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Carbon Credit Prices May Increase in 2010, IETA Says

By Dinakar Sethuraman, *Bloomberg*, 25 August 2010

Prices of carbon credits generated by developing countries may rise over 2010 as regulators review industrial gas projects and Chinese wind energy facilities, fueling speculation that supplies will slow.

“There are fears of a supply squeeze because of fears industrial gases will not be allowed to produce certified emission reduction credits (CERs),” said Henry Derwent, chief executive officer and president of the Geneva-based International Emissions Trading Association (IETA), in an interview ahead of the Carbon Forum Asia conference.

UN Certified Emission Reductions for December rose 0.8 percent to 13.36 euros a metric ton today. The offsets have risen about 15.5 percent in the past month after regulators said they are reviewing projects that reduce hydrofluorocarbons.

Regulators of the UN Clean Development Mechanism, the second-biggest emissions market, said on Aug. 18 they won't immediately issue tradable emissions credits to the developer of a Chinese hydrofluorocarbon-23 project as they seek more information. UN regulators are ramping up scrutiny after allegations that some developers are seeking excessive credits related to HFC-23, an industrial gas whose warming potential is 11,700 times more powerful than carbon dioxide.

The UN is investigating projects involving Chinese wind power generators and factories seeking credits to reduce HFC-23 even as the European Union considers changes in rules to acceptance of such credits to comply with domestic regulations, Derwent said in Singapore today. These measures together create uncertainty and threaten to reduce the supply of CERs as HFC-mitigation credits account for more than half of the issuance so far, he said.

“Demand for CERs may increase now,” as global economies start to turn around and the outlook for growth improves, Derwent said. IETA's members include Goldman Sachs Group Inc. and Royal Dutch Shell Plc.

CERs, awarded to projects that lower emissions in developing nations, can be used to comply with the EU emissions trading system, the world's largest cap-and-trade program.