

Environmental Finance

MARKET SURVEY GHGs

on CCFE reaching record highs in recent weeks, up 75% from this time last year," says president and CEO Satish Nandapurkar.

Such growth would likely be dwarfed by the market's acceleration if a federal programme is introduced. The very size of any federal cap will drive early action, Vitol's Schaffer believes: "It's such a large market, [emitters] will be looking to move early ... [its size] necessitates early price discovery."

But, predicts Erin Craig, CEO of San Francisco-based carbon offset company TerraPass – voted Best Offset Originator, North America – demand for offsets is likely to swamp supply. "Most analysis shows that offsets under a regulated US regime ... will be supply-constrained," she says.

The Waxman-Markey bill allows for the use of up to 1 billion domestic offsets (each equivalent to one tonne of CO₂) to be used in its putative cap-and-trade programme – but, given the wide range of economic activity covered by the cap, there is expected to be limited potential for offset projects.

However, says Craig, a regulated market would likely unlock pools of investment in reduction projects: "The constraint will be in getting the investment needed to get projects to happen. We're hoping that when a law passes, that would come: in a compliance regime, there would be emitter money coming in, which would be great – at the moment, it's private equity and investment funds."

Increasingly, say market participants, those companies active in the European carbon market and in developing Kyoto projects, via the CDM and Joint Implementation (JI), are keenly eyeing a future US carbon market. That they are looking for new opportunities is unsurprising: trading volumes in the carbon markets dipped for the first time, quarter on quarter, in the second half of this year, according to figures from New Energy Finance.

The London-based analysis firm estimated that the value of the market fell to \$30 billion in the three months to the end of September, down from \$38 billion in the second quarter, with volumes falling from 2.143 billion tonnes of CO₂e to 1.760 billion.

It blamed part of this on efforts to stem apparently large-scale value-added tax (VAT) fraud, which came to light in May and which had boosted volumes in the EU Emissions Trading Scheme (ETS). So-called carousel fraudsters had been trading spot EU allowances (EUAs), charging VAT on the sale, then disappearing before paying the tax to the authorities. In response, several member states suspended the charging of VAT on EUAs – a move that was followed by a drop in spot volumes on the BlueNext exchange from a daily peak of 19.2 million tonnes (Mt) on 2 June, to an average of 2.2Mt for the rest of the month.

But volumes were also boosted at the start of the year by a wave of selling as recession-

GHG EMISSIONS

| | Winner | Runner-up |
|---|----------------------------------|---|
| EU Emissions Trading Scheme | | |
| SPOT & FUTURES | | |
| Best Broker | Tradition | GFI |
| Best Trading Company | Barclays Capital | BNP Paribas |
| OPTIONS | | |
| Best Broker | Evolution Markets | = Tradition = Tullett Prebon |
| Best Trading Company | RNK Capital | Barclays Capital |
| Best Advisory/Consultancy | ICF International | First Climate |
| Best Law Firm | Baker & McKenzie | Norton Rose |
| Best Exchange | ECX | BlueNext |
| Best Verification Company | TÜV SÜD | DNV |
| Kyoto Project Credits (JI and CDM) | | |
| Best Primary Originator | First Climate | = EcoSecurities = TFS Green |
| Best Broker | Evolution Markets | = TFS Green/Tradition = Tullett Prebon |
| Best Trading Company | BNP Paribas | Barclays Capital |
| Best Advisory/Consultancy | ICF International | First Climate |
| Best Law Firm | Baker & McKenzie | Norton Rose |
| Best Exchange | ECX | BlueNext |
| Best Verification Company | TÜV SÜD | DNV |
| Best Project Developer | EcoSecurities | First Climate |
| North American Mandatory Markets | | |
| Best Broker | Evolution Markets | Tradition |
| Best Trading Company | Vitol | Element Markets |
| Best Offset Originator | TerraPass | – |
| Best Offset Broker | Evolution Markets | Tradition |
| Best Advisory/Consultancy | ICF International | Power & Energy Analytic Resources (PEAR) |
| Best Law Firm | Baker & McKenzie | = Skadden, Arps, Slate, Meagher & Flom = Van Ness Feldman |
| Best Exchange | CCFE | – |
| Best Verification Company | First Environment | = DNV = SCS |
| Best Project Developer | EcoSecurities | Blue Source |
| Australasian Markets | | |
| Best Broker | Next Generation Energy Solutions | |
| Best Trading Company | AGL | |
| Best Advisory/Consultancy | PricewaterhouseCoopers | |
| Best Law Firm | Baker & McKenzie | |