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Carbon credit prices to remain volatile: Experts

Namrata Singh | TNN

Mumbai: Even as prices of carbon offsets dropped in a knee-jerk reaction to the outcome of Copenhagen Climate Summit, players in the Indian industry are projecting carbon credit prices to remain volatile in 2010.

The recently concluded Copenhagen Climate Summit has seen a lot of negative reactions from nations, experts, environmentalists, business leaders and investors.

"Clearly, the summit fell short of its stated goals and global expectations. There is likely to be a downward trend on carbon credit prices and slower demand in the short term (at least, until Q4 2010)," said Krish Krishnan, managing director, Green Ventures India.

Suresh Iyer, deputy general manager, JSW Steel, said there would be knee-jerk reactions in the near future due to some of the speculators/traders unwinding their positions (which they would have taken in the run up to the Copenhagen meet).

The prices would continue to be influenced mostly by the same factors viz, oil prices, weather patterns, intensity of economic revival, etc.. "There would be a persistent volatility in the prices of carbon in 2010," said Iyer.

The benchmark EU allowance contract shed more than a euro in early trading on Monday morning, falling as low as 12.40 (\$17.81) after opening at 13.50. Consequently, United Nationsbacked CERs (certified emission reductions) were traded at 11.50/11.20 (High/Low) for the December 2010 contract at the time of this reporting.

"The short term implication on prices is dampening. Investors could turn weary of taking long position on CERs, thereby bringing the prices under severe pressure in January," said Birjendra Sangwaiya, principal consultant, Emergent Ventures India. CERs too are expected to be vulnerable in the short term.

According to Krishnan, while there is continuing uncertainty about Kyoto post-2012, the lack of binding caps will keep more uncommitted investors on the sidelines.

However, on the positive front, Krishnan said the US Senate is likely to now move forward and ratify the Kerry-Boxer Bill, which will officially herald the entrance of the US into this market as a largest new source of market demand for both carbon offsets and low carbon technologies and services.

This is expected to open up a market about three times the size of the European Union-Emissions Trading Scheme. "This also means shifting the carbon market epicentre from London to New York," said Krishnan.

Adaption funds led by the US (\$100 billion annual target by 2020), according to Krishnan, will serve as an active global green stimulus programme. Carbon credits or CERs are offsets of international emission trading schemes implemented to mitigate global warming.



