Activists push for carbon trading market

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Starting next year, 38 developed nations (excluding Australia and the US) will be required to meet the greenhouse gas (GHG) emission standards stated in the treaties they signed under the framework of the Kyoto Protocol.

Based on the protocol's principles, each of these nations is obligated to reduce their GHG emissions by an average of 5 percent below 1990 levels between next year and 2012, also known as the first commitment period.

The principles further dictate that those who fail to meet their commitment during this time will be penalized 1.3 emission allowances for every tonne of GHG emissions they exceed the cap.

Nevertheless, signatories can avoid the penalty by following the clean development mechanism (CDC) that requires developed countries to invest in projects that help developing countries reduce GHG emissions.

Another option is to buy allowances from other nations or third parties who own allowances, a mechanism which is now recognized as carbon trading.

Taiwan is not obligated to abide by the protocol, as it is neither a UN member nor a Kyoto Protocol signatory. Some, however, have claimed that this unique status does not exempt Taiwan from international sanctions. Exports from Taiwan, for example, may soon be required to fulfill the low GHG emissions requirement before they can be sold in any nation that has ratified the protocol.

This eventuality has made domestic activists aim for the potentially greater benefits that could be generated through an established national carbon trading market. And for years, they have been criticizing the government for acting "at a snail's pace" on the matter.

Liu Ching-hsiang (劉清祥), chief executive of the Taiwan Emission Trading Association, said in an interview that it has been a year since the nation's first greenhouse gas reduction act was sent for review to the legislature. However, the act went literally nowhere after it had passed its first phase of the legislative process, he said.

Liu said the Environmental Protection Administration (EPA), the agency entrusted to head efforts to reduce the nation's greenhouse gas emissions, was not active enough in campaigning for voluntary emission reductions among private corporations, through which they are able to sell additional credits to other traders.

"By 2008, we could watch these supposedly tradable resources [carbons] go down the drain," he said.

A similar sense of urgency is also conveyed by energy trading experts.

Elizabeth Bossley, chief executive of the Consilience Energy Advisory Group, said the nation should take advantage of what she termed an "imperfect" protocol.

"You have the capability to trade in Kyoto allowances, because the rules of schemes allow anyone to enter the market as a third party and trade these allowances," she said.

Bossley said that Taiwan's status as a non-signatory of the Kyoto Protocol also enables it to construct a trading scheme appropriate for its state of development and to link itself to the international market by using Kyoto allowances.

She also noted that it would be inappropriate for Taiwan to reduce emissions in absolute terms as it will only limit economic growth. She said that Taiwan can utilize its forte in innovation and technology to produce the same amount of goods while producing less carbon.

Bossley said she was aware that the nation has problems securing funding for CDC projects because of the China issue, but said that this has given Taiwan complete freedom to trade in ways it wants to trade. She also said she saw the nation's potential to become a price-setting carbon trading hub as it develops its own GHG policy.

"If Taiwan builds a policy based on GHG emission reductions and chooses the least-cost instrument to achieve that objective, it gives itself the possibility of buying any of these ranges of internationally-traded instruments as its own compliance strategy," Bossley said.

The vision of a national carbon market, however, was met with skepticism by the nation's legislators. So far, 10 articles related to carbon trading schemes in the GHG emissions reduction act have been reserved for further discussions as lawmakers request more deliberation.

"You are asking profitable energy-intensive industries to voluntarily cut their GHG emissions," said Kuomintang (KMT) Legislator Lwo Shih-hsiung (羅世雄). "It's not going to be easy."

Wu Chih-wei (吳志偉), a technical specialist at the Ministry of Economic Affairs' Energy Bureau, said manufacturers are mostly concerned about how the government plans to distribute the carbon credits and whether they would be meted out in a fair way.

"The distribution plan is a delicate matter," he said. "It needs to be handled very, very carefully."

Besides the distribution of credits, Wu said the nation must be ready to settle other disputes, such as how state corporations use the revenue created through carbon trading.

Wu also said the nation still lacks professionals familiar with the different carbon trading schemes in the international marketplace. Meanwhile, as many people are still relatively ignorant about the importance of climate change, Wu suggested it would take a while before a carbon trading market would emerge in Taiwan.

Yeh Fang-lu (葉芳露), a senior engineer with the EPA's air quality protection and noise bureau, said carbons are categorized as derivatives in financial terms. The nation's financial laws need to be amended to regulate trading, he said.

Yeh added that some companies have chosen to do third-party trading, but he said that the trading must also be certified as effective by creditable agencies.

Yeh said that the administration leans toward following a benchmark rule in giving out carbon credits. He said the administration will first examine a company's emission records in the past and the credits companies receive would be a little under their self-reported values.

"The measure serves as a motivation for them [companies] to reduce emissions," he said.

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