those emitting more carbon dioxide than their target allows must buy carbon permits from other companies to cover their requirements.

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