

# US carbon market growth seen without climate bill

DALLAS—Voluntary carbon markets in the United States will grow especially at the regional level even if a stalled federal climate bill fails to impose "cap and trade" on American industry, the chairman of the Chicago Climate Exchange (CCX) said on Tuesday.

"I think we will continue to see interest in voluntary carbon markets ... And I would expect that without a federal law you will continue to see growth in regional initiatives in the United States," Richard Sandor, the exchange's founder, told Reuters in a telephone interview.

He noted regional moves that he said were gaining traction such as the Western Climate Initiative.

"After all, we started CCX when there was virtually no movement in Washington (on mandatory emissions caps) back in 2003," Sandor said.

US lawmakers face an uphill battle enacting a climate bill in 2010 that includes a cap-and-trade market in greenhouse gases after December's UN meeting in Copenhagen failed to hammer out a global pact on emissions cuts.

US climate legislation remains likely as lawmakers feel pressure to help the country lead in production of low-carbon energy sources such as wind, solar and nuclear power.

But the Copenhagen Accord did not include mandatory emissions targets. This will make it difficult for lawmakers to argue that the US should have a binding emissions cap.

Political uncertainty has contributed to low carbon prices in the United States. The Carbon Financial Instrument contracts on the Chicago exchange have fallen to about 15 cents per ton from about \$2 early last year. In Europe, carbon allowances are worth about \$18.50 a ton.

But Sandor, an innovative and key figure in the history of the global derivatives industry, said he still saw "momentum" for cap and trade in the United States.

He also said he saw a lot of growth and excitement around a UN-backed system to pay poorer nations for saving or replanting their forests, known as the reducing emissions from deforestation and degradation, or REDD.

"I think REDD will continue to grow and capture the imagination of many, many people in and out of the environment movement," he said.

He said he saw regional markets and exchanges being set up in places like Brazil while Africa would begin to benefit from offset projects.

Sandor is executive chairman of Climate Exchange PLC, which owns not only the CCX but the European Climate Exchange, a key part of the European Union's carbon trading scheme put in place after the UN's Kyoto Protocol in 1997.

- Reuters