

U.N. official describes a 'dark night' for global carbon trading

Debra Kahn, E&E reporter

Published: Thursday, April 18, 2013

SAN FRANCISCO -- Depressed carbon markets in the European Union underscore the need for a globally linked trading scheme, including California's first-in-the-U.S. economywide cap-and-trade program, a top international climate official said yesterday.

The European Parliament's rejection of a plan to fix a heavily oversupplied emissions trading program has led to a "dark night" among participants, said Christiana Figueres, executive secretary of the U.N. Framework Convention on Climate Change, at a carbon conference in San Francisco.

"The environment, the carbon world environment in which California inserts itself, is not as optimistic as California," she said, unspooling an extended metaphor invoking the conference's theme of "Navigating the American Carbon World."

"Those who are in the carbon markets, I would say, are not in their best mood right now; I would say if they are navigating a boat, they feel like they're navigating in a very dark night, without instruments, in a perfect storm."

Prices on the European Union's Emissions Trading System plummeted this week after the Parliament unexpectedly rejected a proposal to take 900 million CO₂ allowances out of auctions scheduled in the next three years and add them back into the system in 2019 and 2020 (ClimateWire, April 16).

"I don't know who's more depressed, the prices or the participants in the market," she said.

Despite the European Union's woes, she urged California to think about eventual linking, reeling off a list of fledgling markets including Australia, Brazil, Chile, Costa Rica, South Africa, Thailand, Japan and several Chinese cities. "Ultimately California, large as it is as an economy, is not going to be alone."

Visions of a growing global market

"These markets will eventually be interlinked, they will allow each other to scale up and they will be interlinked in a way that they will be fungible with each other and they will be capable of growing with the global growing economy."

Talk of linkage also featured in discussions at the conference. Panelists agreed that linking is some way off for most governments but that communicating among each other and building off existing markets will help boost prospects.

Governments should focus on building accounting systems to make sure that the same carbon credit cannot be counted for reductions in more than one system and also that their methods of measuring emissions are in sync, said a World Bank carbon expert.

The goal is to "make sure 1 ton of carbon measured in one jurisdiction is the same ton of carbon you would measure in another jurisdiction," said Adrien de Bassompierre, a senior carbon finance specialist with the World Bank. "The lack of an international agreement does not mean that countries can't start working."

When asked why international climate policy has not been following the lead of private businesses eager to invest in renewable energy, Figueres said that companies interested in maintaining the current energy mix are "much louder" than climate policy advocates.

"We don't have a private sector," she said. "We have at least two private sectors," she said. "Those in this room ... and then we have the other private sector that is very interested in keeping the status quo."

"That other private sector is, with all due respect to all of you, much better-organized, certainly much better-funded, and is much louder."

Chevron straddles the pros and cons

"We have a battle of the old technologies that we know are becoming every day more and more stranded assets, and we have the new technologies that are coming on board," Figueres continued. "Those companies in the oil and gas industry need to understand that they have a future here, that they can continue to be energy providers if they also invest, and they are."

Splitting the difference would seem to be Chevron Corp., which paid \$40,000 to become a "platinum sponsor" of the conference alongside the Natural Resources Defense Council. The San Ramon, Calif.-based oil and gas giant has about 10 employees attending, but they are not speaking on any panels, a conference organizer said.

Chevron is also a member of the group Fueling California, which is opposed to the state's low-carbon fuel standard policy as currently written. That regulation, along with cap and trade, is part of a suite of measures aimed at lowering the state's emissions to 1990 levels by 2020. The group held a meeting in January aimed at changing the program (ClimateWire, Jan. 25).

Chevron climate change analyst Julia Bussey pointed to the company's investments in concentrated solar power, alternative fuels and energy efficiency. "I don't know ... if it's really true there's just one kind of company or the other," she said.

An environmentalist compared Chevron's activities to McDonald's shift in recent years to healthier menu options and promoting fitness events.

"They recognize there's this need ... for healthier options and renewables on the side, but they're still going to go to their moneymaker, the Big Macs, the fries -- the stuff that sells and that is their bottom line," said Environmental Defense Fund spokesman Joaquin McPeck. "To me, it's not shocking Chevron is sponsoring this event."