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China, India Should Reject Kyoto Emission Caps, Consultant Says

By Angela Macdonald-Smith

Enlarge/Details

Dec. 13 (Bloomberg) -- China, India and South Korea should reject calls to agree to caps on emissions through the Kyoto Protocol because domestic carbon trading systems would be more effective, a U.K.-based energy trading consultant said.

Any caps that the three nations may be induced to accept at United Nations-sponsored climate talks in Bali would probably be set so high that they would undermine emissions trading under the treaty, said Liz Bossley, chief executive officer of London-based Consilience Energy Advisory Group. They may result in a surplus of emissions allowances, causing prices to fall, she said.

Ministers from more than 180 countries are meeting on the Indonesian island of Bali this week to discuss an agreement to succeed the Kyoto Protocol that expires in 2012. The U.S. has rejected the Kyoto treaty and its emissions limits in part because developing nations including China aren't required to cut greenhouse gases.

``Let's not force China, India and South Korea to sign up; potentially they could be adding to the surplus'' of emissions allowances estimated in the first stage of the Kyoto system, Bossley said yesterday in an interview in Sydney. A domestic trading system in China outside Kyoto could be more effective in helping reduce global greenhouse gas emissions, she said.

Consilience Energy advises governments and industry on trading in energy markets, including carbon. Its clients include international oil companies and independent companies such as London-based Afren Plc and Granby Oil & Gas Plc.

Largest Source

China, the world's fastest-growing major economy, passed the U.S. last year to become the world's largest source of greenhouse gases, according to the Netherlands Environmental Assessment Agency.

The Asian nation and other fast-growing economies must be given more leeway on greenhouse gases as they pursue policies to promote growth and reduce poverty, Chinese economic official Xie Zhenhua said in Bali.

Should nations such as China devise their own trading systems using the so-called cap-and-trade method, they could buy emissions allowances for their system from the international surplus, Bossley said. That would result in China investing in cutting emissions, while also removing some of the international surplus of allowances and so supporting carbon prices, she said.

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