



News Release

From the City of London
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THE CLEAN GREEN MARKET SCENE: Next Stop Retail Emissions

New research: Emissions Trading and the City of London

Carbon Markets based in the City of London provide a vital weapon against global climate change says new research *Emissions Trading and the City of London* launched today by the *City of London Corporation*.

This new report, written by the *Consilience Energy Advisory Group*, looks at the business opportunities offered by emissions trading, ascertains how the market has developed and identifies the next generation of trading opportunities. The report anticipates the next stage of development - the promotion of the retail emissions sector - in order to consolidate and maintain London's lead at the centre of the emissions trading industry

The research shows that in the last eighteen months there has been remarkably rapid growth in emissions trading. The sector is now a valuable part of the City of London's success as the world's leading international financial centre. The results are impressive - approximately 350 million tonnes of carbon allowances were traded internationally in the EU ETS during 2005, worth an estimated €9 billion. That figure is expected to more than double this year to about €20 – 25 billion.

Michael Snyder, Chairman, Policy and Resources Committee, City of London said: "Given London's pool of expertise in financial services, and its reputation as a centre of innovation for trading practices, it is no surprise that the City has become the emissions trading 'hub' of Europe".

As well as looking at the development of the market the report also looks at the City of London's role in promoting efficient energy use. It investigates how emissions trading could be utilised at the local level and proposes ideas for introducing energy efficiency measures in buildings and transport networks. It suggests that if policy makers are to contribute positively to climate change they need to consider a diverse range of policy tools.

Mr Snyder said: "This ground-breaking report provides ideas for international, national and local regulators to enlist the public at large in the fight against climate change. It tackles the practicalities of basing new environmental initiatives on one common instrument of compliance, the European Union Emissions Allowance - the EUA".

The report suggests that a scheme based on EUAs would:

1. offer multinational corporations compliance synergies in meeting the terms of international, national and local green policies; and,

2. provide consistent and comparable economic measures to companies and households complying with a range of different environmental schemes.

According to Mr Snyder: "The City of London Corporation is taking its own responsibilities on climate change seriously. We are currently developing a *Climate Change Adaptation Strategy for the City*, and we have taken steps to reduce emissions from our own operations by offsetting the carbon footprint from staff travel. In addition, we are one of the largest users of renewable energy in the UK. Many of London's most recognised landmarks – including Tower Bridge – are supplied with electricity generated from renewable energy sources".

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NOTES TO EDITOR:

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DEFINITION:

Emissions trading (or **cap and trade**) is an administrative approach used to control greenhouse gas emissions by providing economic incentives for achieving reductions in such emissions. In such a plan, a central authority (usually a government agency) sets a limit or *cap* on the amount of a pollutant that can be emitted. Companies or other groups that emit the pollutant are given *credits* or *allowances* which represent the right to emit a specific amount. The total amount of credits cannot exceed the cap, limiting total emissions to that level. Companies that pollute beyond their allowances must buy credits from those who pollute less than their allowances. This transfer is referred to as a trade. In effect, the buyer is being fined for polluting, while the seller is being rewarded for having reduced emissions. The more firms that need to buy credits, the higher the price of credits becomes -- which makes reducing emissions cost-effective in comparison.

The innovative aspect of the City of London report is it promotes the emergence of emissions trading at the retail level, allowing individuals and small companies to use the same instrument on which international emissions trading is based. Furthermore its use is not restricted to greenhouse gas emissions: any environmental scheme can be targetted more effectively by linking its compliance method to EUAs.

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For further information contact:

Lesley Mair or Fiona Milligan at the Press Office at the City of London on 020 7332 1906
email lesley.mair@cityoflondon.gov.uk or Fiona.milligan@cityoflondon.gov.uk

About the City of London Corporation:

The City of London provides local government services for the Square Mile, the financial and commercial heart of Britain, and is committed to maintaining and enhancing the status of the business City as the world's leading international financial and business centre through its policies and services. Its responsibilities also extend far beyond the City boundaries and include management of the Barbican Centre, Central Criminal Court at the Old Bailey, 10,000 acres of open space including Hampstead Heath and Epping Forest, three wholesale food markets, as well as acting as the London Port Health Authority.