

## **FIRST CALIFORNIA CARBON TRADE IN \$11-11.50 RANGE**

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Barclays Capital and power company NRG Energy have traded the first forward California allowances. The transaction of so-called California Carbon Allowances (CCAs) can be used for compliance under the California Climate Solutions Act, known as AB 32.

"We are extremely pleased to have been able to transact this historic first trade in the California carbon market," Louis Redshaw, head of environmental Markets at Barclays Capital, said in a statement on Wednesday. He added: "Early standardisation of trading contracts is essential for reliable markets. We look forward to developing an efficient, deep and competitive CCA market with other interested parties, and this trade and documentation are the first steps toward that goal."

Although the statement did not disclose the transaction price, one broker said CCAs were being bid/offered for \$11 and \$11.50 on Wednesday. Last week, market participants told Point Carbon News they predicted the first forward trades to emerge around 15 December, when California regulators vote to approve the market design plans for the state's future carbon markets. The CCA trade falls under the Barclays Capital Carbon Allowance Forward Trade Agreement, which provides the industry's first standardised set of terms and conditions. The agreement was developed in partnership with NRG Power Marketing, a subsidiary of NRG Energy, the statement said.

California's AB 32 sets a statewide target for emitters to cut their greenhouse gas emissions to 1990 levels, and survived a challenge to suspend it in a 2 November public referendum.

The law seeks to reduce carbon dioxide emissions to 334 million tonnes per year by 2020, relying on a cap-and-trade programme. By Valerie Volcovici and Jeff Coelho –*Oslo/London*

## **California Will be Short Offsets**

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California won't have enough offsets in the early years of its carbon market, experts said. The state's cap-and-trade plan, which was released last Friday, allows emitters to use offsets to meet up to 8 percent of their compliance obligation, which represents 13.2 million offsets in the first year of trading in 2012.

Derek Six, portfolio manager at offset developer Environmental Credit Corp., said most of the offset protocols that California regulators plan to allow in the state's trading system will not generate enough carbon credits to meet demand. "It will be very short offsets. I think the regulators will take a look at opening up to other project types" said Six, speaking at the Carbon Market Insights Americas conference in New York Tuesday.

## **Favouring Climate Action Reserve**

The California Air Resources Board (Carb) has outlined four offset project protocols created by the Climate Action Reserve (CAR), a California-based voluntary offset programme that it would allow emitters to use for compliance. The protocols are for livestock, urban forestry, ozone depleting substances and forestry offsets. Carb said offsets developed using these protocols will provide a source of early action offset credits, helping to boost the supply of eligible compliance offset credits available in the short term. CAR estimates the four protocols adopted by the regulators will supply 33 million offsets between 2012 and 2014, and 99 million offsets between 2012 and 2020. The bulk of the offsets are expected to be generated from the ozone depleting substances protocol. Six said he hopes Carb will consider bringing in other offset types into the California cap and trade system, such as landfill gas projects, which represent the largest source of voluntary offsets in the US. Randy Lack, chief marketing officer for Element Markets, agreed that Carb may need to allow other offset types to meet demand for offsets. By Kim Moore – New York