

Voluntary carbon offsets mkt hots up

Namrata Singh / TNN

Mumbai: After a dull 2009, the voluntary market for carbon offsets is seeing a revival thanks largely to the emission reduction commitments made by the United States.

The US has recently announced its commitment to bring down greenhouse gas (GHG) emissions by 28% in ten years from 2008 levels. This has triggered a fresh demand for carbon offsets in the voluntary market in the hope that the US will set up a new platform of compliance, which would open up a window for carbon offsets like voluntary emission reductions (VERs).

VERs operate outside the regulated emission reduction schemes like the United Nations' Clean Development Mechanism (CDM) or the European Union's Emissions Trading Scheme (EU-ETS). Like CERs (certified emission reductions), VERs are units of greenhouse gas emission reductions. However, unlike a CER, which is certified under the United Nations Framework Convention on Climate Change (UNFCCC), a VER is certified by an independent auditor.

One carbon credit is equivalent to a reduction of one tonne carbon dioxide or its corresponding GHG gas.

VERs are currently trading at \$2-\$4 per unit. Carbon industry experts said that VER deals from India were mainly taking place in the renewable energy space. Deals of 30,000 units, are now being entered into with US buyers. Given the growing demand, there is scope for larger deals too.

"The demand generation for VERs is largely US-centric. In anticipation of carbon caps, businesses in the US are buying credits from the international market," said Rishi Seth, head —business development (carbon advisory services), Emergent Ventures, a climate change consulting firm. He added that the US will require 2 billion carbon offsets every year to meet its emission reduction target. US businesses have been allowed to access 1 billion units from international projects.

"Existing clean development mechanism projects are not sufficient to meet this kind of demand. US companies are thus queuing up for buying carbon offsets in the voluntary markets," said Seth. Indian firms, which have accumulated VERs from their green projects, will benefit from this.

Counting Footprint

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However, VERs are not certified by UN or EU. These are certified by an independent auditor

VERs make a comeback after financial crisis

Mumbai: The voluntary emission reduction (VER) market is on the upswing after having witnessed a drastic slowdown last year when companies were

forced to cut their expenditure on emission reductions in the wake of the economic slowdown.

In the absence of a legally binding pact at the UN summit in Copenhagen in December 2009, there was general uncertainty about the future of carbon markets.

In a report assessing the outcome of the Copenhagen Accord, P **Ram Babu**, CEO, General Carbon, said: "The Copenhagen Accord will not have any negative impact on prices of non-CER offsets. However, it can impact the offset prices positively as the quantum of GHG emission reduction commitments have increased and there is a remote possibility of non-CER offsets being admitted as compliance instruments."

The global voluntary carbon market, which is said to have remained flat in 2009, had attained a size of \$700 million in 2008. The market had nearly doubled in 2008 from \$331 million in 2007. The growth had peaked in 2007 over 2006 when the market had nearly tripled.

Projects, which have failed to get registered as CDM projects at the UNFCCC, have the option of going in for VER certification by an independent auditor.

VERs have gained in popularity after an increasing number of projects failed to get registered with the UNFCCC as they did not meet certain criteria.



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