Carbon Trading Exposed: The Impact of carbon Trading on the World’s Poor

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Sources: Macquarie Bank, European Climate Exchange
Overview of carbon trading system

National Targets on ‘Annex 1’ countries (developed)
- Inter-Govt trading of Assigned Amount Units (AAUs)
- Govt purchase of Project Credits

Kyoto Flexible Mechanisms

CERs
Clean Development Mechanism
- Developing countries
- Projects that decrease emissions compared to what they would otherwise be
- Should not proceed without carbon benefit (additionally)
- 2005 →
- Awarded to project owner, not government

ERUs
Joint Implementation
- Annex 1 countries
- Projects that decrease emissions compared to what they would otherwise be
- Should not proceed without carbon benefit (additionally)
- 2008 →
- Awarded to project owner, not government

Government and private purchase of Project credits

Firm, fungible, guaranteed delivery

Limited government purchase into EU ETS (10% cap)

Awarded to project owner, not government

European Allowances (EUAs)

Firm, fungible, guaranteed delivery

Exchanges
- ECX
- Nord Pool
- EEX

Developed country/Annex I

Annex I entity finances project

Annex I entity obtains carbon credits (CER)

Developing country/Non-Annex I

Source: Point Carbon
The innovative cooking stove in action in Kampala, Uganda.

TIST Tanzania: without project

Abandoned land

Fuelwood shortage

Damaging practices

Decreasing fertility
TIST Tanzania: with project

- Village nurseries
- Groups with a purpose
- Trees line up houses, paths
- Grass growth under trees
Carbon Trading is one small part of the Climate Regulatory response and cannot be seen as delivering the sole reduction in global emissions.

Only CDM, one part of the global trading framework has a regulatory nexus to helping the world’s poor, but it is the ONLY mechanism to deliver capital into emissions reduction projects in developing countries.

Provided therefore emissions trading systems, in conjunction with other policy measures, deliver the reductions in greenhouse levels required, it will help the global environment and through that the world’s poor. If not then the world’s poor are the ones who will suffer most.