

# CARBON MARKET SURVEY 2015

## CONSOLIDATION IS THE NEW TREND

- One in five survey participants think cap-and-trade of greenhouse gas emission is an ideal abatement instrument, two-thirds think it is the best we can agree on, 8% are of the opinion it does more harm than good.
- Half of the European respondents agree that the EU ETS is the most cost-effective way to reduce emissions. Two-thirds believe it will "continue to be the main instrument of EU climate policy".
- Some 45% of compliant entities (the companies whose emission are covered by a cap-and-trade system) see the cost of emissions as a decisive factor for investment decisions.
- Regarding the effect on competitiveness, 48% of compliant entities see emission costs as "somewhat important, but not the main cause for worry". One in four considers it "among the most detrimental factors".
- Two-thirds of North American respondents think the Environmental Protection Agency will face legal opposition to implementing the Clean Power Plan it presented in June 2014.
- Just over half expect the Western Climate Initiative (California and Quebec) to take on new members before 2020.
- Some 43% of the survey respondents expect to see a nationwide emission trading scheme in China by 2017. Another 40% expect it to be launched between 2018 and 2020.
- Some 36% of respondents consider it likely that the Paris climate summit in December 2015 will deliver a new international agreement on emission abatement. 38% see it as unlikely; the remaining 28% take a neutral view.
- The Point Carbon Market Survey is the annual market sentiment poll conducted by Thomson Reuters Commodities Research and Forecasts. For ten years it has been a reference report in the world of carbon. The 2015 edition contains feedback from 1,203 respondents from a wide range of stakeholders around the world.



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13 MAY 2015

## THOMSON REUTERS COMMODITIES

### Providing critical insights into energy and environmental markets

Thomson Reuters Commodities Research and Forecasts is a world-leading provider of independent news and analysis for international power, gas and carbon markets. We monitor fundamental data, key market players and business and policy development in order to provide professionals with market-moving information.

Our carbon team (previously Point Carbon) provides an unrivalled knowledge of emission trading dynamics that positions us as the number one supplier of in-depth market intelligence. Our staff includes experts in international and regional climate policy, mathematical and economic modelling, forecasting methodologies, risk management and market reporting.

Thomson Reuters Commodities Research and Forecasts (TRCRF) has more than 30,000 clients, including the world's major energy companies, financial institutions, organisations and governments, in over 150 countries. Reports are translated from English into Japanese, Chinese, Portuguese, French and Spanish.

The carbon team is located in Oslo (Head Office), Washington D.C., Beijing, Seoul and Kiev.

### Carbon Market Survey

The Carbon Market Survey 2015 ran from 20 February to 15 March, and garnered replies from 1,203 respondents all over the world. The survey, including this report, is the result of co-operation between Thomson Reuters staff in Oslo, London, Washington, New York, Beijing, Seoul and Kiev. Questions were drafted and answers interpreted by the following team of analysts: Emil Dimantchev, Ben Kellerman, Olga Chistyakova, Hongliang Chai, Gayoung Lee, Maria Kolos, Ganna Korniyenko. Figures and layout were designed by Natalia Presich and Daryna Grynenko. Co-ordination and editing was done by Anders Nordeng.

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## EXECUTIVE SUMMARY

# A year of consolidation in the world of carbon

The Carbon Market Survey 2015 shows that cap-and-trade is the emission abatement instrument that most respondents expect to see in place in 2020, well ahead of subsidies and taxes.

Some 19% think cap-and-trade is an ideal abatement instrument, 66% think it is the best we can agree on, and only 8% are of the opinion it does more harm than good. This distribution is fairly equal across all categories of stakeholders. Overall the responses to this question reveal a slightly more positive attitude than in 2014, when 18% saw it as ideal, and 11% found it harmful.

Close to half (49%) of the European respondents agree that the EU ETS is the most cost-effective way to reduce emissions. This share has been relatively stable since 2013. Two-thirds believe it will “continue to be the main instrument of EU climate policy”.

Among the companies compliant under the EU ETS – those whose emissions are capped – 51% say the system has caused them or continues to cause them to reduce emissions.

Some 45% of the compliant companies see the cost of emissions as a decisive factor for investment decisions. This is back to the same level as 2013, after a drop to 38% in 2014.

We also asked the companies how the EU ETS affects their competitiveness relative to other factors such as energy prices, labour cost, general tax level, etc. Some 48% see it as “somewhat important, but not the main cause for worry”, only a quarter of the respondents considers it “among the most detrimental factors”. This feedback contradicts to some extent the argument that the EU ETS is responsible for the close-down of European industry, a narrative often repeated by politicians and interest groups that oppose a high price on emissions.

Last autumn the U.S. announced an emission target of 26-28% reduction by 2025, and we asked the North American respondents if they think this target is achievable under the current and planned policies. 17% are confident it is achievable, 33% say it might be possible, and 34% checked an emphatic “no”. The remaining 17% have no opinion.

Some 63% of our North American respondents think the Environmental Protection Agency will face legal opposition to implementing the Clean Power Plan it presented in June 2014. Just over half expect WCI to take on new members before 2020. An additional 13% predict expansion after 2020. Some 24% believe New Jersey will rejoin the RGGI scheme in the next two years.

## CHINESE NATIONAL ETS EXPECTED SHORTLY

In China, 43% of the respondents expect to see a nationwide emission trading scheme by 2017. Another 40% expect it to be launched sometime in the period 2018 to 2020. A majority believes issuance of the Chinese domestic offset units – CCERs – to pick up, most of whom expect a slow but steady rise.

In the CDM market we asked about expectations for CER demand outside the EU ETS. The answers show opinions fairly divided between more, less or same level as today. A surprisingly high number of respondents (62%) believe the EU ETS will continue to allow international credits after 2020, although this is clearly not foreseen under the current legislation.

Respondents are split in their expectations for whether the Paris summit in December 2015 will deliver a new international climate agreement: 36% consider it likely, 38% see it as unlikely; the remaining 28% take a neutral view. The French, as hosts for the upcoming event, are by far the most optimistic, 79% of them believe world leaders will reach an agreement.

## HAS THE TIDE TURNED?

To the extent that answers are more positive than in 2014 (some are) and in 2013 (most are), we believe this reflects the positive trends in key markets (more trading, prices going up), which are themselves sign of more optimism among the market participants.

In Europe, the decision to introduce the Market Stability Reserve and the new climate targets for 2030 both helped convince the market that policy makers are serious in their commitment to the EU ETS. Although it will still take a long time to absorb the vast surplus of emission allowances, we see no reason why the European carbon market should not continue to see active trading in the years to come.

China also draws special attention. If Beijing decides to launch a nationwide emission trading system in 2016 or 2017 it will bring a huge confidence boost to carbon traders around the world.

The other important signal to watch out for in 2015 is the Conference of the Parties, the international climate summit in Paris in December. Markets are not a key part of the negotiations, but even so, if a majority of the big emitters bring abatement targets to the table, it will send a very positive signal that there will probably be a role to play for markets in achieving many of those targets.

# Table of contents

Executive summary	3
1. Market context and survey structure	7
2. Abatement instruments and Paris expectations	9
3. The impact of ETS on compliant entities	12
4. Europe	14
5. North America	17
6. China	20
7. South Korea	22
8. Kazakhstan	24
9. New Zealand	25
10. CDM	26
11. JI	29
Appendix: Methodological questions	30

# List of figures

- 1.1. Survey population my market
- 1.2. Population by role
- 1.3. Compliant companies by sector
- 2.1a. Emission trading as an instrument for fighting climate change
- 2.1b. View on emission trading in selected countries
- 2.2. Abatement instruments expected in 2020
- 2.3a. Expectations for Paris. Selected roles.
- 2.3b. Expectations for Paris. Selected countries.
- 2.3c. Expectations are rising
- 2.4. Little belief in binding targets
- 2.5 Is there a future for markets?
- 3.1. Perceived impact on emission reductions
- 3.2a. Not the most important factor
- 3.2b. European perceptions by industry
- 3.3. Few examples of relocation
- 3.4. Influences investment
- 4.1a. Perceptions of EU ETS as an effective and mature market
- 4.1b. Perception trend
- 4.2. Expected start of MSR
- 4.3a. Price expectations for 2015
- 4.3b. Price expectations for 2020
- 4.4. Sectors likely to be added
- 4.5. Utility hedging
- 4.6. Industry's time horizon
- 4.7. Not all hold a surplus
- 5.1. Perceptions of WCI and RGGI as effective and mature markets

- 5.2. WCI expected to grow
- 5.3. Compliance or speculative trading?
- 5.4a. WCI price expectations for 2015
- 5.4b. WCI price expectations 2020
- 5.5. Expectations for RGGI development
- 5.6. RGGI price expectations 2016
- 5.7. EPA to face legal opposition?
- 5.8. Target achievement through existing policies?
- 6.1. Most expect China National ETS by 2020
- 6.2. Domestic credit expected to grow in the coming years
- 6.3. Price expectations for Chinese carbon credits
- 6.4. CER to CCER switch expected
- 7.1. Insufficient allocation in South Korea?
- 7.2. Modest expectations for trading
- 7.3. Korean price expectations
- 7.4. Undecided on emission reduction effect
- 8.1. Will Kazakhstan's ETS become fully operational?
- 8.2. Allocation and transaction of the KZQs
- 9.1. New Zealand price expectations
- 10.1. CER demand expectation outside EU ETS
- 10.2. Widespread acceptance expected post 2020
- 10.3. Mixed review of reform process
- 10.4a. Verification costs for CDM
- 10.4b. Verification costs for CDM
- 10.5. Re-classify?
- 11.1. Still hope in a future for JI?

# 1. Market context and survey structure

The 2015 survey confirms the slight confidence uptick in 2014 after sentiments ebbed in 2013. On key questions such as whether emission trading is seen as a cost-efficient instrument for greenhouse gas abatement responses this year reveal a slightly more positive attitude than in 2014.

The turn in sentiment fits well with the observed trends in the markets. Our assessment of the market in 2014 showed that transacted volumes continued to fall (from 9.4 Gt in 2013 to 7.7 Gt), but because of strengthening prices in Europe, the value of those transactions increased from €39 billion euros to € 45 billion. Indeed we expect traded volumes to reach 8.5 Gt in 2015, for an overall value of €69 billion.

Last year saw the introduction of backloading in Europe, followed by ambitious climate targets for 2030 and a decision to introduce a Market Stability Reserve to regulate the surplus of allowances. All these developments reassured market participants who had been questioning the European policy makers' commitment to fight climate change.

Globally, the Sino-American announcement of climate targets (November 2014) helped boost confidence that the biggest polluters are committed to cut emissions. China has pledged to peak emission before 2030 and the U.S. has pledged to reduce emissions by 26-28% by 2025. The U.S. recently submitted its target to the UNFCCC, China is expected to do so shortly.

In the Chinese pilot schemes, trading continue to grow, although volumes are still very far from what we see in Europe. Most of the trading is in allowances, but much attention is also focused on the Chinese domestic offset units. Market watchers are also following closely for signals from China's National Development and Reform Commission about when a possible nationwide ETS might be launched.

Apart from this, the global picture remains mixed. Australia disman-

ted its carbon pricing mechanism last summer, whereas South Korea launched Asia's first fully operational nationwide ETS in January 2015. Also new on the horizon is Kazakhstan, where a fledgling carbon market was launched back in 2014 but where trading has remained limited due to a delayed regulatory framework.

Bar the announcement of a Chinese national ETS, or some major unforeseen development in the EU ETS, the most important policy event for the remainder of 2015 will be the international climate summit – the COP – in Paris in December. The survey responses show that disillusion still runs deep - 38% do not expect world leaders to reach an agreement. Nevertheless, the 36% that see an agreement as likely represent a clear increase from last year, when only 19 % saw this as likely.

## ABOUT THE CARBON SURVEY

Against this backdrop, we release our tenth annual survey of the world's carbon markets, covering the following markets: EU ETS, WCI, RGGI, the Chinese pilot markets, South Korea, Kazakhstan, New Zealand, CDM and JI. It also includes views on the ongoing international negotiations.

This year's survey ran from 20 February to 15 March, using Qualtrics, a web-based tool. We reached out by e-mail to three main groups of recipients all over the world: respondents from previous surveys, regular users of the carbon section of Eikon (Thomson Reuters' desktop market data solution), and our vast network of contacts in the world of carbon: traders, emitting companies, government/administration, international organisations, and industry federations.

In total, we garnered views from 1,203 respondents on 86 different questions. Some general questions were asked to all survey participants. Most were related to specific markets and/or roles, and were only asked to those who ticked the corresponding

geographies/categories. This naturally led to wide differences in the number of collected replies for the various markets.

Participants were first invited to indicate the market(s) in which they are involved (they could tick more than one box). Unsurprisingly, the most developed markets still attract the highest number of respondents, with 602 ticking the EU ETS. Some 407 ticked interest in CDM. California's Western Climate Initiative (WCI) came third with 152 respondents, before JI with 143. At the lower end were Kazakhstan (32), New Zealand (65) and South Korea (69). See **Figure 1.1**.

Furthermore, 184 respondents indicated interest in other emission or climate-related markets, naming among others: REDD+ , Mexico, Tokyo and Alberta. Many also mentioned California – a sign that not everyone is familiar with the WCI as the name of California's ETS.

The number of respondents dropped by some 400 compared to our previous survey in 2014, a fact that probably reflects the ongoing closure of carbon market activities, particularly in the CDM segment.

## MANY ROLES REPRESENTED

Some 980 respondents chose to define their role in the carbon markets (**Figure 1.2**). The categories that draw the most responses were 'project developer' (in the CDM market) with 129 respondents, and 'other commercial services' (which includes a wide range of analysis and consultancy) at 116. Third came 'company with emissions covered by an ETS (compliant entities)' at 113, which are really the key stakeholders in any cap-and-trade scheme. The following groups were 'university' (98), 'technical services' (91) and 'carbon traders' (77).

Among the compliant entities, the biggest segments were utilities, followed by oil/gas and chemicals (**Figure 1.3**).

In terms of geographical location,

we see that the U.S. has the highest number of respondents - 133 – followed by the UK at 84 and a number of other European countries. If we look at the level of continents rather than specific countries, Europe is clearly home to the largest group of survey participants.

**STRUCTURE OF THIS REPORT**

The first part of the survey contained general questions asked to all respondents: how they perceive cap-and-trade as an instrument for emission reduction, what other instruments they believe will be in place in 2020, and what are their expectations for the upcoming climate summit in Paris.

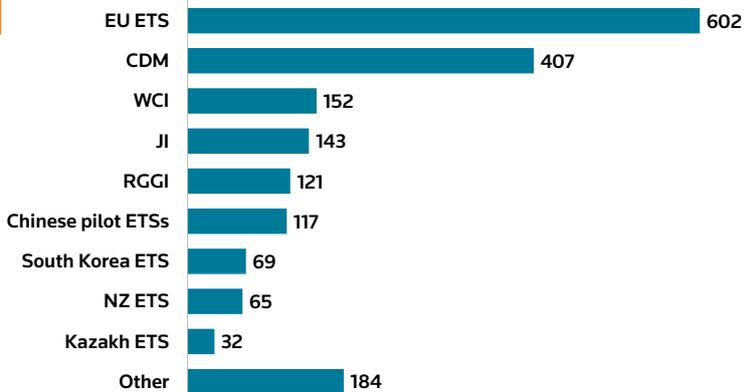
The following section is devoted to what compliant entities report on the impact of being subject to an ETS: has it reduced their emissions? Is it important for their investment decisions? Has it lead them to consider moving production to a less stringent jurisdiction?

We then proceed with a detailed look at each different market, from the established systems in Europe and North America, via the emerging ones in Asia, to the so-called flexible mechanism of CDM and JI. While not being cap-and-trade system, the latter two used to be very important markets, and as the number of respondents show, they still draw attention from many stakeholders, despite falling prices and receding volumes of transactions over the last years.

The report does not present all the 86 questions included in the survey. For the sake of offering an accessible format we have selected the results we deem the most interesting and relevant. The selection is clearly weighted in favour of the EU ETS, which, being the biggest market, received the most responses and is likely to be of interest to a majority of readers. More in-depth analysis on specific topics will appear in the Carbon Market Monitor in the months to come.

**Figure 1.1. Survey population by market**

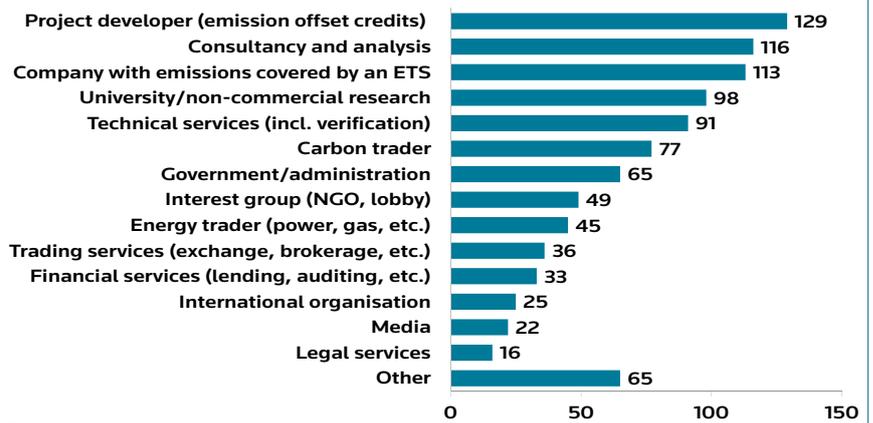
“Which emission market(s) are you involved in or following?” Respondents could choose more than one. N=1,041



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 1.2. Population by role**

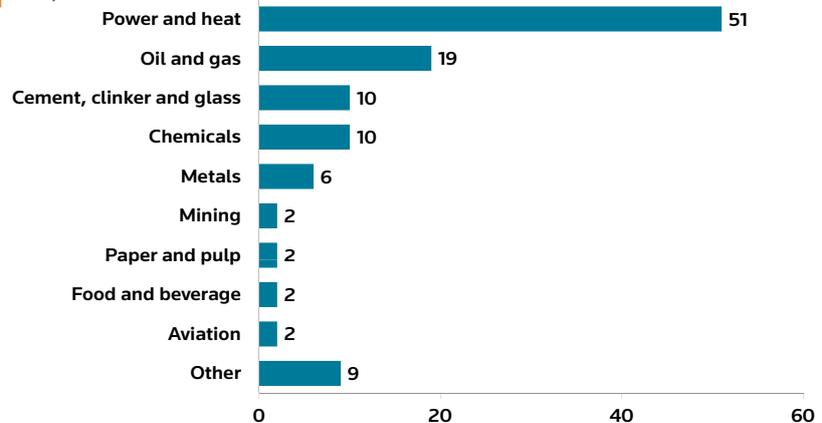
“What is your organisation’s role in the emission market?”, N=980



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 1.3. Compliant companies by sector**

“What is your organisation’s primary compliance focus?” Asked to compliance companies. N=113



Source: Thomson Reuters Commodities Research and Forecasts

## 2. Abatement instruments and Paris expectations

The questions in this section were asked to all participants, irrespective of geography and role. All respondents were asked to choose one of several statements on the use of cap-and-trade as an instrument for greenhouse gas abatement. The results, shown in **Figure 2.1a**, tell us that a majority of 66% sees it as “not perfect but the best we can agree on”. Some 19% consider it an ideal instrument and 8% are of the opinion that it does more harm than good.

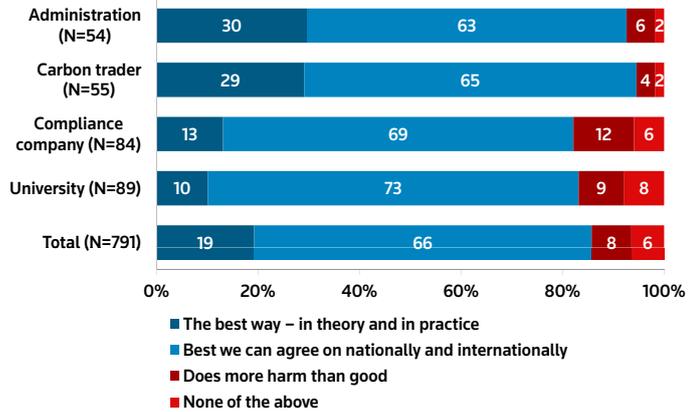
We believe this reflects the continuing strong resistance we can observe worldwide towards other abatement instruments, notably the widespread refusal to introduce a tax on emissions. Many developing countries, including some of the biggest emitters, are fundamentally opposed to add costs to their industries and citizens. And where there is a political willingness to put a price on carbon, companies tend to prefer the flexibility of cap-and-trade over flat taxes.

When we break down on selected roles, we see that carbon traders and government officials are the most positive groups. When we look at selected countries (**Figure 2.1b**), we see that Spain has a high share of positive respondents (38%), but also a relatively high share of sceptics. Polish respondents are by far the most negative to the EU ETS, with one third seeing it as doing more harm than good. This fits well with the general stance of the Polish government in opposing more ambitious climate targets for Europe.

### MIX OF INSTRUMENTS EXPECTED

We also asked which abatement instruments the respondents expect to see in their jurisdictions in 2020, asking them to tick one or more of the following: cap-and-trade, tax on emissions (either at source or on end-user), specified max emission levels for installations/products, subsidies for renewable energy (either to new or existing forms), or other measures.

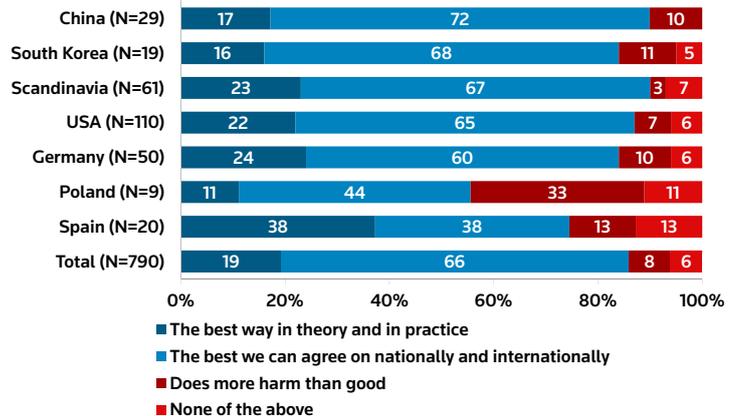
**Figure 2.1a. Emission trading as an instrument for fighting climate change**  
 “Please choose the statement that best expresses your view on cap-and-trade” Total distribution and broken down on selected roles. (N=860, of whom 791 chose on of the options (no opinion is not included in the figure)).



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 2.1b. View on emission trading in selected countries**

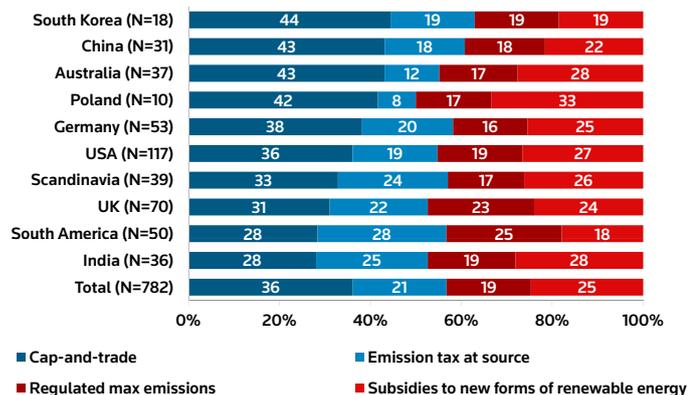
(N=860, of whom 791 chose on of the options (no opinion is not included in the figure)).



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 2.2. Abatement instruments expected in 2020**

“Which abatement instruments do you think will be in use in 2020 in the jurisdictions in which your organisation is involved? Relative distribution of selected instrument, selected countries. (N=854, of whom 782 ticked one or more of the instruments).



Source: Thomson Reuters Commodities Research and Forecasts

The results for a selected number of instruments in selected locations are summarised in **Figure 2.2**.

Overall, we see that cap-and-trade is expected by the highest number of respondents (36%), followed by subsidies (25%), tax (21%) and regulation (19%).

South Korea, where awareness is high following the launch of the Korean emission trading system (KETS) last January, 44% expect the new system to remain in place in 2020. The share is nearly as high in China, probably reflecting speculations that the government might be close to announcing a nationwide ETS. Somewhat surprisingly, 43% of Australian respondents believe they will again have emission trading, this must mean that many expect Labor to return to government and re-implement the Carbon Pricing Mechanism that was dismantled by the incumbent Prime Minister Tony Abbott.

**HOPE IN PARIS AGREEMENT?**

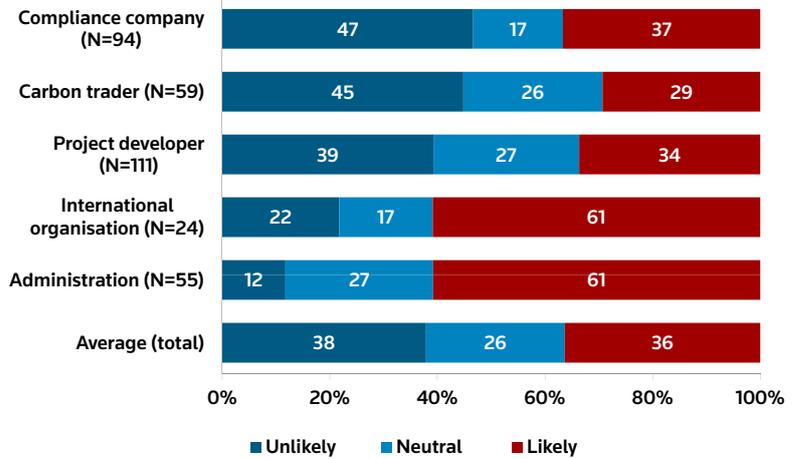
The upcoming climate summit - COP21 - is arguably the most important climate policy event since the failed Copenhagen COP in 2009. We asked the survey participants whether they see it as likely or unlikely that world leaders reach an agreement in Paris in December.

Overall, the opinion is fairly divided, 38% see it as unlikely, 36% as likely, and 26% give a neutral opinion (**Figure 2.3a**). Interestingly, administrations and international organisations - in other words the stakeholders closest to the negotiations - are the most optimistic. Within these two groups 61% expect an agreement.

Those who stand to gain most from international emission trading - project developers, traders and compliant entities - all take a more pessimistic view, with higher shares of 'unlikely'. If we break down on selected countries we also see some interesting differences (**Figure 2.3b**). Of the Polish respondents 50% see an agreement as unlikely, only 10% as likely. Next are Germany and the U.S., where 46% and 44% respectively expect a failure. In China, the sentiment is clearly much more optimistic, as 55% believe

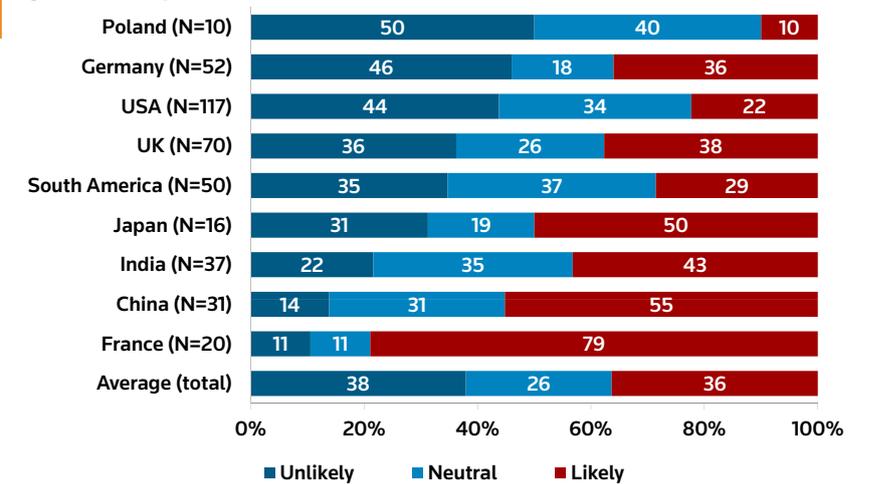
**Figure 2.3a. Expectations for Paris. Selected roles.**

"Do you expect world leaders to reach agreement on a global climate regime in Paris in December 2015?" N=854



Source: Thomson Reuters Commodities Research and Forecasts

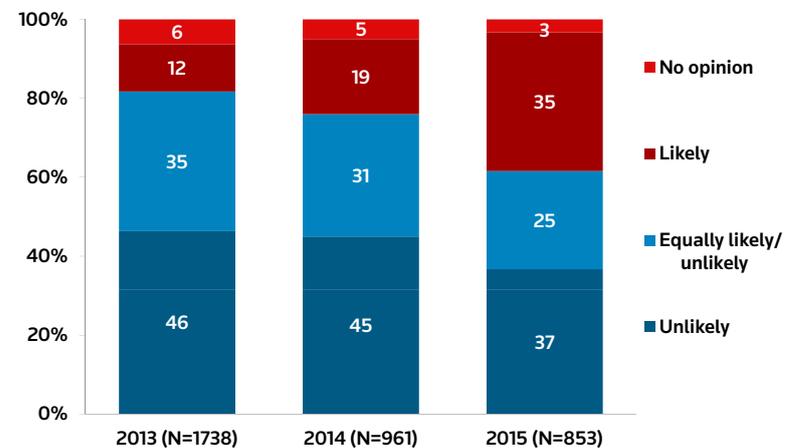
**Figure 2.3b. Expectations for Paris. Selected countries.**



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 2.3c. Expectations are rising**

"Do you expect world leaders to reach agreement on a global climate regime in Paris in December 2015?"



Source: Thomson Reuters Commodities Research and Forecasts

an agreement will be reached. By far the most optimistic country is France (79% chose 'likely'), this probably reflects the political capital invested by French politicians as hosts of the upcoming event.

We have asked the same question for the last three years, and the trend clearly shows a move towards more optimism (Figure 2.3c). In 2013, only 12% expressed belief in an agreement, this rose to 19% in 2014, and 35% in 2015 (36% if we exclude 'no opinion').

**A ROLE FOR MARKETS?**

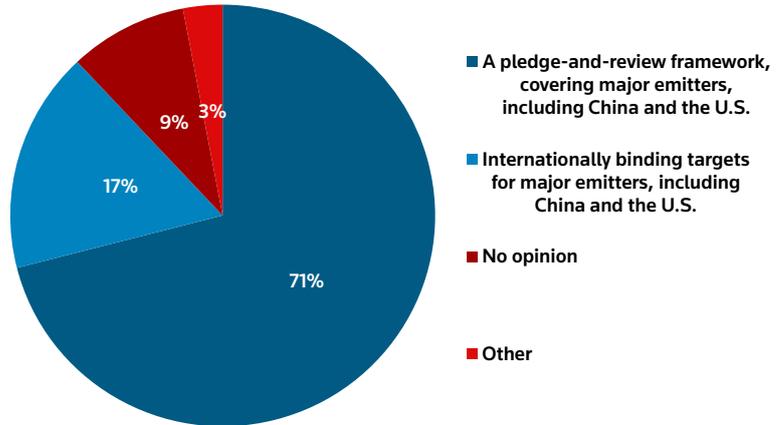
We also asked what the respondents expect of the new global climate agreement (if it materialises). Some 71% believe it will be a pledge-and-review framework, covering major emitters such as China and the U.S. 17% expect it will include internationally binding targets (Figure 2.4).

The key question for emission market stakeholders is what, if any, will be the role of markets in the new agreement. A clear majority – 70% - believe it will contain a reference to emission markets. 11% expect there will be no mention of markets at all, whereas 5% believe the text will explicitly ban trading of emission rights (Figure 2.5).

If we break down on selected roles we see traders appear very close to the average (68% believe there will be a reference to markets). Administration officials seem the most confident (74% expect a reference), whereas project developers are the most pessimistic, with 9% fearing a text that will explicitly ban trading. This probably reflects frustrations with the international credit markets over the last years, as prices and volumes have plummeted amidst a lack of political commitment to the CDM and JI.

**Figure 2.4. Little belief in binding targets**

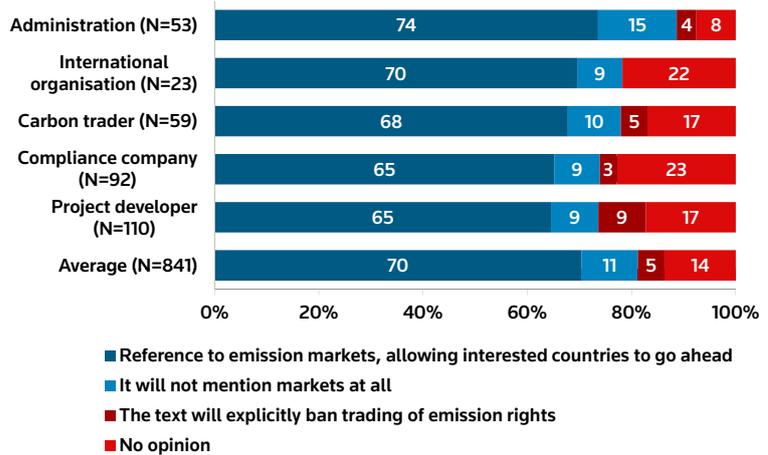
"If there is a new climate agreement, what do you think it will look like?" N=849



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 2.5 Is there a future for markets?**

"What role for market mechanisms do you think will be stipulated in the new agreement text?" Total and selected roles. N=841



Source: Thomson Reuters Commodities Research and Forecasts

### 3. The impact of ETS on compliant entities

In each of the cap-and-trade systems we included subsections that only addressed compliant entities. In the EU ETS, some 75 respondents answered these questions; in WCI (California and Quebec) they garnered seven to eight responses.

In the other systems (RGGI, China and South Korea) only some 2-5 compliant companies replied, making these populations too small to draw firm statistical conclusions. This section only present results from the EU ETS and WCI.

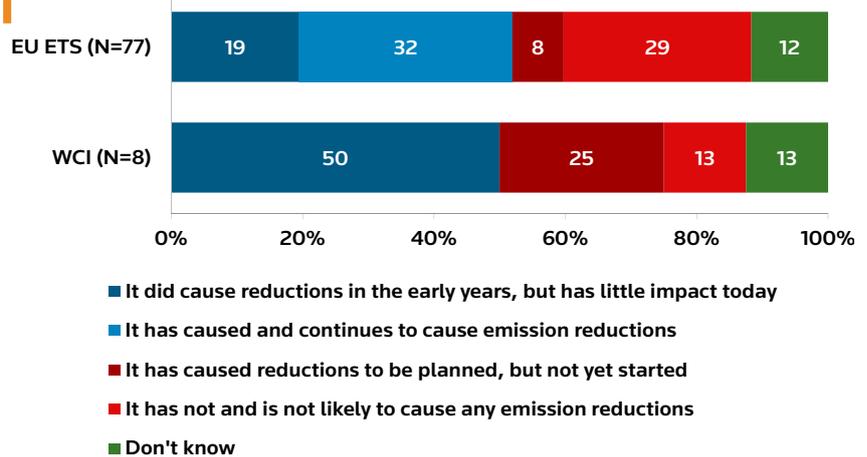
The compliant companies were invited to share their perception of the impact of emission costs. We asked respondents whether the fact of being part of an emission trading system has actually led to emission reductions, what importance they attribute to emission cost as a factor for competitiveness, whether it has led them to move production to areas not covered by an ETS, and how important it is for their long-term investment decisions.

In Europe, 19% believe the EU ETS spurred their companies to reduce their emissions in the early years of the system, but that it has little impact today. The largest share, 32%, says that it has and continues to cause reductions. Some 29% are of the opinion that it has not and is not likely to cause any reductions (Figure 3.1). In the WCI, 50% believe it caused reductions in the early years, and 25% state it has caused reductions to be planned but not yet started.

Regarding the effect on competitiveness, we asked respondents to compare the effect of ETS to other factors such as energy prices, taxes, and cost of labour. The results show that both in Europe and in North America half of them see the costs imposed by emission trading as "somewhat important, but not the main cause for worry (Figure 3.2a). In WCI a full 33% say that it has "little or no effect", in

**Figure 3.1. Perceived impact on emission reduction.**

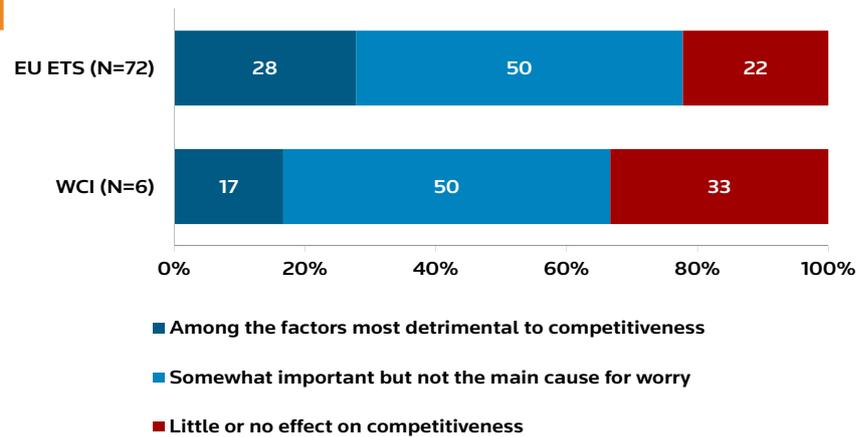
"To what extent has the EU ETS / WCI caused your company to reduce emissions?"  
 Asked to compliance companies. N EU ETS= 75, N WCI=8



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 3.2a. Not the most important factor.**

"How do you perceive the impact of the EU ETS /WCI against other factors such as energy prices, taxes, cost of labour, etc...?" Asked to compliance companies. N indicated for EU ETS and WCI do not include 'no opinion'.



Source: Thomson Reuters Commodities Research and Forecasts

Europe this share is 22%, compared to 28% who see it as one of the factors most detrimental to competitiveness.

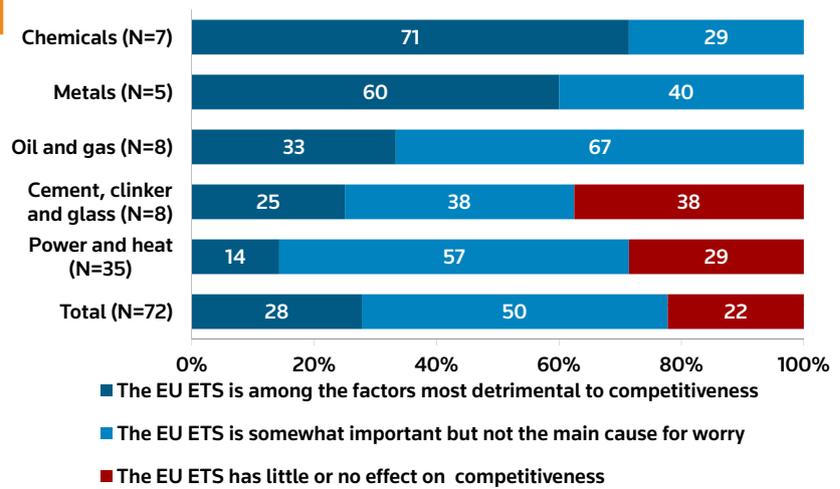
The population of European compliant entities is sufficiently big to break it up into industry segments. **Figure 3.2b** shows that the chemical industry sees the EU ETS as an important threat to European competitiveness. Five out of seven chemicals respondents (71%) chose this response option. Metal companies also see it as very detrimental. Among power generators – generally not exposed to competition from outside Europe – only 14% consider it to be among the most detrimental factors.

In both Europe and the U.S. we observe marked changes over the last year. In 2014, only 6% of European respondents saw it as having little or no effect, a share that increased to 22% in 2015, indicating that the companies are now less worried about competitive risks. The WCI sees an opposite trend: no one saw the ETS as among the detrimental factors in 2014, 17% did so in 2015 (See **Figure 3.2c**).

On the question of offshoring to avoid paying for emissions, 8% of European respondents state that they have already done so, another 17% are considering to do so (**Figure 3.3**). A vast majority, 63% have not. In the WCI, the responses are divided between ‘no’ (57%) and ‘don’t know’ (43%).

In Europe, 45% see emission costs as a decisive factor in investment decisions, up from 38% in 2014, and back to the level last observed in 2013 (**Figure 3.4**). An equal share of respondents (45%) sees it as “influencing, but not decisively”.

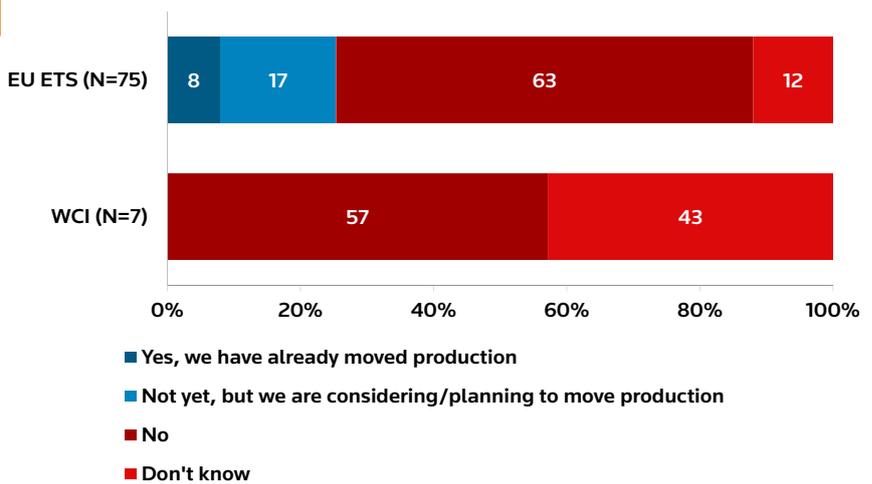
**Figure 3.2b. European perceptions by industry**



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 3.3. Few examples of relocation**

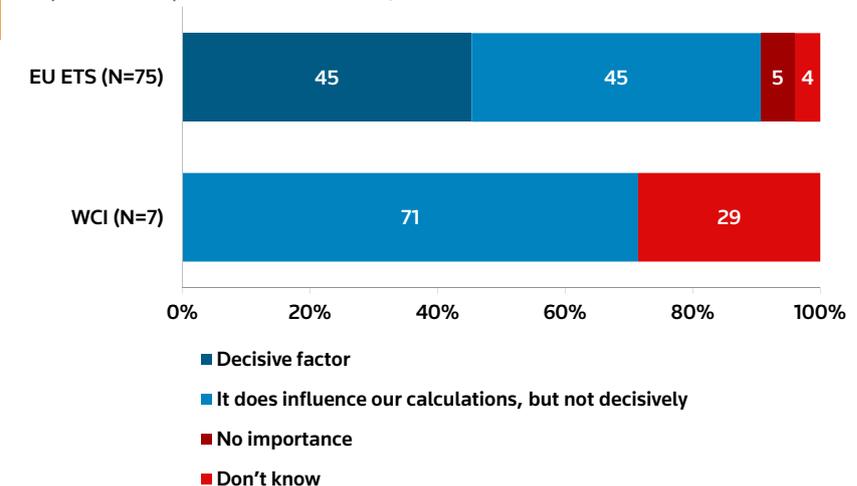
“Has your company considered moving out of the EU ETS /WCI area because of carbon cost?” Asked to compliance companies. N EU ETS= 75, N WCI=7



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 3.4. Influences investment**

“How important is long-term carbon for your company’s investments?” Asked to compliance companies. N EU ETS= 75, N WCI=7



Source: Thomson Reuters Commodities Research and Forecasts

# 4. Europe

This section contained questions on ongoing policy processes relating to the European carbon market, as well as price expectations in the near and mid-term. These general questions were asked to all groups of European respondents (compliance companies, traders, administration, NGOs, etc.) and garnered some 400 to 500 responses.

A much lower number of respondents answered the questions on expectations for phase 4 (post 2020) and on the use of carbon credit units (CERs and ERUs). Probably these topics are too specific and/or too detailed to be relevant to many of the survey participants.

A subset of respondents – the compliance companies – was given additional questions on how carbon pricing influences their competitiveness and their investment decisions (see the preceding section on the impact of emission trading). In addition, utilities were asked how the carbon price influences their hedging, and industry companies were asked how long into the future they look when deciding whether to sell or hold surplus EUAs.

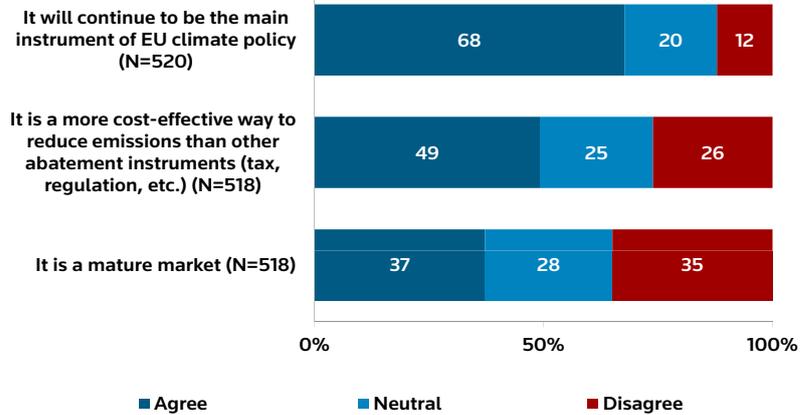
## IS THE EU ETS A COST-EFFECTIVE INSTRUMENT?

As a first question, the European respondents were asked to what extent they agree with certain statements about the EU ETS: whether it is the most cost-effective way to reduce emissions, whether it is a mature market and whether it will continue to be the EU's main instrument of climate change policy.

When we add up 'completely agree' and 'somewhat agree' on one hand and 'completely disagree' and 'somewhat disagree' on the other, we get the results seen in **Figure 4.1a**. Some 68% believe the EU ETS will continue as the main climate policy, 49% see it as the most cost-effective way to reduce emissions, whereas 26% disagrees with this statement. On the question of maturity, the respondents are fairly divided between agree, neutral and disagree.

**Figure 4.1a. Perceptions of EU ETS as effective and mature market**

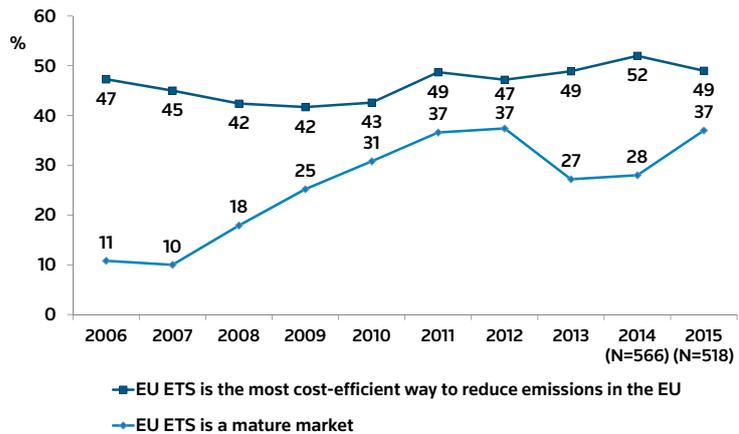
"Indicate the degree to which you agree with the statements. 1= completely disagree, 5= completely agree". In the summary figure 'disagree' include 1+2, 'agree' includes 4+5. Asked to all respondents indicating interest in the EU ETS



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 4.1b. Perception trend**

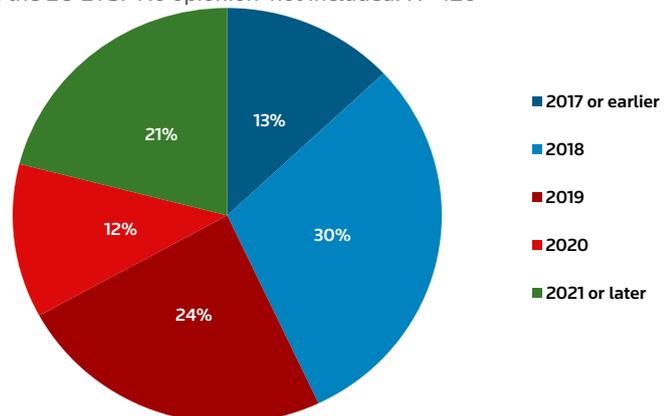
Trends since 2006, N varies from year to year.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 4.2. Expected start of MSR**

"When do you think the MSR will start?" Asked to all respondents indicating interest in the EU ETS. 'No opinion' not included. N=420



Source: Thomson Reuters Commodities Research and Forecasts

If we look at the trend since 2006 (Figure 4.1b), the share that sees ETS as the most cost-effective way has moved from 47% to a low point of 42% in 2009, before climbing to 52% in 2014. Despite the slight drop this year, the support is still in the upper area of the ten year band.

The perception of the EU ETS as a mature market has fluctuated much more, between 10% in 2007 and 37% in 2015.

**POLICY AND PRICE EXPECTATIONS**

The so-called Market Stability Reserve (MSR) is the key element in the ongoing policy debate in Europe. Designed to limit the surplus of emission allowances, it was agreed by the European institutions in 2014, but at the time of the survey important details such as when it will become operational and what will happen to the backloaded allowances were still not decided.

As we see in Figure 4.2, a majority expected this to happen in 2018 (30%) or 2019 (24%). A fifth of the respondents believed it will take place in 2021, which would have been the default start date if policy makers had not managed to agree on an earlier start.

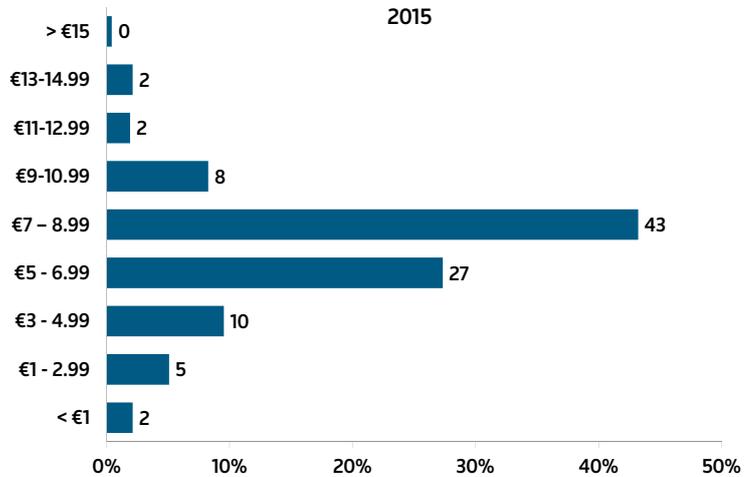
The price expectations are recurrent and popular features of the Carbon Survey. Figures 4.3a and 4.3b show what the respondents believe will be the average price of the benchmark EUA futures contract in 2015 and in 2020. For 2015, a clear majority expect prices to remain close to the €7/t level observed at the time of the survey. Some 43% expect it to be in the €7-8.99 range, and 27% think it will come in between €5 and 7. For 2020, opinions are more divided, with most respondents predicting prices above €10, and many even above €15.

**NEW SECTORS FROM 2021?**

A new question this year aimed to assess the perceived likelihood that new sectors will be included in the EU ETS at the start of phase 4 in 2021. Some 84% believe intra European aviation will be covered, 61% expect more industry emissions to be added.

**Figure 4.3a. Price expectations 2015**

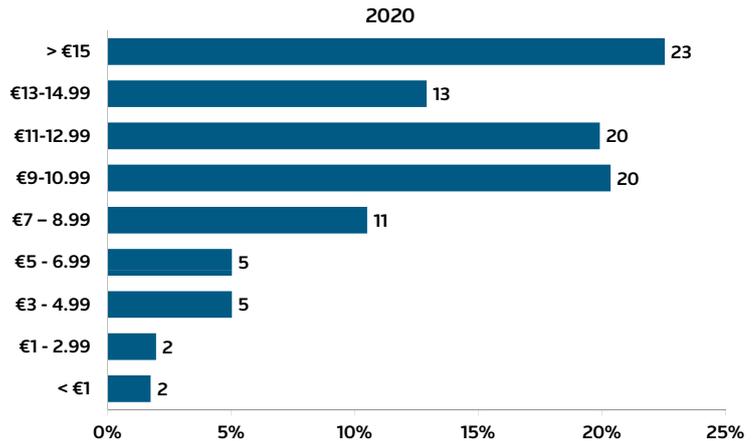
“What do you think will be the average price of EUAs in 2015?” Asked to all respondents indicating interest in the EU ETS. ‘No opinion’ not included. N=472



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 4.3b. Price expectations 2020**

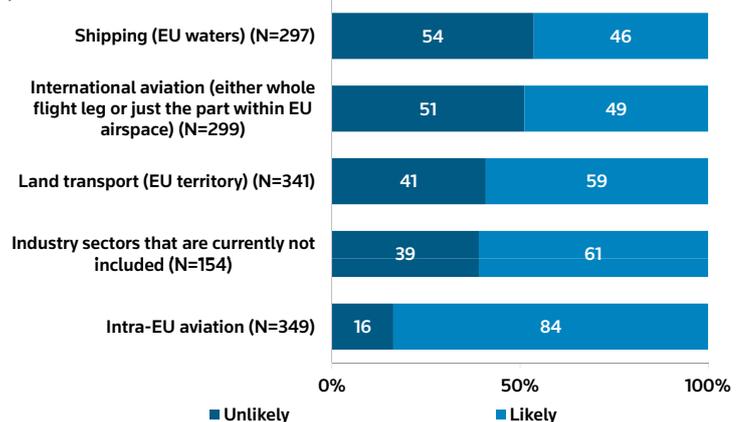
“What do you think will be the average price of EUAs in 2020?” Asked to all respondents indicating interest in the EU ETS. ‘No opinion’ not included. N=457



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 4.4. Sectors likely to be added**

“What additional sectors do think will be included in the EU ETS from 2020? 1=very unlikely, 5= very likely” Asked to all respondents indicating interest in the EU ETS. ‘No opinion’ and ‘3’ (neutral) not included. 1 and 2 merged into ‘unlikely’, 4 and 5 into ‘likely’.



Source: Thomson Reuters Commodities Research and Forecasts

Opinion is split on whether international aviation emissions will (again) be regulated by the EU ETS (**Figure 4.4**).

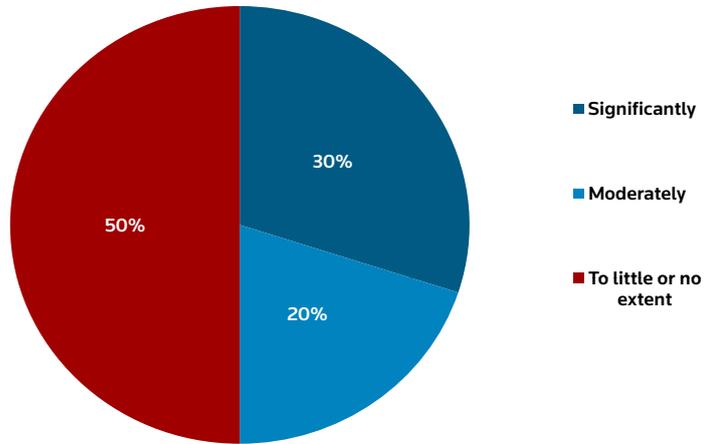
We asked utilities how much the carbon price influences their power forward hedging structure. Of the 30 responses we garnered from this question, half said 'to little or no extent', one third said 'significantly' and the remaining 20% said 'moderately' (**Figure 4.5**). The fact that so many assigned little importance to the price of carbon is surprising, given how actively utilities are trading. It could be indicated that despite the price increase over the last year, many still see the cost of emissions as insufficient to fundamentally influence the hedging structure.

Industry companies were asked how far ahead they look when deciding their strategy for selling/keeping/buying EUAs. **Figure 4.6** shows that 42% look more than four years ahead, whereas 23% only look to the next year.

Last but not least, we asked all compliance companies whether they hold a surplus of EUAs, defined as EUAs received over 2008-2014 minus emissions over the same period. Some 74 respondents chose to share this information. The answers were equally distributed between 'yes' and 'no', both at 38% (**Figure 4.7**). The remaining 24% chose 'don't know/cannot answer'. The yes share is down five percentage points from 2014, whereas 'no' is up one percentage point.

**Figure 4.5. Utility hedging**

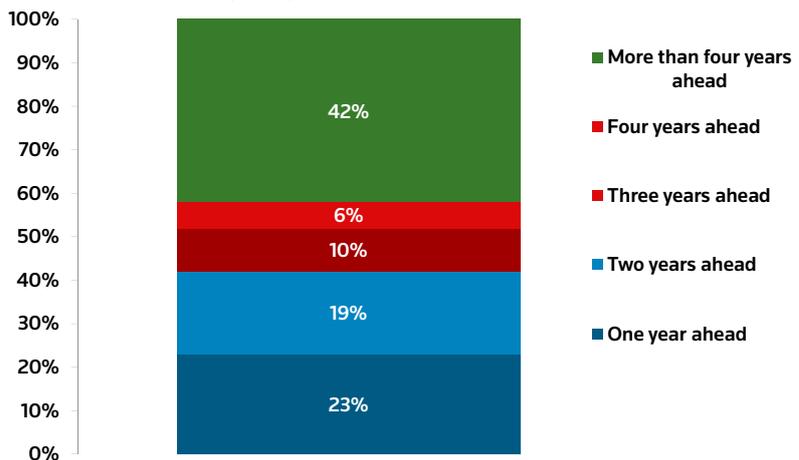
"How much does the carbon price influence your power forward hedging structure?" Asked to utilities. N=30



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 4.6. Industry's time horizon**

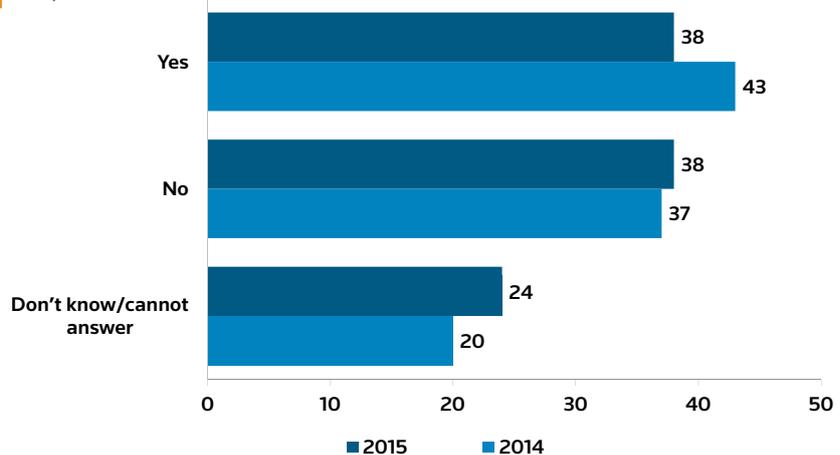
"How far ahead do you look when deciding your strategy for selling/keeping/buying EUAs?" Asked to industry companies. N=31



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 4.7. Not all hold a surplus**

"Does your company currently hold a surplus of EUAs?" Asked to compliance companies. N=74



Source: Thomson Reuters Commodities Research and Forecasts

# 5. North America

This section contained questions on market perceptions in the Western Climate Initiative (WCI) and in the Regional Greenhouse Gas Initiative (RGGI) and expectation for the ongoing policy processes relating to the EPA Clean Coal Act.

Among the WCI and RGGI stakeholders, a subset of respondents – the compliance companies – were asked additional questions on how carbon pricing influence their competitiveness. The results from WCI are shown in chapter 3 ‘Impact of emission trading’. The RGGI results - only four answers - are not included in the report.

To judge perceptions on the markets’ efficacy, we asked stakeholders how much they agree with statements about its cost effectiveness and its maturity as a market. Over half of the WCI respondents – 58%– view it as a more cost effective emissions reduction tool than other abatement measures (Figure 5.1). In RGGI the share is similar. Only 13% of WCI respondents agree decisively that it is a mature market, compared to 26% in RGGI.

## WCI

The Western Climate Initiative section asked participants about their own predictions for the California-Quebec market, covering topics such as the ongoing policy process, the market’s cost-effectiveness and price expectations. Each of these questions garnered some 120-130 responses.

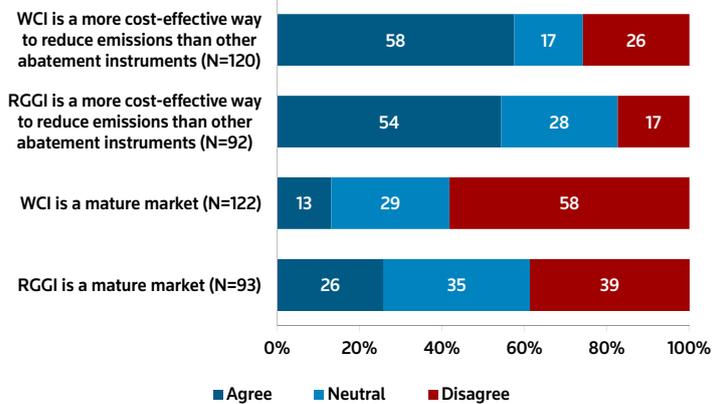
In predicting the WCI’s future, we found a majority of respondents foresee an expansion to new jurisdictions before 2020, so say just over half of respondents. An additional 13% predict expansion but only after 2020 (Figure 5.2).

Respondents mentioned Washington State and Ontario most frequently, followed by Oregon – such expectations follow Washington governor Jay Inslee’s proposal for cap-and-trade, as well as talks of carbon pricing legislation in Ontario.

We also asked stakeholders what will drive WCI allowance trading in 2015. By and large, respondents believe that both compliance and

**Figure 5.1. Perceptions of WCI and RGGI as effective and mature markets**

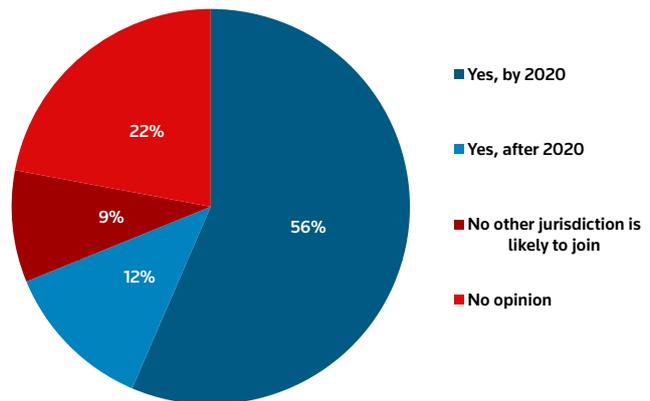
“Indicate the degree to which you agree with the following statements about the WCI?” Asked to all participants involved in the WCI.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 5.2. WCI expected to grow**

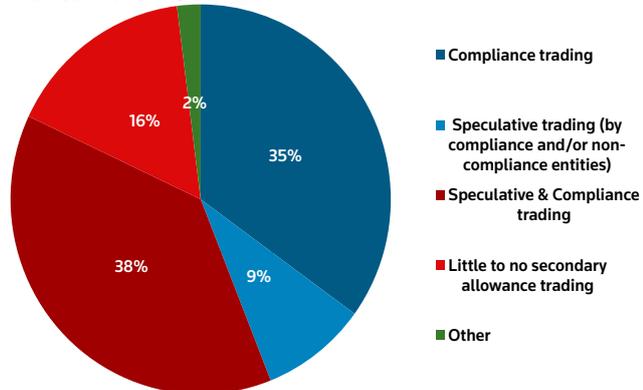
“Will other jurisdictions join the WCI?” Asked to all participants involved in the WCI. N=131.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 5.3. Compliance or speculative trading?**

“What will dominate secondary WCI allowance trading in 2015?” Asked to all participants involved in the WCI. N=127.



Source: Thomson Reuters Commodities Research and Forecasts

speculative trading will drive secondary market activity. However, they give more weight to compliance trading – 35% see compliance as the key driver while only 9% ascribe this to speculation (**Figure 5.3**).

Respondents shared their expectations for average prices in 2015 and in 2020, summarized in **figures 5.4a** and **5.4b**. For 2015, 45% forecast the price to remain within the \$12.10 to \$13.99 range – a generally bullish prediction above 2014’s weighted average of \$11.93/t on the Intercontinental Exchange (ICE). Some 22% took a more bearish stance, predicting prices to stay below \$12.09/t.

Though we provided different ranges for 2020 prices, responses were distributed similarly to those for 2015. Some 45% forecast prices in the range of \$17 to \$29.99, and 24% lower than \$16.99. These responses follow conventional expectations for the ETS: as the market matures and the cap decreases, prices should continually rise.

**RGGI**

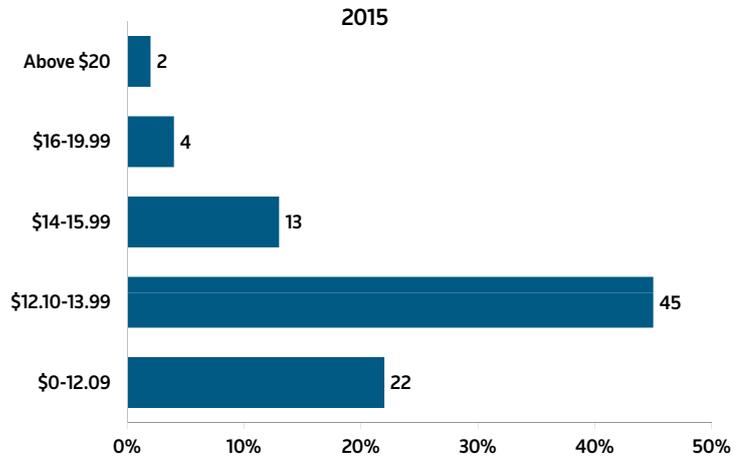
**Figure 5.5** summarizes views on RGGI’s future. Only 24% predict New Jersey will rejoin the scheme in the next two years, and 43% do not foresee this reintegration occurring so soon. However, a majority – 74% – remains confident that RGGI will stay active beyond 2020.

Price expectations were spread relatively evenly between the ranges we provided (**Figure 5.6**). 28% forecast the average price of a RGGI allowance to stay within \$4.00 and \$5.99. This would stay consistent with both 2014’s weighted average benchmark price of \$4.70 on ICE. After issuing our survey, the March quarterly RGGI auction price cleared within this range at \$5.41.

However, 15% predict it falling to the \$2.00 to \$2.99 range, 17% between \$3.00 and \$3.99, and 16% above \$6.00. The 32% of who predict a price below \$4.00 are likely comparing allowance prices to previous years, before allowances above \$4.00 or \$5.00 became the norm.

**Figure 5.4a. WCI price expectations for 2015**

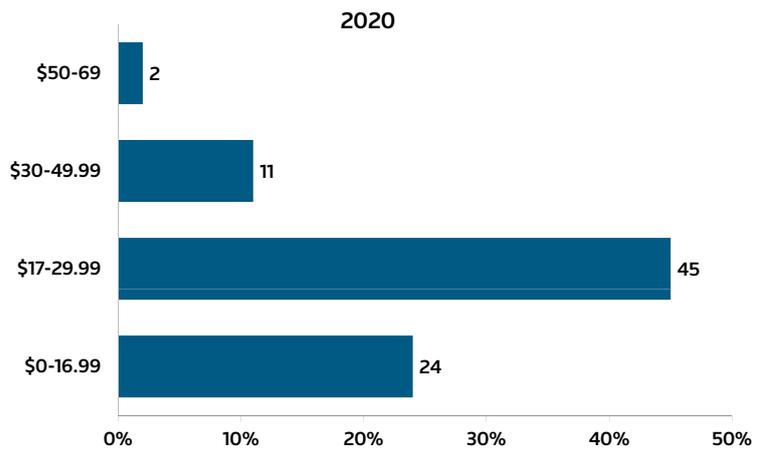
“In 2015, what do you think will be the average price of a WCI allowance?” Asked to all participants involved in the WCI.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 5.4b. WCI price expectations 2020**

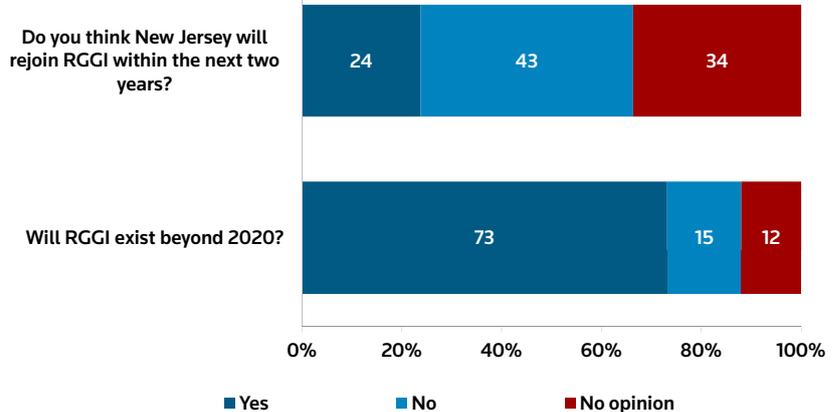
“In 2020, what do you think will be the average price of a WCI allowance?” Asked to all participants involved in the WCI.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 5.5. Expectations for RGGI development**

“Do you agree with the following statements?” Asked to all participants involved in RGGI. N=101



Source: Thomson Reuters Commodities Research and Forecasts

**EPA CLEAN POWER PLAN – WILL IT BE CHALLENGED?**

The final questions concerning North America asked for perceptions of last year’s notable regulatory developments in the United States, particularly President Obama’s proposed Clean Power Plan – implemented through Section 111(d) of the Clean Air Act – and the US’s proposed INDC target. Both proposals have broad implications for emission trading as an instrument for meeting national commitments.

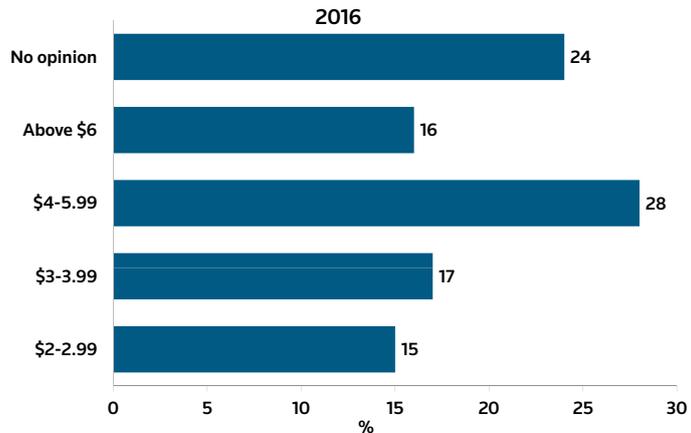
In June 2014, the EPA proposed the Clean Power Plan as a means of reducing electricity sector emissions 30 percent below 2005 levels by 2030. Talks of legal resistance have been stirring since June’s proposal, which is set for finalization mid-Summer. Some 63% of our respondents think the EPA will indeed face legal opposition to implementing the plan (Figure 5.7). Notably, another 36% are unsure or have no opinion – yet only 1% are confident the EPA will avoid all legal challenges.

Our final question shifted to the international sphere, asking about the US’s Intended Nationally Determined Contribution (INDC) for the Paris 2015 Conference of the Parties (COP) meeting. The target is to reduce 26-28% of emissions below 2005 levels by 2025. We asked stakeholders if the U.S. would be able to meet such a goal with policies already in place or in development (described in Figure 5.8).

Some 17% are confident the target is achievable under such policies, 33% say it might be possible, and 34% checked an emphatic “no”. The remaining 16% have no opinion. It remains uncertain whether those who disagreed think current and developing policies are simply not stringent enough, or if the target is unattainable altogether. We expect more clarity on specific policy proposals in the months leading up to Paris.

**Figure 5.6. RGGI price expectations 2016**

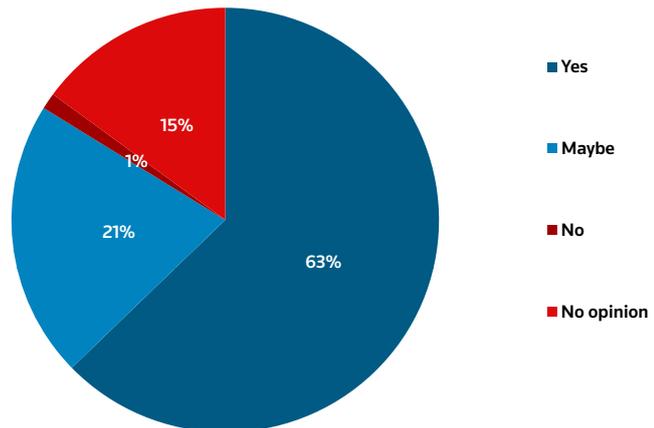
“In 2016, what do you think will be the average price of a RGGI allowance?” Asked to all participants involved in RGGI. N=100.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 5.7. EPA to face legal opposition ?**

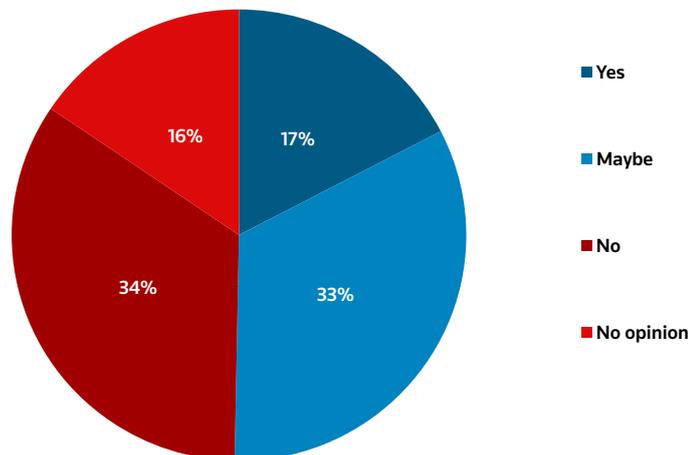
“Do you think the US EPA will encounter legal opposition in implementing Section 111(d) of the Clean Air Act?” N=161.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 5.8. Target achievement through existing policies?**

“Do you think the US will be able to achieve the INDC of 26-28% reduction by 2025 with the policies currently in place and those under development, such as EPA’s 111(d), methane regulations, tighter vehicle standards?” N=161.



Source: Thomson Reuters Commodities Research and Forecasts

## 6. China

Participants who ticked off for interest in the Chinese emission market shared their views on when a national emission trading scheme might start, their expectations for offset issuance and prices, and how many CDM projects they think will be converted into the Chinese domestic credit system (CCERs). Close to hundred respondents answered these questions.

One of the key questions for the global carbon community is when and if China will start a nationwide ETS based on experiences from the seven ongoing pilot markets. Indeed, this question seems to be more important to foreign observers given the high number of respondents who do not reside in China.

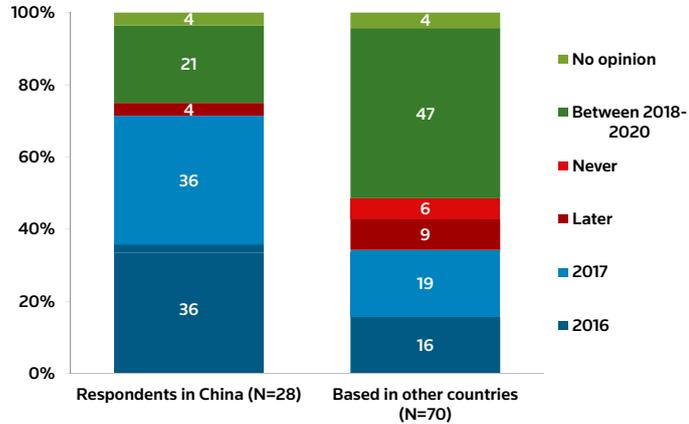
That said we also see that the 28 respondents based in China expect a much more rapid implementation than the 70 based elsewhere (Figure 6.1). In China, some 36% expect to see a national ETS already in 2016, the same share expect it to be launched in 2017. Among the respondents based in other countries the combined share for these two years is only 34%. The majority of non-Chinese respondents expect the Chinese national scheme to start between 2018 and 2020.

Our survey shows that China observers are cautiously optimistic about the prospects of the domestic offset market. Barely 10% of the 96 respondents expect that CCER issuance to increase rapidly in 2015 and 2016 (Figure 6.2). In terms of CCER prices, nearly half of the respondents that share their opinion expect CCER price to range from RMB 10 – 20 (€ 1.4 - 2.8) per unit.

We find that views on the CCER price have converged: fewer expect a price above RMB 20 or below RMB 5 compared to the survey in 2014 (Figure 6.3). This can be explained by the fact that market participants – many of whom develop projects themselves – have gained more experience with the domestic offset scheme during the last year. The median expected price

**Figure 6.1. Most expect China National ETS to come by 2020**

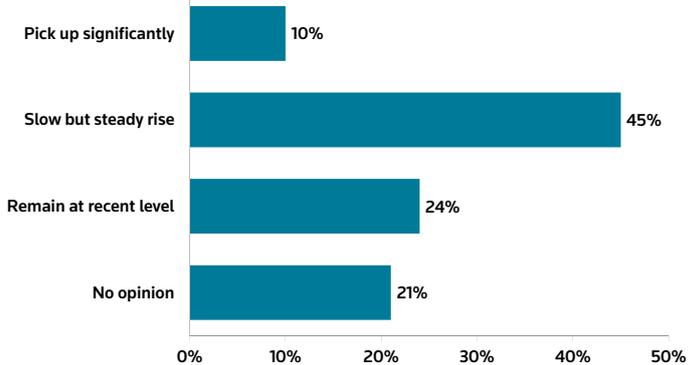
“When, if ever will we see a national ETS in China?” Asked to participants interested in the Chinese ETS pilots.



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 6.2. Domestic credit expected to grow in the coming years**

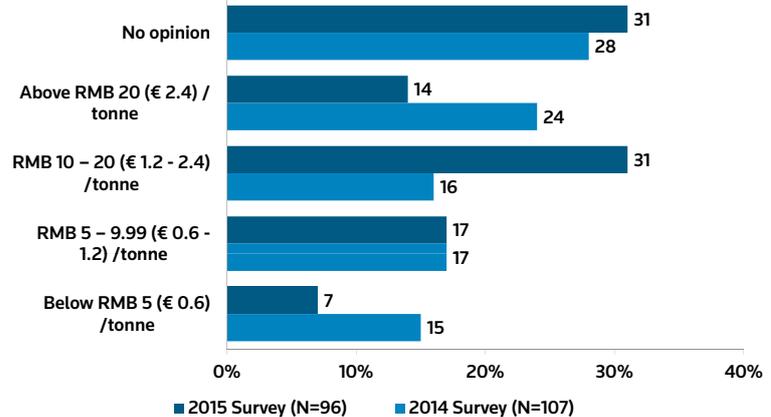
“How do you expect monthly issuance of CCERs to develop in 2015 and 2016?” asked to participants involved in the Chinese ETS pilots. N=96



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 6.3. Price expectations for Chinese carbon credits**

“What do you think CCER prices will be in 2015? (and in 2014)” Asked to participants involved in the Chinese ETS pilots.



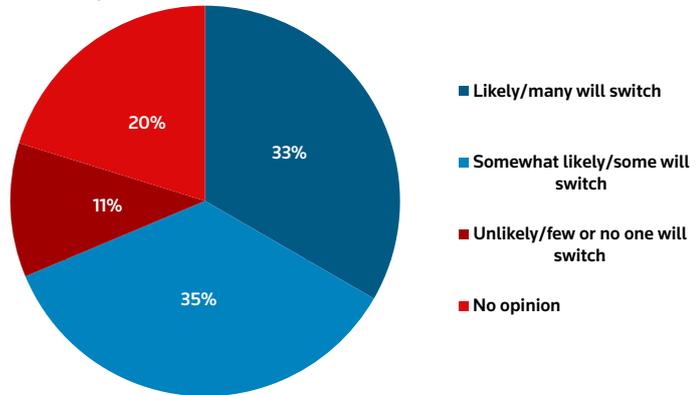
Source: Thomson Reuters Commodities Research and Forecasts

is over twice the current CER price of €0.5 per unit.

Due to the price gap between CER and CCER as well as a lack of demand of CERs, a majority of respondents indicate that they will consider delisting at least some of their CDM projects and seek issuance in domestic CCER market after the rules regarding the switch from CDM to CCER are clarified (**Figure 6.4**).

**Figure 6.4. CER to CCER switch expected**

"If the rules for delisting from CDM adopted in 2015, how likely do you think Chinese project hosts are to switch to the CCER scheme?" Asked to participants involved in the Chinese ETS pilots. N=96



Source: Thomson Reuters Commodities Research and Forecasts

# 7. South Korea

Respondents with interest in the Korean Emission Trading Scheme (KETS) were asked whether they expect the allocation for the period 2015-2017 to be sufficient. They were also invited to share their views on how much Korean allowance units (KAUs) are likely to be traded in 2015, what prices they expect to see and whether they believe the KETS will actually lead to emission reductions.

Regarding the sufficiency of allocation, the respondents are evenly split between the three options 'overall sufficient but power will be short', 'both power and industry will have enough' and 'overall insufficient' (Figure 7.1). This picture contrasts somewhat with the compliant entities' vociferous protests after the allocation was made known in late 2014.

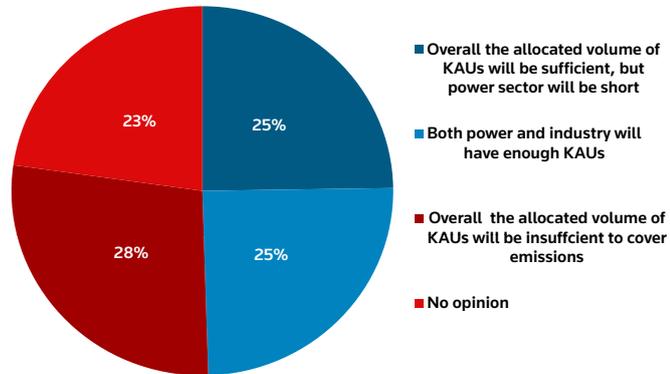
More than half of them requested more KAUs, and several dozen are currently launching legal action against the government. The strongest protests are from industry companies, a sector that analysts believe are likely to be long (oversupplied). The fact that in March 2015 a full 25% of the respondents believed both sectors are ok and that 23% indicated no opinion, might be a sign that the worry about insufficiency has ebbed somewhat.

The respondents have very modest expectations for trading, at least in 2015 (Figure 7.2). Some 31% believe the traded volumes to be less than 5 million units, in other words less than one percent of the volume allocated for 2015 (543 million KAUs). Only 4% expect the volume to exceed 50 million. A full 36% indicated no opinion, in itself a sign that many might still consider the question to be premature.

With regard to price expectations, 34% expect the average price in 2015 to come in between 10,000 and 20,000 won (\$10-20) per tonne (Figure 7.3). The few KAU deals that took place in January all traded around 8,370 won. Only 2% expect a price above 50,000 won, whereas 29% believe it will be less than 10,000 won.

**Figure 7.1. Insufficient allocation?**

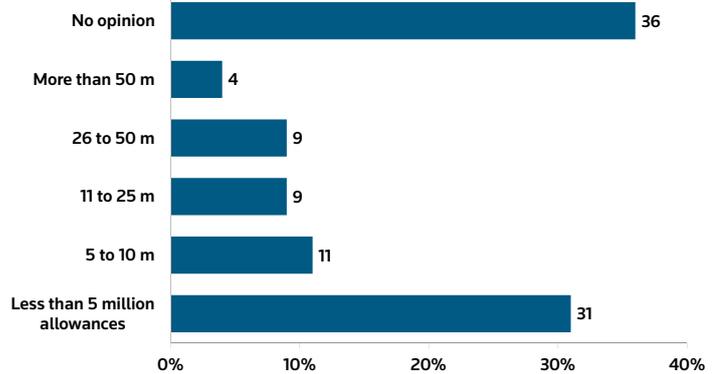
"Do you expect the 1,687 million KAUs to be sufficient for the period 2015-2017?" Asked to respondents indicating interest in the KETS. N=57



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 7.2. Modest expectations for trading**

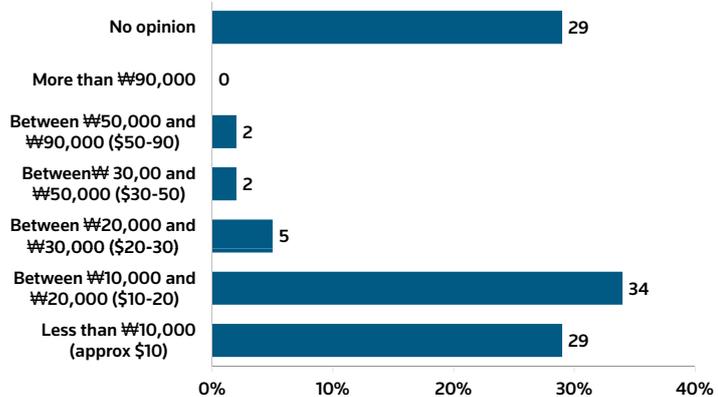
"How much trading of KAUs do you expect in 2015?" Asked to respondents indicating interest in the KETS. N=55



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 7.3. Korean price expectations**

"What do you think will be the average price for KAUs in 2015?" Asked to respondents indicating interest in the KETS. N=56

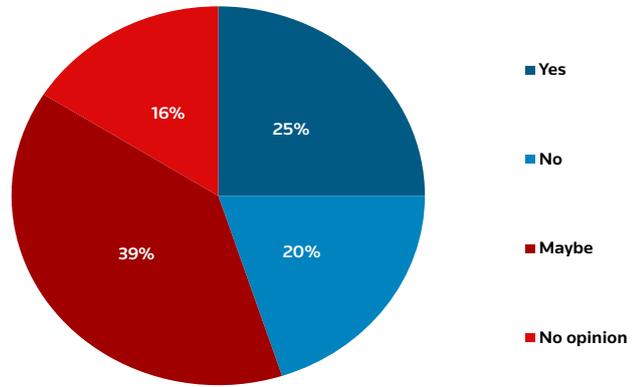


Source: Thomson Reuters Commodities Research and Forecasts

This seems to be a strangely bearish prediction, as the market was clearly short at the time of the survey (on the Korean exchange platform several participants wanted to buy, no one wanted to sell). Expectations are clearly down from 2014, when 32% predicted prices above 50,000 won, and, interestingly, 16% foresaw prices above 80,000 won.

The South Korea stakeholders are split with regard to the scheme's effect on abatement (**Figure 7.4**). A quarter of the respondents expect it will lead to reductions, 20% think it will not, and 16% have no opinion. The biggest group, 39% are undecided.

**Figure 7.4. Undecided on emission reduction effect**  
"Do you believe the KETS will lead to reduced emissions in the covered sectors the first compliance period?" Asked to respondents indicating interest in the KETS. N=56



Source: Thomson Reuters Commodities Research and Forecasts

# 8. Kazakhstan

The Kazakh ETS is an emerging carbon market, and although it often seems to be overshadowed by events in China and South Korea, it represents a huge potential for emission trading, if and when it manages to finalise the regulatory and infrastructure framework needed to spur active trading.

In terms of annual supply of allowances – it will cover approximately 155 million tonnes of emissions – the Kazakh ETS is midway between RGGI (100 Mt) and WCI (200 Mt). The scheme will include about 60% or the country's emissions and some 160 compliant entities.

Some 1.3 million Kazakhstani Quota Units (KZQ) changed hands in 2014, before most compliant entities had received allowances (the first cross-sector allocation is yet to occur). So far, the KZ ETS is primarily politically driven, with the economic factors playing a limited role in market dynamics. A major structural change in Kazakh Government last year cast some doubt on the Government's devotion to emission trading, but fears seem to have allayed since then.

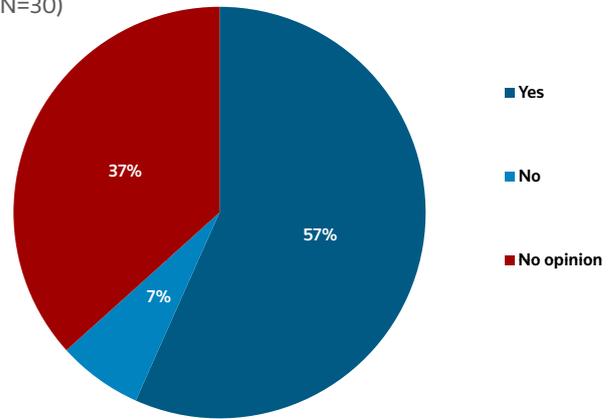
Some 30 survey participants ticked interest in Kazakhstan and were asked when they think the scheme will be fully operational, and when they expect to see allocation and transactions starting.

The delayed allocation of allowances and the government reshuffle in August 2014 have led some observers to question whether the Kazakh ETS will become fully operational. The respondents were rather optimistic with regard to progress, with 57% ticking 'yes' and only 7% 'no' (**Figure 8.1**).

Many respondents voice no opinion on when the first real allocation and the ensuing transactions will take place (**Figure 8.2**). Among those who do, most expect it to be after 2016. We believe this shows the market is still in the early stages of its development, and not yet fully functional.

**Figure 8.1. Will Kazakhstan's ETS become fully operational?**

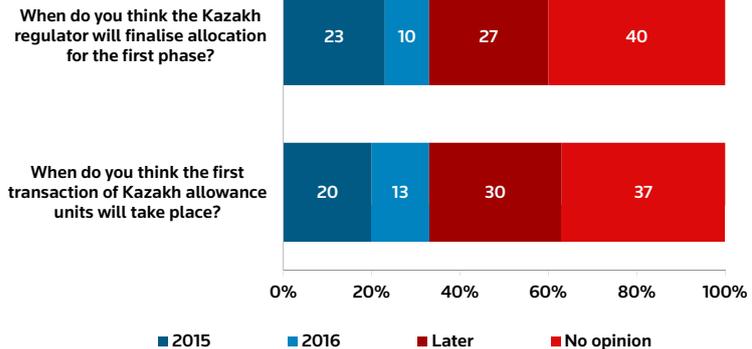
"Do you think the current government will continue preparations to make the scheme operational?" (N=30)



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 8.2. Allocation and transaction of the KZQs**

"When do you think the Kazakh regulator will finalise allocation for the first phase?" (N=30)



Source: Thomson Reuters Commodities Research and Forecasts

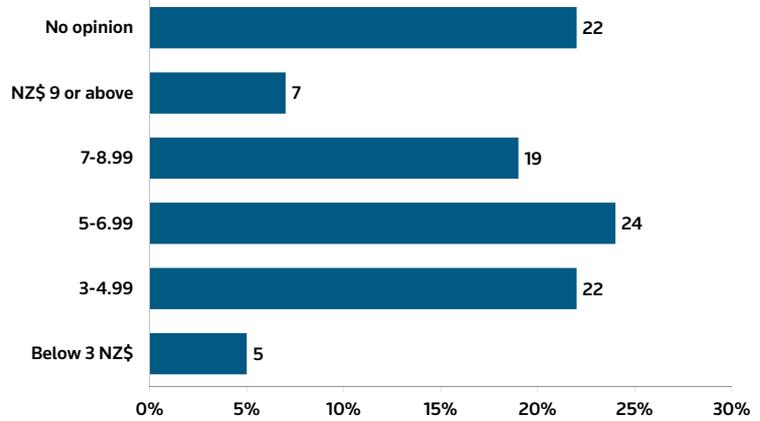
# 9. New Zealand

One of the early pioneers of cap and trade in greenhouse gases, New Zealand used to be a relatively important source of demand for CERs, as these were allowed for compliance alongside the New Zealand emission allowance units (NZUs). However, New Zealand is no longer in position to buy new CERs, since it has not signed up to a new commitment period under the Kyoto Protocol.

Still, 58 survey respondents ticked off New Zealand as one of the markets they are following. They were asked to share their price expectations for 2015 (**Figure 9.1**). Most opinions fall into one of three ranges close to the level of 6-6.50 New Zealand dollars seen in March, respectively 3-4, 5-6 and 7-8 NZ\$ per unit.

**Figure 9.1. New Zealand price expectations**

"What do you think will be the average price of spot NZU contracts in 2015?" N=58



Source: Thomson Reuters Commodities Research and Forecasts

# 10. CDM

Both CDM and JI have struggled over the last years, amid falling demand, plummeting prices and the growing apprehension that world leaders are not committed to saving these two flexible mechanisms that were created under the Kyoto Protocol as a way to stimulate greenhouse gas abatement by transferring money and technology from developed countries to the developing world (CDM) and to the post-Soviet world (JI). Both markets suffer from oversupply, as Europe – the only significant source of demand – has tightened the rules for what kind of CERs and ERUs are eligible for compliance in the EU ETS.

CDM stakeholders gave their opinion about the potential demand for CERs among the non-EU ETS buyers up to 2020, as well as the expected demand for CERs in the post-2020 period. In particular we tried to figure out the willingness of the market participants to re-classify their CDM projects, adapting them for the emerging regional markets or incorporating them into countries' emission reduction goals. We also asked market participants to provide their view on the efficiency of the work conducted by the CDM EB and verification costs they have to pay under current tough market conditions before requesting CERs issuance.

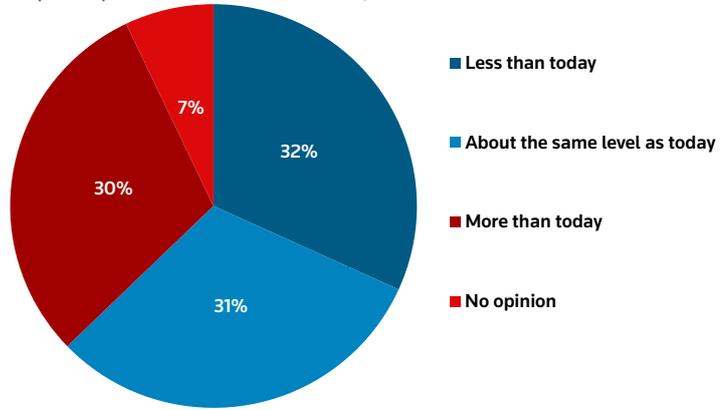
The question on European CER demand outside the EU ETS up to 2020 garnered 368 responses. Some 30% believe demand will increase, 32% do not expect any improvements up to 2020, while 31% think demand will remain at today's level (**Figure 10.1**). Compared to the 2014 survey, CDM market participants seem more optimistic, since last year only 24% expected increased demand.

The greater optimism for CERs may be supported by the willingness of some governments to pay above the current market price for CERs, especially those generated by vulnerable CDM projects located in least developed countries.

CDM stakeholders also shared their views on the acceptance of the CDM

**Figure 10.1. CER demand expectation outside EU ETS**

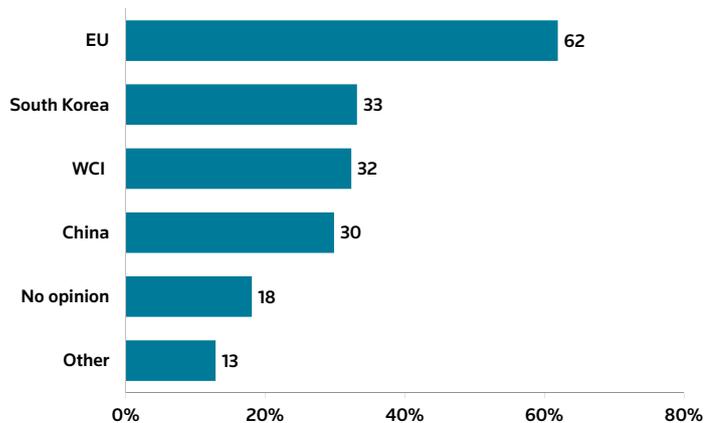
"What is your expectation for CDM demand in Europe beyond the EU ETS for the years up to 2020?" (government purchasing and private sector voluntary buying). Asked to all participants involved in the CDM, N=368



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 10.2. Widespread acceptance expected post 2020**

"Which countries/regions do you think will accept international emission offset credits in their compliance systems post-2020?" By this we mean emission abatement credit units originating in a different country from where it is being used (e.g. CERs and ERUs). Asked to all participants involved in the CDM, N=365



Source: Thomson Reuters Commodities Research and Forecasts

credits after 2020 (Figure 10.2). It is interesting to see that in spite of EU legislation allowing CERs only until 2020, 62% of our respondents believe that EU ETS compliant companies will be able to use CERs after that deadline. This number is almost in line with last year survey, when 60% saw this a likely.

Strangely, many also believe that CERs will be accepted in California (WCI), as well as in the Korean and Chinese ETSS, none of which has signalled willingness to accept CERs for compliance purposes (Korea will do so after 2020). Nevertheless, both Korea and China provide some indirect demand for the CDM credits, as entire CDM projects can now deregister and apply for approval in the domestic schemes instead.

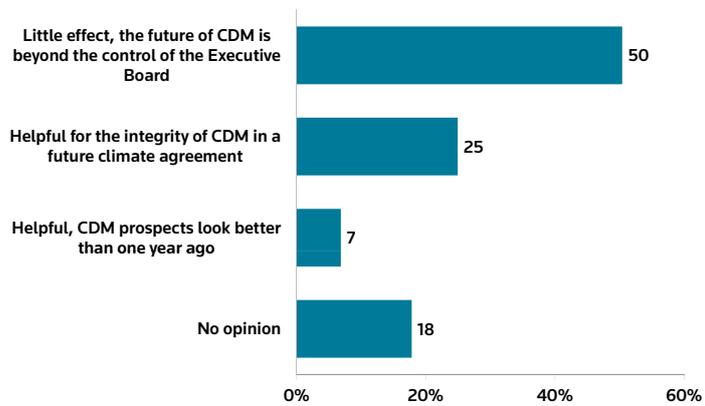
Over the last year, the CDM Executive Board (the CDM EB) members were striving to secure further continuation of the CDM by trying to make the mechanism more attractive for the potential project hosts (simplifying CDM procedures and improving mechanism guidelines) as well as trying to find new demand sources for CERs (such as voluntary market).

Nevertheless, about half of our respondents consider that CDM reform caused little effect on the future of the CDM, since the Board is not empowered to resolve the key problem market problem – low demand for CERs (Figure 10.3). At the same time, 32% of respondents believe the measures of the CDM EB have been valuable for the development of CDM over the next year, and the possible use in a future agreement.

Over the last year, CER issuance remained at low levels with average monthly issued volume around 8 million CERs. Market price for CERs in most cases are insufficient to cover project costs (including verification cost) paid during the CDM project and issuance cycle. Figures 10.4a and 10.4b provide respondents' replies on the highest and lowest verification cost they had to pay over the last year. About 55% of project hosts had to pay at least €10,000 for the verification of their CERs, while 45% paid below that. Furthermore, some 11% of the

**Figure 10.3. Mixed review of reform process**

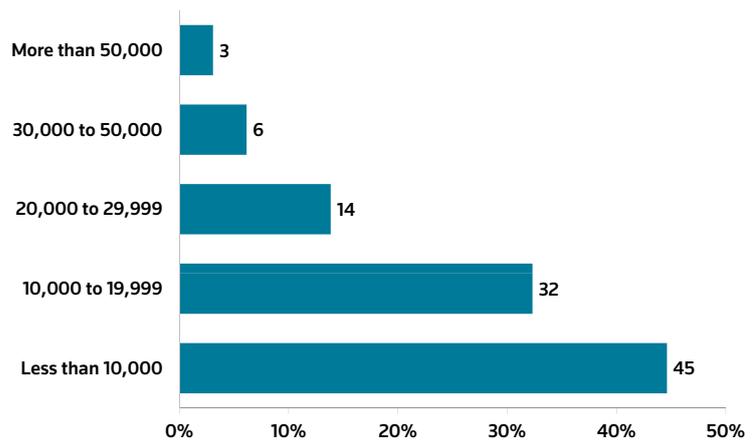
"In 2014, the CDM Executive Board continued its work to reform CDM and help developing new sources of demand. How do you assess the results so far of this process?" Asked to all participants involved in the CDM, N=365



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 10.4a. Verification costs for CDM**

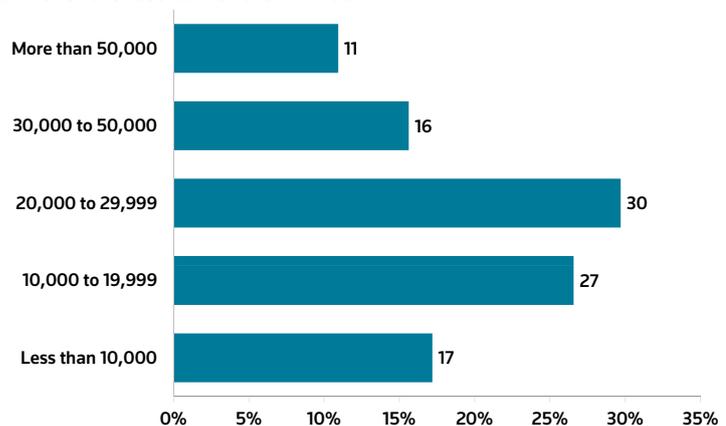
"What is the lowest price paid for verification in the projects you have been directly involved in over the last 12 months?" Includes consultancy services (e.g. monitoring reports) and DOEs. Asked to CDM project developers, N=65



Source: Thomson Reuters Commodities Research and Forecasts

**Figure 10.4b. Verification costs for CDM**

"What is the highest price paid for verification in the projects you have been directly involved in over the last 12 months?" N=65



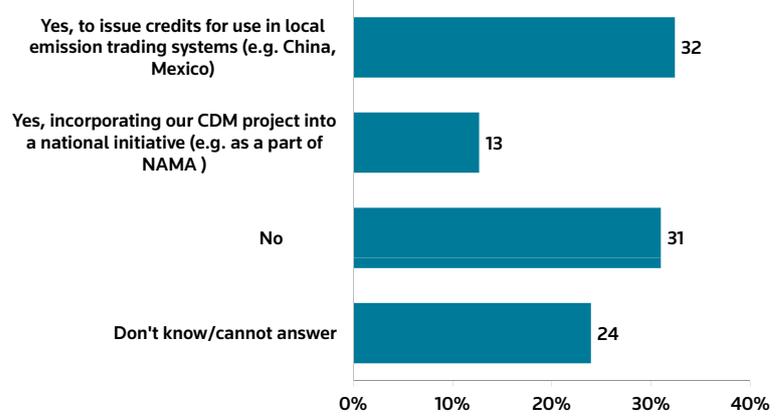
Source: Thomson Reuters Commodities Research and Forecasts

respondents reported having paid over €50,000 for the most expensive verification process.

The replies presented in **Figure 10.5** correlate with one of our previous comments on CERs acceptance in non-EU ETS trading schemes. While quite a number of our respondents believe CERs can find its way in Korean, Chinese or some other emerging markets (see Figure 10.2), 31% of them are not willing to re-classify their projects under some other system over the 2015 – 2017 period. Some 32% expressed readiness to start supplying credits for some emerging regional markets (e.g. China, Mexico, etc.), whereas 24% either don't know or don't want to answer.

**Figure 10.5. Re-classify?**

“Do you consider re-classifying CDM projects in the years 2015-2017?” (By this we mean re-register the project as another type of instrument). Asked to CDM project developers, N=71



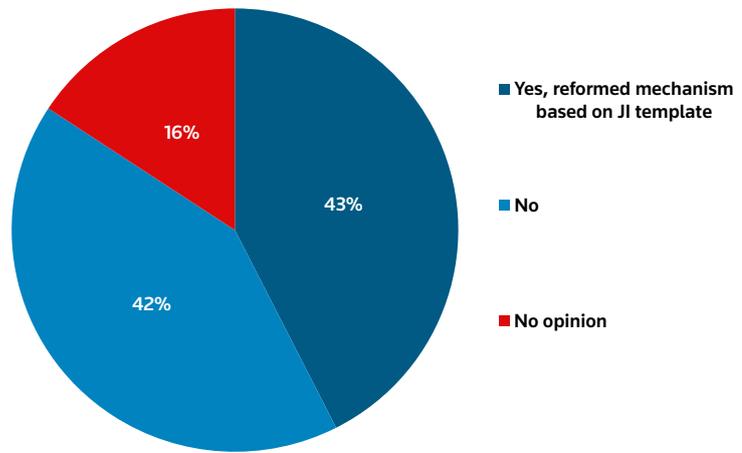
Source: Thomson Reuters Commodities Research and Forecasts

## 11. JI

At the UN level the regulatory framework only foresee a place for CDM and JI up to 2020. The draft text for the Paris agreement (the version that was discussed in Lima in December 2014) does not specifically address either CDM or JI. Bar any last moment surprise decision, both mechanisms are set to enter into a legal limbo in 2020.

Against this gloomy backdrop we asked stakeholders in the JI market whether they expect JI to remain in place after 2020. A high number of respondents – 127 – showed interest in this question; surprisingly high give the recent developments in this market. The poll shows an almost equal split in opinion: 43% say no, 42% say yes, and 16% voice no opinion (**Figure 11.1**).

**Figure 11.1. Still hope in a future for JI?**  
"Do you expect JI to exist after 2020?" [N=127]



Source: Thomson Reuters Commodities Research and Forecasts

## Appendix: Methodological questions

The Carbon Market Survey is the most encompassing market sentiment poll in its field, and has come to be seen as a reference in the world of carbon. Nevertheless, like all surveys, it needs to be read with certain caveats.

The most general methodological challenges are the risk of ambiguity (does the respondents understand the question the same way as us?) and bias (can the question or the response options appear leading and/or one-sided?). We have been conscious of this since we launched the first survey in 2006, and we strive to phrase each question in a precise and neutral way. If you would like to consult the full questionnaire, please see contact details overleaf.

Some companies are naturally reluctant to touch on business sensitive areas such as threshold prices for buying/selling and holdings of allowances units. This is perfectly normal and does not change much from year to year. In most such cases we provide an option "Don't know/cannot answer". See for instance Figure 4.8 where a quarter of the European compliance companies chose this alternative.

Potentially more challenging are the questions of price expectations. Many

respondents are themselves market participants, and as such could have an interest in influencing other traders' behaviour by giving a very high or a very low estimate. We caution not to take the prices for anything more than they are: an aggregate of interested respondents' (best) guesses.

An altogether different question is whether the population of respondents is truly representative of the global carbon market, both with regard to the geographical scope (where the respondents are located) and what kind of role they have.

In terms of geography the majority of respondents live in Europe and North America. This is natural given the well established emission markets in these parts of the world. Nevertheless we are glad to see that the number of respondents in the emerging markets of China and South Korea are markedly increased compared to 2014.

In terms of role, Figure 2.1 shows a wide range of stakeholders, including many groups than can be considered peripheral to the three core groups of compliance companies, project developers and traders. What this figure shows is the plethora of different services active in the carbon

markets (lenders, brokers, auditors...) and the presence of non-commercial stakeholders such as universities and non-governmental organisations.

Although we appreciate feedback from many groups of stakeholders, some questions are obviously only relevant to certain groups of stakeholders, most notably the ones asked to compliance entity respondents about the impact of emission trading on their company in terms of emission reductions, competitiveness and investment decisions.

A more practical challenge in a survey that aims as broadly as ours is how to analyse the results in a concise way, how to get from many fragmentary bouts of insight to an overall understanding of underlying trends. We have chosen to tackle this by way of comparison: by geographical location, by type of stakeholder, and, most notably by comparing to previous years. That is the advantage of having ten years of data.

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