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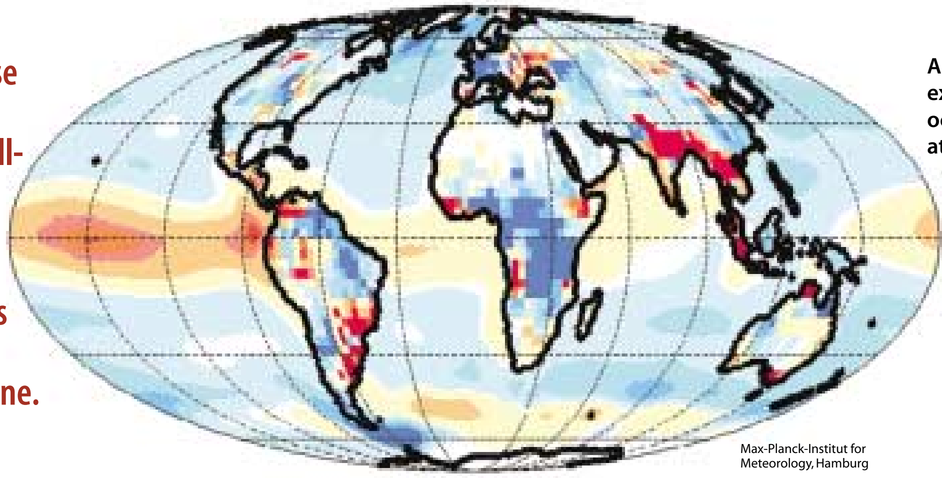

An image of CO_2 exchange between the ocean/biosphere and atmosphere. Highest CO_2 concentrations are shown in red.

Max-Planck-Institut for Meteorology, Hamburg

There's money in the air

Regardless of the short-term future of the Kyoto Protocol, it would seem that the lucrative trading of greenhouse gases is a burgeoning new industry staking the future on emissions legislation, and predicting change.

The nation of Slovakia has recently sold emissions credits equivalent to 200 000 metric tons of carbon dioxide to a Japanese trading house. Meanwhile, Great Britain and Denmark have also been developing markets based on the assumptions laid out by the 1997 Kyoto Protocol. In Chicago – the birthplace of commodities trading in the United States – a project called the Chicago Climate Exchange (CCX) has been carefully motoring forward for almost two years. With design support from companies such as Ford, Dupont, and BP, CCX has been developing a voluntary program for corporate emission reductions and trading.

Deutsche Bank estimated last year that an active Kyoto Protocol could result in a greenhouse gas market worth $60 billion annually. Few of the trading initiatives above are likely to be viable until some legislation mandating greenhouse gas emissions goes into effect. The current world economic climate hardly seems one in which trading companies and seasoned businessmen would be given to wild speculations on unproven markets.

And yet, having weighed the facts and watched the trends, a handful of businesses have decided not to wait around for a definitive answer, but to march along in pursuit of a good bet.

The recent release by Honda and Toyota of fuel-cell-powered cars would seem to be a nod to the end of fossil fuels and the internal combustion engine. The prototypes' undisclosed prices are estimated to be between several hundred thousand and a million dollars apiece. This hardly seems like a worthy gamble of resources for businesspeople with an unshakeable faith in the long-term future of a fossil-fuel-based economy.

It is clear that such benefits are emerging and being taken up by many international countries and companies, benefits that have the potential to outweigh the perceived negatives. The Australian Government has made the statement that it will not ratify the Kyoto Protocol 'unless and until it has been demonstrated that it is in Australia's interests to do so.'

The Environment Business Australia, 'Business Case for Ratification of the Kyoto Protocol'[1] states, 'there are clear signals from Government that they understand the constraints that the current decision places on the ability of Australian companies to be competitive, especially in Clean Development Mechanism projects in developing countries. Government and industry are now working together to develop strategies for long-term sustainability in a carbon constrained economy. As an example, the agreement with the USA to develop science, technologies and systems as a Type II energy partnership will act as a stimulus to take advantage of the growing world market in sustainability.'

Nations might or might not come up with the 55% majority to ratify the Kyoto Protocol. Governments might not come to any definitive agreement any time soon regarding who must reduce how many tons of what by when. Meanwhile, the market seems to be indicating the belief that a greenhouse gas constrained future is inevitable, and that sooner or later, emissions reductions will be mandatory. In the greenhouse gas trading market, many businesses smell opportunity in the air.

● **By Christina Page**, *Rocky Mountain Institute*, with support from *The Natural Edge Project*.

1 http://www.emiaa.org.au/EBA%20Kyoto%20Protocol%20paper%2025.10.25.pdf

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