THE NATURE OF CARBON CREDITS

Patrizia Tomasi
Acting member of the
UNFCCC Assessment Team

"Education is the most powerful weapon which you can use to change the world."
Nelson Mandela

Ultimately, carbon credits arise as a consequence of a project which aims to mitigate GHG emissions. The orthodox approach reflects an encumbrance to the whole process of generating carbon credits. Furthermore, it spurs heated discussions, although irrelevant insofar as statistically demonstrated, between Anthropic Global Warming Theory offenders and defenders.

By charging a fine for the non-compliance of a GHG emission reduction goal a marketing function has been established for the carbon credit, for whatever the value of the carbon credit utilized for compliance, its cost is always inferior to the penalty stipulated at €100 for every ton of CO2e emitted above the allowance level. Notwithstanding, although listed on the stock exchange, carbon credits cannot be considered a commodity in the actual scenario, since without new goals, the market simply ceased to exist on the first trading day of 2013.

Moreover, the natural antagonism of the productive chain to the Kyoto Treat (KT) is understandable, given its penalizing nature. Ergo, if there are no goals then there are no allowances. Furthermore, it is the common conception that GHG emission reductions by girding industrial output, will unavoidably lead to a decrease in economic growth. Although the reasoning is highly debatable, this argument is the major deterrent regarding the establishment of a second KT period.

At a certain point in time, one CER was valued at €26.30. Currently, the market price is €0.48. Nevertheless, the volatility of a CER is less frightening than its market indefinability.

One can define a commodity as a globally tradable good. Petroleum, for instance, is one of the pillars of the world's economy. The planet processes and consumes daily 92 million oil barrels. Concomitantly, 450 million barrels are traded each day. Evidently, both the existence of a physical base and a set of defined oil references support the necessary reliability for petroleum to be recognized as a commodity.

There are two concepts that have remained the same for the last seven hundred years and that characterize the foundation of the Global Economy: remuneration and currency.

Over the past seven centuries, we perceive remuneration from the moment we aggregate value to a process. In the case of oil, petroleum companies extract and process crude oil in order to produce petrochemical feedstock (naphtha), transportation feedstock (diesel oil, gasoline, jet-fuel) and energy generation feedstock (fuel oil). Currently, the 86 million barrels/day of produced oil guarantees the buying and selling in time of circa 450 million barrels/day. Petroleum is a tangible good.

Within this established principle, how can a carbon credit be inserted into the economy, when it attempts to remunerate a reduction or withdrawal –instead of aggregation- of something intangible?
Only with a new and revolutionary approach. ZerO2Nature is the answer.