

**Potential benefits of linking the  
Green Investment Scheme of the  
Kyoto Protocol  
with institutionalised voluntary  
markets like the  
Chicago Climate Exchange**

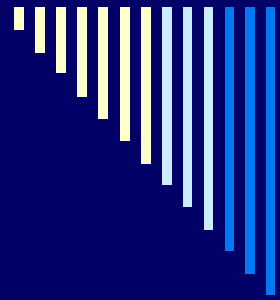
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# The main aim of the paper

This paper aims to find the possibility for non-participants of existing mandatory emissions markets, like **universities** to market their potential of voluntary emissions reductions in an existing emissions trading scheme.

(The **EU Emission Trading Scheme does not involve** this kind of 'institutions' voluntary emissions reductions, the paper examined the linking of some American Universities and Colleges with the **Chicago Climate Exchange**.)



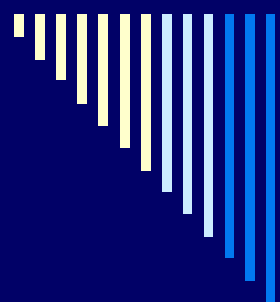
# Background of the project concept on SZIU

## **Main parts of the concept:**

- ☑ Building reconstruction program
- ☑ Energy rationalisation program
- ☑ Emissions reduction program

## **Actions:**

Building – PPP (Public Private Partnership program )  
Energy – Alternative Energy Action Plan  
Emissions – SZIU Climate Change Programme???



# EU ETS for voluntary achieved emissions reductions?!

Because of the high financing costs, institutions have to find all possible financial sources for building reconstruction programme.

**EU ETS is NO solution** in this case, because it does not support the involvement of **voluntary** emissions reductions!

(The EU ETS is continuously changing (new sectors) therefore the future is potentially opened for this direction too.)



# Practical possibility in 2007

To market voluntary emissions reductions of „universities” in 2007, it was only possible through the Chicago Climate Exchange (CCX). **No other ways!**

American universities have started a serious public program that was the **ACUPCC** (American College and University Presidents' Climate Commitment) programme. In this system some Universities and Colleges became member of the CCX. The member of CCX engages oneself to decrease its carbon emissions by 6 %. If they **surpass** this target, **they can sell** the surplus on the CCX.



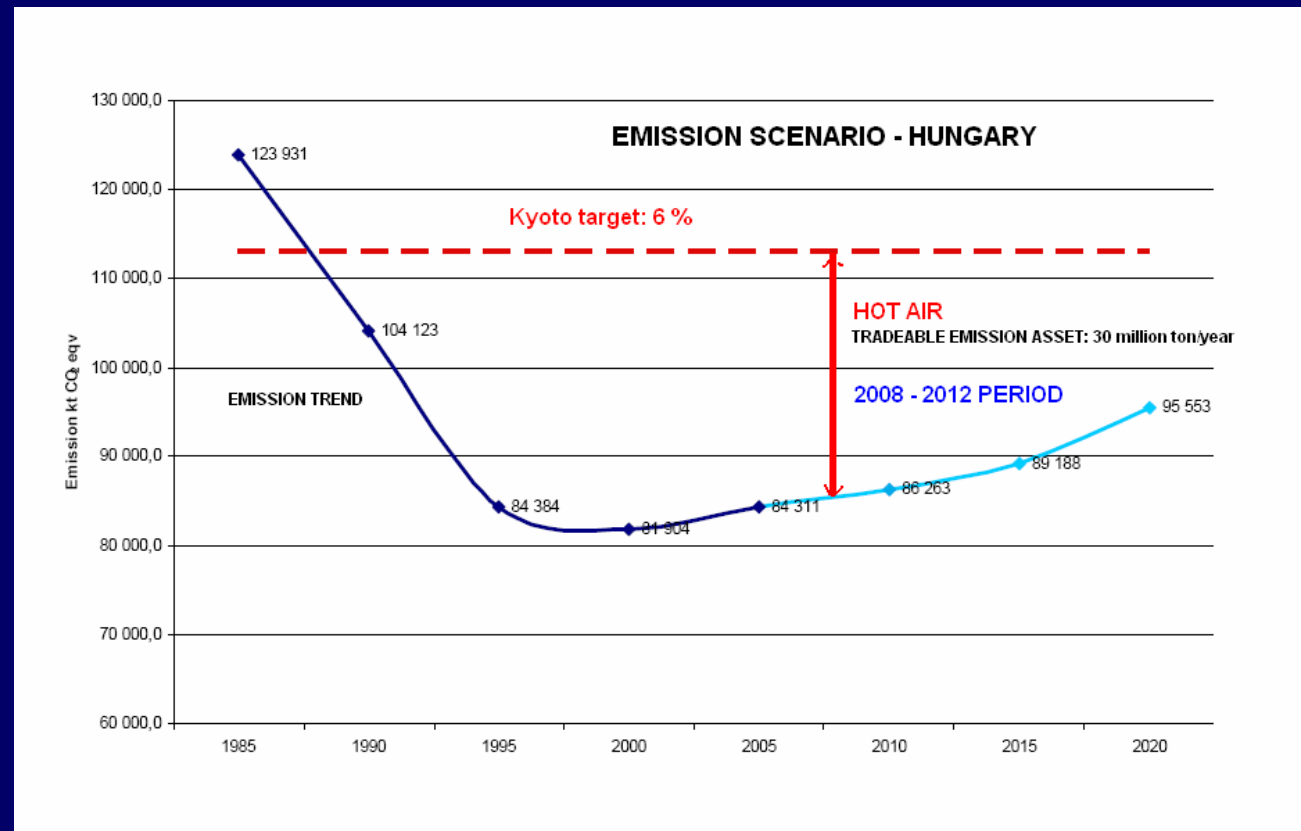
# Theoretical possibility

**Kyoto Hot Air – possible only for the post communist (EIT) countries to sell their emissions surpluses by the Green Investment Scheme mechanism (GIS).**

The GIS can be more flexible than Joint Implementation (JI) or Clean Development Mechanism (CDM).

**It is outside of the EU ETS and inside of the Kyoto agreement through AAUs.** The programmes and/or projects of GIS should benefit for the environment and can be voluntary, as bilaterally agreed by buyer and seller governments.

# The Hot Air potential of Hungary



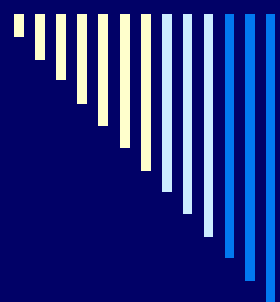


# Economical possibility

**Economies in transition** – e.g: Hungary – have a great possibility to plan and maintain domestic environmental friendly emissions reduction programmes. For Hungary this possibility means **30 million ton CO2 per year** for the 2008 – 2012 period.

This national asset (**AAUs**) for Hungary can be a very big amount in the next years. Approximately 30 million ton CO2 X 10 EUR = **300 million EUR/year.**

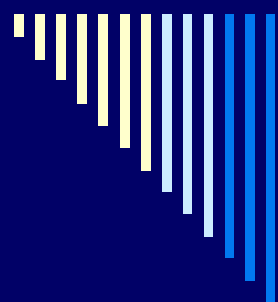
(To compare with the **National Development Plan** (2007-2013), there we have **300 million EUR/ 7 years!!!** for alternative energy and energy efficiency projects and programmes.



# GIS mechanism - AAU market

**The economic question is whether:**

It is a practical or **ONLY** a theoretical possibility?



# Application steps of the Hot Air mechanism

It can be a very good solution for the voluntary market, but there is no practice in this field.

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**First step:** defining the rules of voluntary emissions reduction and emissions trading!

**Second step:** preparing project concepts with exact technical details.

**Third step:** getting political justification maintained for the concept.

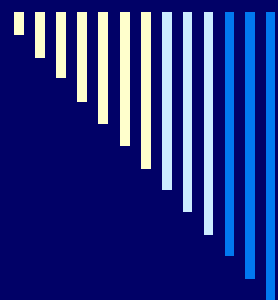


# Political justification

The **political risk (regulation and lobby)** and project risk do strongly correlate with the success of the GIS projects and the price expectation of the AAUs.

The question is **what will drive the price of AAUs** and what is the highest available price that Hungary (SZIU) has to go for.

**(Investigation need:** We have made a risk analysis!)



# Benchmarking

Table 1. Different risks associated with the price of AAUs

	Type of risks	Impacts
<b>AAU PRICE In Hungary</b>	Political risk	+++
	Project risk	++
	Market risk	+



# Results

After having carried out a benchmarking research on the influencing factors, we have found the following result:

- ✓ **The price of AAUs depend mostly on the political risk connected to the regulatory background** of the country, which identifies itself also as the lobby strength of the traditional energy sector.



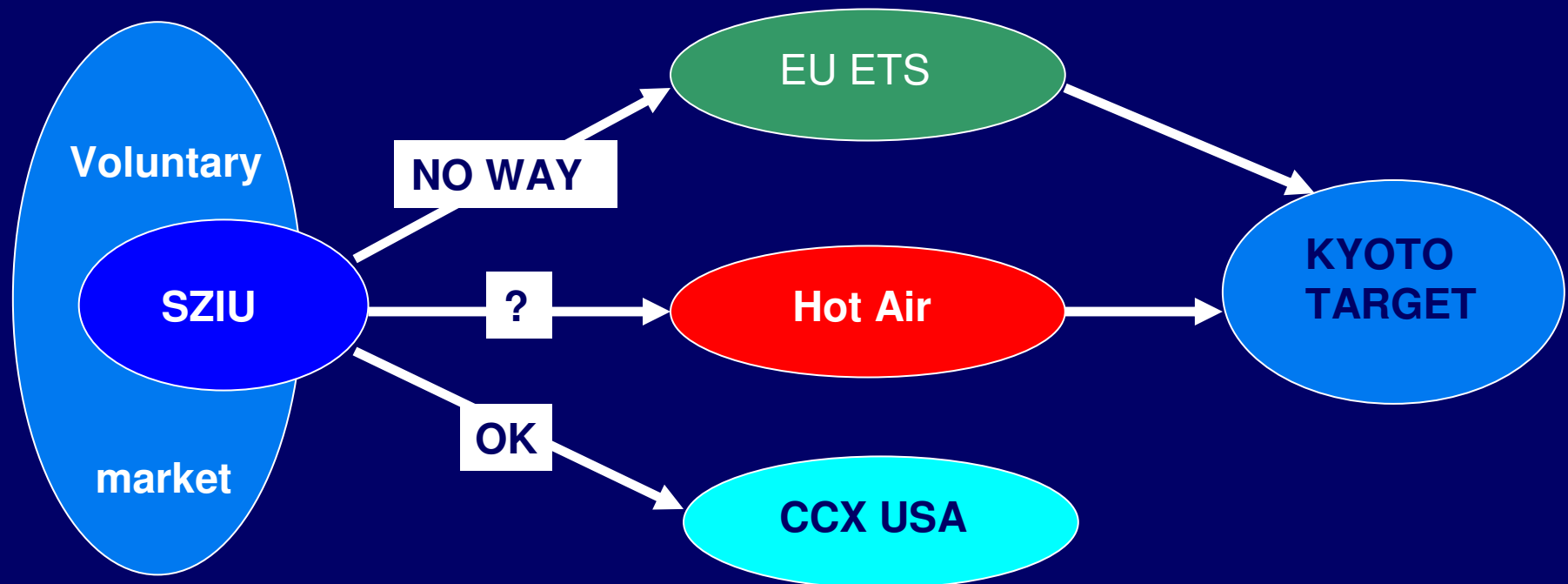
# Conclusions

The **CCX offers the opportunity** for everyone to sell verified emission reductions on the exchange.

The identification of hot air as a national asset, the **voluntary initiated emissions reduction** projects can only be **realised through the GIS**.

The **GIS is not part of the EU ETS**, therefore in this moment it is not possible to link the market based voluntary reductions to the EU Climate Programme.

# Possible linking to the voluntary market



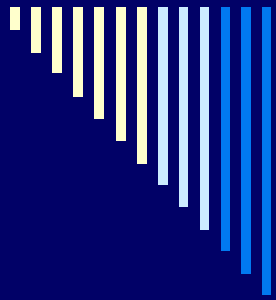


# How can we fight against climate change in the EU?

## **Answer:**

Only with the compulsory equipments through the EU ETS!

**In the EU countries in this moment we cannot decrease the level of emissions by market based voluntary systems!?**



**Thank you for your kind  
attention!**

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