

RBC DEXIA

# SPECIAL REPORT

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## Responsible investing

Stepping up to the mainstream



**RBC DEXIA**  
INVESTOR SERVICES

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# ARE INSTITUTIONAL INVESTORS READY FOR RESPONSIBLE INVESTING?



**José Placido**  
*Chief Executive Officer*  
*RBC Dexia Investor Services*

From Al Gore's *An Inconvenient Truth* to recent news headlines on corporate scandals, issues such as climate change and corporate governance are propelling the discussion over responsible investing (RI). Ready or not, big public pension funds are starting to pay attention by examining the environmental, social and corporate governance (ESG) factors in their investment policies. But there is still much debate about what role institutions should play when it comes to making judgment calls about the so-called "ethical" practices of the companies and sectors in which they invest.

After all, isn't the first priority of institutional investors growing the assets of their plan members and other investors? As one contributor puts it, "Theory says that the unconstrained manager should be able to outperform the constrained manager in the long run." For investors focused on the long term, especially fiduciaries, it's very hard to argue with years of research. Whichever way you look at it, stepping into RI is no easy choice.

To help you navigate what can be a tricky field, this Special Report outlines recent developments in RI. Our first article, "Coming of age," tackles the debate about whether

or not RI makes sense from an investment standpoint, tracing the evolution of RI and related ESG factors on the global stage. We also take a look at the role of fiduciaries—do they have a responsibility to look at ESG factors when making investment decisions? And, if so, who is leading the way?


Finally, we provide an overview of how climate change has made its way into the investment practices of many investors and fiduciaries.

As RI continues to gain profile around the world through major organisations such as the United Nations, it looks as if ESG factors are here to stay. Whether or not you believe that it should be a part of your investment universe, we hope that you find this Special Report thought-provoking.

A handwritten signature in white ink that reads "Jose Placido". The signature is fluid and cursive, with the first name "Jose" and last name "Placido" clearly distinguishable.

# COMING OF AGE

## A PERFECT STORM OF EVENTS HAS PRECIPITATED THE DEBATE OVER RESPONSIBLE INVESTING

A photograph of two men in dark suits and ties standing side-by-side. The man on the left has dark hair and is looking directly at the camera. The man on the right has grey hair and a mustache, also looking at the camera. They are positioned in front of a dark, textured wall. To the right, a blurred outdoor scene with greenery is visible.

**J.J. Woolverton** (left)  
*Managing Director and  
Chief Operating Officer  
Guardian Capital LP*

**Don Rolfe** (right)  
*President and CEO  
Ethical Funds*

## When the United Nations introduced its Principles for Responsible Investment back in April 2006, it looked as if RI had hit the mainstream to the tune of USD 6 trillion.

That's the total value of assets under management represented by the UN's 120 global signatories, which include some of the world's largest pension funds and institutions. The agreement stands as a major collective show of support for RI and its role in the institutional universe. In spite of these developments, however, shedding the myth that RI managers sacrifice returns for moral high ground has been a challenge, particularly among institutional investors with one thing on their minds — generating adequate returns for the long term. So how are RI managers countering their critics? And are institutions actually buying the argument?

**RI AND ITS CHALLENGES >** One of the main arguments against RI is the widely held belief that RI managers don't perform well compared to investment managers without similar guidelines. Eric Kirzner, a professor of finance at Rotman School of Management, University of Toronto, has been tracking the performance of RI funds since the early 1990s and remains unconvinced of their ability to perform as well as funds without similar screens. While performance was first quartile in the early days, Kirzner saw many RI managers take a big hit when the technology sector tanked in 2000. "I finally concluded that these were sector investments and the managers had significantly invested in high tech, in particular, the clean environment sector," he explains. Sceptics also tend to cite the fact that such screens go against modern portfolio theory—a basic tenet of investment management today. "Theory says that the unconstrained manager should be able to outperform the constrained manager in the long run. I've never changed my tune on that," Kirzner says.

In spite of this concern, RI assets are on the rise. In the US alone, they've increased more than 258% during the 10-year period from 1995 to 2005, to USD 2.3 trillion. It is also estimated that nearly one of every 10 dollars under professional management in the US is involved in responsible

investing.<sup>1</sup> In Europe, research shows that RI assets under management reached EUR 1 trillion by the end of 2005.<sup>2</sup> "It's certainly something that's being talked about more broadly than even five years ago, and so you start to see that reflected in some of the investment strategies," says Jean-Michel Loehr, CEO of RBC Dexia Investor Services Bank in Luxembourg.

At the same time, RI has evolved since the early days when it focused mainly on avoiding so-called "sin stocks" like tobacco and alcohol. These days, it's a much different landscape, encompassing a somewhat daunting lexicon of acronyms, terms and strategies. From strategic proxy voting to active company engagement to screening companies that don't meet specific criteria, RI can take many forms. Different sources also use different acronyms to describe the kinds of screens used. Somewhat more prevalent these days is the ESG acronym, incorporated into the UN principles, to describe the environmental, social and corporate governance factors that are driving RI investments.

**RI AND ALPHA >** As the RI industry continues to grow and mature in Europe and the US, RI practitioners are getting better at countering their critics. And they are slowly accumulating the performance data to back up their ►

“Virtue is no substitute for performance,” says J.J. Woolverton, managing director and chief operating officer with Guardian Capital LP in Toronto. “RI doesn’t have to have a negative impact on performance. You don’t have to give something up to get ethical.”

products and defend their approach. Don Rolfe, president and CEO of Ethical Funds in Vancouver, says the manager constraint argument just doesn’t hold water. In fact, he argues that all managers use their discretion in some way or another when it comes to selecting companies. Seen in that light, there’s nothing new about RI. It’s really all about alpha. “All

managers screen out what they’re not comfortable with,” Rolfe explains. “RI is just a more formal screening process.”

If alpha is indeed what RI managers are adding, then the numbers don’t look bad, even with the impact of the tech bubble in the early 2000s. New global indices, such as the Domini 400 Social Index in the US and the Jantzi Social Index in Canada, have aimed to track performance relative to key benchmarks. Since its inception in 1990, the Domini 400 has returned 12.07% versus 11.42% for the S&P 500. In addition, the 8.66% annualized return of the Jantzi Social Index since its 2000 inception has outperformed the S&P/TSX Composite and the S&P/TSX 60 indices by 47 and 91 basis points respectively over the same period. And those are just the indices, not the alpha-producing top performers.

Armed with positive returns relative to major indices, RI managers are working to counter the argument that their screening processes automatically weed out high performers in an effort to do good. “Virtue is no substitute for performance,” says J.J. Woolverton, managing director and chief operating officer with Guardian Capital LP in Toronto. “RI doesn’t have to have a negative impact on performance. You don’t have to give something up to get ethical.”

**TIPPING POINT >** But much work still needs to be done for RI to become mainstream among institutional investors. Doing that will require building more of a track record. According to Rolfe, “It’s difficult because this is still relatively new.” However, with more and more institutions becoming aware of the importance of RI, some believe that it is bound to reach a tipping point in the future. Currently, new coalitions of institutional investors are banding together to promote responsible

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## PRINCIPLES FOR RESPONSIBLE INVESTMENT >

In 2006, the United Nations Environment Programme Finance Initiative introduced the following Principles for Responsible Investment.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios. We also recognise that applying these Principles may better align investors with broader objectives of society.”

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investment practices on a global basis. Notably, institutional signatories to the UN's Principles for Responsible Investment include heavy-hitters like the California Public Employees' Retirement System (CalPERS) in the US, the BT Pension Scheme in the UK and VicSuper Fund, the Australian superannuation scheme. Coalitions of investors are spreading the word about ESG practices and concepts, while advocacy groups continue to gain members and increase their public profile.

In North America, the overall RI market is huge compared to others worldwide, due to the relative amount of assets under management. However, North American institutions haven't yet embraced RI the way they have in Europe. Major public pension funds like CalPERS and the Canada Pension Plan have signed

on to the UN principles, but most employer-sponsored plans have been slower to follow. That will change, says Guardian's Woolverton, but it won't happen overnight. "It's going to take another five or 10 years for RI to fundamentally take hold in the institutional marketplace. We are now getting asked about it more regularly though," he explains.

Ultimately, time will tell if RI can push its way into the institutional mainstream. However, as RI assets continue to build and its products become increasingly sophisticated, the high ground versus high returns debate will likely become a lot more interesting. ○

1 Social Investment Forum, [www.socialinvest.org](http://www.socialinvest.org)

2 European Social Investment Forum, [www.eurosif.org](http://www.eurosif.org)

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**FIVE STEPS TO RI** > Responsible investment can include a number of unique investment approaches, according to the Social Investment Organization, a non-profit association for the socially responsible investment industry in Canada.

- 1. Screening based on exclusionary or inclusionary criteria**, such as tobacco, alcohol, environmental performance, human rights violations, community involvement and employee relations. This is the application of pre-determined social or environmental values to investment selection.
- 2. Stock portfolio analysis and management based on social responsibility and/or sustainability policies**, integrating social and sustainability indicators with traditional financial analysis. It incorporates social and sustainability analysis to inform the investment decision-making process without necessarily screening out

particular holdings based on pre-determined social or sustainability choices.

- 3. Shareholder advocacy and corporate engagement strategies**, which involve the use of shareholder power to influence corporate behaviour through corporate communication, shareholder proposals, proxy voting policies and divestment.
- 4. Community investment**, which is the placement of capital into local loan or equity vehicles targeting community development or serving low-income or disadvantaged groups.
- 5. Sustainable venture capital**, which is the placement of funds—primarily private investments outside the public markets—in start-up firms and small businesses that produce products or services that optimise the use of natural resources while reducing environmental impact.

# IN RI WE TRUST

TRUSTEES ARE IN A  
POSITION TO ASK THE  
TOUGH QUESTIONS,  
BUT IS IT REALLY  
THEIR JOB?

**Luc Rasschaert**  
*Global Head of Marketing*  
*Dexia Asset Management*



## Is it time for trustees to put ESG factors higher up on their list of priorities?

A growing number of them think it is. Many trustees are now encouraging all levels of the pension industry to wake up to the bottom-line threat of ESG factors such as greenhouse gas emissions, human rights abuses and breaches of corporate governance. In fact, they believe trustees in particular have an important role to play in helping to mitigate such risks. But is it really their job?

The United Nations thinks it is. In 2005, the UN sponsored a study by law firm Freshfields Bruckhaus Deringer in London, *A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment*. The groundbreaking study looked at whether integrating ESG issues into investment analysis ought to fall under the umbrella of fiduciary duty. Although there is a commonly held view that fiduciaries must maximise profit on each investment or they'll be acting unlawfully, the study's findings suggest that this is not necessarily the case. In each of the jurisdictions examined in the report, investment decision-makers retain some degree of discretion as to how they invest the funds under their control. The study finds that it may be permissible and lawful for fiduciaries to take into account ESG considerations in specific circumstances. It goes on to show that ESG factors are an important part of investment analysis and, as such, can help to more reliably predict financial performance. In fact, the authors feel there is a strong correlation between ESG risks and the value of companies.

That is the legal side, but how does RI translate into practice for trustees on a day-to-day basis? John Clancy, managing director of Guardian Ethical Management in

Toronto, believes it makes a lot of sense. He explains that the old idea of fiduciary duty meaning single-mindedly pursuing profit maximisation doesn't wash and that screening for ESG factors is all about screening out big risks. "RI is partly about risk management," Clancy explains. "You're avoiding companies that take unnecessary risks in the areas of the environment, human rights and corporate governance."

In fact, say some, trustees are in a unique position to encourage their investment managers to screen for ESG risks when making decisions. According to Matthew Kiernan, founder of international investment research firm, Innovest Strategic Value Advisors in Toronto, "Trustees ought to be sitting at the top of the investment food chain, driving this whole thing downward," he says. That's key to getting investment managers, chief investment officers and investment consultants to change. "They all work for you, not the other way around," Kiernan says of trustees and their place in the investment world.

**READY OR NOT >** To encourage trustees to take that first step, regulators in many countries around the world, particularly Europe, are laying down the law. In France, ►

“The power in the system is with the trustees and fiduciaries. That’s why it’s so important that the first step for trustees is to start asking questions. They are the ones who should expect answers since they control the flow of money.”

David Russell, Co-Head of Responsible Investing, Universities Superannuation Scheme

for example, RI and its next-of-kin, Corporate Social Responsibility (CSR), are part of legislation overseeing retirement savings contributions and retirement fund regulations. In addition, French firms are now required to report on social and environmental issues in their annual reports. RI has also made it into pension legislation in Germany and other EU countries. As a result, institutions are driving growth in the European RI market, according to Luc Rasschaert, global head of marketing with Dexia Asset Management in Brussels. “Clients have responded to a lot of criticism about RI that has labeled it a trend rather than a viable investment approach,” he says. “But that has changed in the last 15 to 18 months as some big institutional investors have become involved in RI. It’s proving that it’s not just marketing or a trend, but an approach that should be taken seriously, especially by institutions.”

Indeed, as more and more institutions begin to embrace RI, an increasing number of trustees are questioning their investment managers about ESG issues. The GBP 29 billion Universities Superannuation Scheme (USS) in London has been looking at ESG issues like climate change, working with a consortium of global investors to gather more information about companies through the Enhanced Analytics Initiative (EAI). Established in 2004, the EAI is led by a group of institutional investors whose aim is to encourage the integration of non-traditional financial issues such as climate change and other ESG factors into sell-side research. Members of the initiative have agreed to allocate a minimum of 5% of their broker commissions or research budgets to support research in this area.

Other fiduciaries are following suit in pushing for information from companies and investment managers with whom they invest their money. The Carbon Disclosure Project (CDP) is arguably the most high profile of these efforts. What began in 2002 as a group of 35 institutional investors asking FT 500 companies for greater disclosure on greenhouse gas emissions has now grown to a collective of 280 institutional investors. This questionnaire, sent annually to an expanding list of companies, probes management on greenhouse gas emissions, reduction targets and management and governance structures. Its significance is reflected in the comments of signatories, such as AXA Group, that place climate change and the impact that it will have on key industries such as agriculture, tourism, energy, transport and insurance on par with interest rate risk and exchange risk.

In each of these initiatives, trustees are taking the lead in promoting ESG with capital markets around the world. Says David Russell, co-head of the responsible investment team at USS, “The power in the system is with the trustees and fiduciaries. That’s why it’s so important that the first step for trustees is to start asking questions. They are the ones who should expect answers since they control the flow of money.” Clearly, this is being done on a global scale through information-gathering initiatives like the CDP and EAI. And as more and more trustees begin asking questions, ESG may be significantly influencing what should be part of their fiduciary duties. ○

## CARBON REPORT CARD

One key climate change initiative for investors is the UK-based, not-for-profit Carbon Disclosure Project (CDP). For the past five years, the CDP has been sending requests to FT 500 companies to disclose information on their greenhouse gas emissions.

The questionnaire, which can be read along with responses at [www.cdproject.net](http://www.cdproject.net), asks companies to answer questions ranging from the general to the specific:

- Do you believe climate change, the policy responses to climate change and/or adaptation to climate change represent commercial risks and/or opportunities to your company?
- What percentage of your total revenue is represented by the costs of fossil fuels and electric power?

Why would a company bother to disclose this kind of information? Because of the collective power of its institutional investor signatories, representing assets of more than USD 41 trillion.

The fourth information request was recently sent to more than 2,000 companies globally, including the world's biggest publicly owned companies. Seventy-two per cent of those companies responded and the results of the survey were released in September 2006.

## bcIMC AND THE CDP

Doug Pearce is chief executive officer and chief investment officer with the BC Investment Management Corporation (bcIMC) in Victoria. As one of the CDP's Canadian signatories, bcIMC has assets under administration of more than CAD 82 billion and manages investments for public sector pension plans, the Province of British Columbia, provincial government bodies and publicly administered trust funds. Pearce says the CDP plays a fundamental role in encouraging companies to disclose their emissions and to begin addressing the need to reduce greenhouse gas emissions. "The Carbon Disclosure Project has helped develop a channel of communication

Here is what the latest results<sup>1</sup> reveal:

- Eighty-seven per cent of responding companies indicated climate change represented "commercial risks and/or opportunities."
- Action to reduce emissions trails awareness of the issue. Less than half (48%) of companies that consider climate change to present commercial risks or opportunities to their business have implemented a greenhouse gas reduction program.
- In North America "clean tech" has become the fifth-largest venture capital investment category, trailing biotechnology, software, medical and telecommunications. It is estimated that the clean energy market will grow from USD 39.9 billion currently to USD 167.2 billion by 2015.
- Numerous financial institutions, including AIG, Allianz and Goldman Sachs, have released dedicated climate change policies in the past 12 months. Moreover, Citigroup, JPMorgan Chase, Merrill Lynch and Morgan Stanley among others have published equity research reports analysing the financial performance of the carbon markets.

<sup>1</sup> Carbon Disclosure Project, CDP4 2006

between us—the investor—and corporations on the issue of climate change."

bcIMC is a long-term investor and takes an interest in issues that will allow companies to sustain their future financial performance. "We communicate directly and privately with management and directors, and a trigger for our engagement is how well companies are managing the risks that they face." Having access to quality information allows bcIMC to engage with and support corporate leadership in its efforts to address the issue of sustainability. "The Carbon Disclosure data helps us complete our knowledge base and gives us a more thorough context for company discussions."



# AND NOW FOR THE WEATHER IN THE WORLD OF RI, CLIMATE CHANGE IS GETTING A LOT OF ATTENTION

Among the many ESG factors concerning institutional investors today, climate change is the one that is currently garnering the most attention. Media reports of extreme weather and a growing body of scientific research are fuelling greater public interest in the issue of climate change. At the same time, the problem is gaining profile and credibility among both corporations and some of the biggest investors in the world. Major multinationals such as General Electric and British Telecom have begun to implement so-called green practices in an effort to decrease their environmental footprint and reassure investors that the potential risks of climate change are being managed. And a growing number of pension funds are considering climate change-related risk in their own tool kit of investment practices, taking on this issue as a fiduciary duty.

While there is still debate about how far trustees should go in mitigating climate change risk in their pension investments, it's having an impact. According to David Russell, co-head of the responsible investment team at the UK's second-largest pension fund, the Universities Superannuation Scheme in London, the consequences for companies that leave their greenhouse gas emissions unchecked go beyond just physical issues. Potential regulatory problems, litigation and decreased competitiveness could all affect the underlying investments in a pension portfolio. As Russell explains, "If climate change happens as predicted, it's likely to have an impact on the economic performance of the individual companies we invest in, not to mention the overall performance of the economy. That could impact the returns we're expecting to make in order to pay our pensioners in 20 to 30 years' time."

Indeed, institutional investors large and small are beginning to take a close look at the risks and opportunities involved in global climate change. Andrew Preston, head of socially responsible investing with Aberdeen Asset Management in Glasgow, has seen the climate change issue gain momentum over the years. “In the past, people didn’t really take the cost of climate change seriously,” he says. “Now the whole issue is coming to people’s minds because of the volatility we’ve seen in the climate and the costs which have resulted.” Morton Cohen, a hedge fund manager with Clarion Group in Cleveland, Ohio, explains that climate change wasn’t a factor his fund had considered until a couple of years ago. But by 2005, he says, it accounted for 15 to 20% of the input scale the USD 200 million hedge fund uses to screen investments, ranking high alongside other key performance factors like earnings growth and a healthy balance sheet.

Cohen says people never previously considered weather or climate change as a factor, perhaps because the changes weren’t quite as abrupt or severe. Climate change-related investment opportunities can be found in several areas, according to Cohen, including modular home building and items like outdoor furniture and boats that are vulnerable to extreme weather. He’s also keeping an eye on demographic shifts as people move away from areas most likely to be affected by droughts, extreme heat or floods.

In the future, the climate change issue will spread further into institutional portfolios as investors seek to quantify its risks and capitalise on its opportunities. Whether through shareholder engagement or keeping a watch out for areas most likely to be affected by severe weather, investors have an eye on both the short and the long term. Going forward, this is certain to be one weather trend that will be hard to predict. ○

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## A NEW DEFINITION FOR “RISK-ADJUSTED”

The growing global discussion about climate change is having an impact on institutional investors. If the expectations for more extreme weather events, such as hurricanes, floods, wildfires, droughts and heat waves are real, then these factors put the investments of institutional investors at risk in many different ways. Ceres, a US-based coalition for investors and environmentalists, in partnership with the World Resources Institute, has put together an overview of the risks to investors posed by climate change.

**1. Regulatory Risk:** Efforts by governments at the international, national and state levels to regulate greenhouse gas emissions will have direct implications for the industry sectors and businesses with the highest emissions.

**2. Physical Risk:** Some sectors and businesses will face direct consequences from the physical impacts of climate change including droughts, floods, storms and sea level rise resulting in property damage. Certain industries such as agriculture, forestry and insurance may be vulnerable due to their dependence on the physical environment and weather, which are increasingly unpredictable.

**3. Litigation Risk:** Companies could face risk from lawsuits. For instance, a group of eight state attorneys has filed a lawsuit against five of America’s largest power companies, demanding that they cut carbon dioxide emissions. If the lawsuit is successful, these companies could be liable for damages associated with the physical effects of climate change such as flooding or crop damage.

**4. Competitiveness Risk:** Forward-thinking companies that take proactive measures to mitigate climate change risk may create competitive advantages that others in the same sector will find hard to beat. Lower operating costs, increased profit margins and strengthened corporate reputation are just some of the ways a company could gain an advantage through positive measures.

**5. Reputational Risk:** As awareness of the challenge of climate change grows, companies that don’t act to mitigate their risks—or worse, continue to contribute to the problem—may face consumer backlash. Oil, gas and auto sectors are particularly vulnerable, not to mention highly competitive.

# TRADING PLACES

## WILL CARBON TRADING HELP MEET THE GLOBAL CHALLENGE OF CLIMATE CHANGE?

“Cap-and-trade” investing has been around for years, pioneered in the US to help curb acid rain emissions. However, the Kyoto Protocol has pushed this market-driven approach to the global stage. In response to Kyoto, the EU introduced the European Emission Trading Scheme (EU ETS). This program enables participants to trade carbon credits, helping them to comply with their emission obligations. The approach is very straight-forward. Companies that reduce carbon emissions below established targets can turn these into credits and sell them to companies that exceed their targets.

EU ETS came into effect in January 2005. But the market didn't really take off until 2006, when EUR 18 billion of carbon dioxide was traded in Europe alone.<sup>1</sup> However, questions have recently arisen about the effectiveness of the EU ETS as the price of carbon fell from a high of EUR 30 a tonne in April 2006 to EUR 1.50 a tonne by February 2007. Chris Rogers, utility analyst at JPMorgan, wonders if the trading scheme has actually created an incentive to pollute. “At current prices it is far cheaper for utilities to burn coal—and buy the emissions permits that allow them to pollute—than it is for them to buy cleaner fuels such as natural gas.”<sup>2</sup>

The issue seems to be government policy. The apparent oversupply of credits resulting in the low price of carbon implies that the EU was too generous in its initial permit allowance. The second phase of the trading system which starts next year should address this with more stringent reduction criteria. And the market has already begun to respond. The December 2008 carbon price is EUR 15 a tonne.

Despite questions around implementation, many are still convinced that a market-driven approach is the way forward. Jeroen van der Veer, chief executive of Royal Dutch Shell, has called for a global trading system to create incentives for companies that invest large sums in capturing and storing carbon dioxide. “A global cap-and-trade system for CO<sub>2</sub> emissions is a precondition to making fossil fuels cleaner and promoting renewables around the world. If carbon has a cost, then getting rid of it should bring a reward.”<sup>3</sup>

Carbon trading is not as widespread in the rest of the world, with countries such as Britain, Japan and Canada looking at introducing cap-and-trade systems. Despite the US decision not to participate in Kyoto, several states have begun discussions around setting up a voluntary carbon trading scheme. In addition, a number of North American companies have joined the Chicago Climate Exchange, a self-regulating exchange based on voluntary but legally binding commitments by its members, including Ford, American Electric Power and IBM.

Considering how much has changed since the launch of EU ETS, there is no telling how important carbon trading will be to emission reductions in the future. Whatever happens, market mechanisms are likely to be part of the solution to the ongoing challenge of climate change. ○

1 “EU ETS now significantly reducing emissions,” Point Carbon, March 13, 2007

2 “Next carbon trading phase promises to clean up anomalies,” *Financial Times*, February 7, 2007

3 *Energy for the Generations*, speech given by Jeroen van der Veer, Chief Executive, Royal Dutch Shell plc, International Petroleum Week Dinner, February 14, 2007, London



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