



state of the carbon market

The carbon market in North America has seen remarkable growth, which, until recently, has often gone unnoticed in the rest of the global carbon market. The opportunities are now greater than ever, but new challenges are also arising. With increased volumes and value, there is a correspondingly increased public profile that has drawn troublesome attention to the lack of a prevalent market standard. The place of renewable energy, and in particular renewable energy certificates (RECs), in the carbon market has become a divisive issue, in some ways distracting from the broader need to reaffirm public trust. As regulatory market programmes emerge at the state and provincial level, the landscape is becoming progressively more complex.

The US carbon market in global perspective

Estimates suggest that up to 70% of global verified emission reduction (VER) demand and up to half of supply side activity is in North America. The US carbon market has been growing rapidly in the past three years, and has entered a new phase marked by a new scale and unprecedented scrutiny. The Chicago Climate Exchange (CCX) has doubled its volume in the past year, and has provided carbon credits to the House of Representatives to offset its coal power plant. Over-the-counter markets are demonstrating equal vibrancy.

Strikingly, over half of the volume of the North American carbon voluntary market comes from forestry projects, and North American demand drives a significant portion of the African and South American forestry projects seen. This has meant that standards developed with a primarily Clean Development Mechanism/Joint Implementation (CDM/JI) orientation have struggled to gain traction in the US market.

The voluntary carbon market in North America today is serving three important objectives as a proving ground. Firstly, the market is acting as a real-world laboratory for experimentation with new forms of abatement or sequestration, such as avoided deforestation or ocean