

Global carbon market continues healthy growth

Even though the global economy has lurched towards recession, the world's carbon markets have experienced healthy growth both in terms of the volume of emissions traded and value, according to New Carbon Finance.

The total market in 2008 was worth approximately USD118 billion. This represents an 84 percent increase in the total value of carbon emissions traded in 2007.

The volume of emissions traded in 2008 reached 4 billion tonnes, a 42 percent increase on the volume seen in 2007.

The dominance of the European Union Allowance (EUA) market continues with EUAs accounting for 70 percent of the volume of carbon emissions traded in 2008 and 80 percent of the value.

However, secondary or "guaranteed" Certified Emission Reductions (CERs), the main currency of the Clean Development Mechanism, have steadily increased their market share.

This reflects the growing interest in these credits as a global carbon currency being eligible for compliance against emissions targets under the EU ETS, Kyoto Protocol and the potential Australian and North American schemes.

For 2009, the New Carbon Finance anticipates continued market growth albeit at a slower rate than that seen between 2007 and 2008. Its analysis suggests a total market size of USD150 billion by year-end 2009.

This will be driven by moderate growth in the European allowance market (EUA), but most of the growth we expect to come from increased liquidity in the secondary CER market with more issuances and improved registries to transfer and hold these types of credits.

The future of the CDM also looks more secure following the international negotiations in Poznan in December 2008 with firm commitments to improving the transparency and efficiency of the mechanism.

Source: Energy & Enviro Finland, Weekly News, week 2