

World Bank Carbon Finance Conference in Cologne Observations of a Chinese Simultaneous Interpreter

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The market is driven by the commitment of some industrially advanced (or deindustrializing) countries, mainly in Europe, to reduce their carbon emissions below the level of the 1990s according to specific national plans that distribute various player's emission quotas. These duties can then be traded against certified emission reductions elsewhere. More than half of the tradeable emission reductions were achieved by Chinese players.

The World Bank has financed various pilot projects that were aimed at showing the way for the system to move forward and players to get on board. One major difficulty has been that it is very difficult to certify to what extent emissions were actually reduced beyond the "normal" level to which they would have been reduced without the incentives provided by the system. Another difficulty is that due to dropping commitments and to a strong offer in certified emission reductions, especially from China, the price for these reductions has dropped. Chinese governmental authorities are trying to prohibit selling of CERs (certified emission rights) below a price of 8 EUR per ton of CO₂, but this only makes Chinese projects unviable. The low price makes some initially planned ambitious emission reduction projects, including World Bank projects, economically unviable.

The biggest threat to the system comes from the dropping commitments of the "industrialized" (deindustrializing) countries. Japan has been talking of dropping out. The USA are not coming in.

The post Kyoto system is based on unilateral national commitments. China has also been tacitly preparing to make such commitments.

Background reading of Chinese journal article shows that there is a Carbon Trade lobby in China that argues that China must strategically prepare its role as a market-dominating leader in this area. To whet the appetite of the politicians, they talk about

the dominance of Europe in this area as an investment for the sake of pushing the Euro into a pivotal role as a world currency.