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WHERE THE
World
TRADES
CARBON

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***International and Regional Markets,
Eventual Market Integration***

Climate Exchange Plc. (CLE.L) Global Family of Exchanges



Tianjin Climate Exchange



Montréal Climate Exchange



Climate Exchange Plc. companies own and operate the world's leading exchanges specializing in environmental asset classes, including emissions, weather and insurance-related products.



Role of Exchanges in Efficient Markets

- Develop product standards that facilitate capital flows
- Transfer of price risk
- Eliminate counterparty risk through clearing guarantees
- Price discovery and transparency
- Full audit trail for compliance, regulation



Implementing Policy: Mandatory Emissions Markets Hosted by the Climate Exchange family

Program	Climate Exchange market	Activated
Carbon: EUETS	European Climate Exchange	2005
Carbon/GHGs: UN Certified Emission Reductions	European Climate Exchange	2007
Carbon/GHGs: Canada	Montreal Climate Exchange	2008
Carbon: Regional Greenhouse Gas Initiative (northeast U.S.)	Chicago Climate Futures Exchange	2008
Carbon: U.S. Federal Mandatory <i>CFI</i> [®] -US	Chicago Climate Futures Exchange	2008
USEPA SO ₂ , USEPA NO _x	Chicago Climate Futures Exchange	2004



Anticipating Policy: Voluntary Emissions Markets Hosted by the Climate Exchange family

Principal Location	Climate Exchange market	Activated
United States (with Canada, Brazil, others)	Chicago Climate Exchange (spot), Chicago Climate Futures Exchange (futures and options): carbon/GHGs	2003, 2006
California, U.S. Climate Action Reserve voluntary offsets	Chicago Climate Futures Exchange	2009
China	Tianjin Climate Exchange: SO₂, C.O.D., CERs, energy efficiency	(emerging)
India	India Climate Exchange: carbon/GHGs	(emerging)



Will international carbon markets converge? How?

“The Case for Plurilateral Environmental Markets”

Richard L. Sandor

(column, Environmental Finance magazine, September, 2001)

“We have long both advocated and forecast that the development of an international GHG market would emerge from a ‘bottom up’ and voluntary approach. This mirrors the history of other internationally traded markets. Furthermore, the evolutionary process of market development is also consistent with the history of international political co-operation. International agreements tend to grow from small beginnings – the European Coal and Steel Community has evolved into the Common Market and, now, the European Monetary Union.”



Division of Labor: Carbon Market Responsibilities of Relevant Government Authorities

National Diplomatic Corps, Multilateral bodies	National Environment Ministries	Finance Ministries, Exchange and Trading Regulators	Finance Ministries, Tax, Currency, Criminal Authorities
<p>Negotiate multi-lateral environmental agreement that enables national and multinational efforts</p> <p>Establish bi-lateral and plurilateral market linkages</p>	<p>Implement national policies, enforce environmental objectives</p> <p>Operate registries, facilitate mechanics of international linkages</p>	<p>Authorize and regulate exchange and off-exchange trading</p> <p>Coordinate internationally</p>	<p>Ensure conformance with related tax, contract, currency and financing laws; oversee and prosecute possible criminal activities</p>

