



International Emissions Trading Association (IETA) Press Release

**Geneva, Switzerland – 19 March 2010
For Immediate Release**

IETA CALLS ON EU GOVERNMENTS AND TRADERS NOT TO ENGAGE IN RESALE OF CERs

The International Emissions Trading Association (IETA) today called on EU governments and European market participants, not to engage in the resale of carbon offset credits that have been surrendered by companies for compliance with the EU's Emissions Trading Scheme (ETS).

Even if this practice, whereby surrendered CERs are swapped with AAUs – equivalent compliance units under the Kyoto Protocol – and then resold, is strictly legal under current regulations, it damages the integrity of the European carbon market and the Clean Development Mechanism, which are still young and more prone to reputational damage than other, more mature, markets.

IETA has proposed several steps to restore trust. It welcomes the European Commission's decision, while waiting for regulatory changes that will fix the problem, to disable the surrendering of such credits as of today and until 19 April, when companies will have two weeks to surrender carbon offset credits for compliance with EU ETS obligations. During this period, however, risks will continue unless the practice of recycling is stopped.

Therefore, IETA calls on the governments of all 27 EU Member States to take action now to put surrendered credits straight into a retirement account from which they can no longer be transferred. IETA also calls on the Commission to investigate means of introducing the new registry regime voluntarily across Member States without waiting until August for the completion of the legislative procedures.

The President of IETA, Henry Derwent said: "IETA condemns any transactions that have fraudulently concealed the nature of the credits traded. This is however a problem that stems from a gap in the regulations, which the Commission and Governments must fix. The reaction from market participants and observers across the world should convince Governments that recycling is strongly disliked by the market. It also impacts the reputation of the EU ETS, the cornerstone of European climate change policy and the model proposed by the EU for the rest of the world. Recycling puts at risk a mechanism which was created for cost-efficient emissions abatement and distracts the development of carbon markets in other parts of the world."

IETA – Making markets work for the environment

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If resales nevertheless continue, Governments must:

- pre-announce the sale to the Commission and market participants;
- publish a list clearly identifying those credits;
- staple a 'due diligence' letter, explaining that those credits cannot be used within the EU ETS, with contractual obligations to stay with the credit for all subsequent transactions.

These are however second-best responses that may not be effective. The best approach is to stop the practice of recycling now.

Notes to Editors:

The IETA Note is also available at www.ieta.org. Questions and comments should be directed to Simone Ruiz at ruiz@ieta.org +32 474 79 05 22, or Henry Derwent at derwent@ieta.org or +41 788 795642

IETA has been the leading voice of the business community on the subject of carbon markets since 2000. IETA's 170 member companies include some of the world's leading corporations, including global leaders in oil, electricity, cement, aluminum, chemical, paper, and other industrial sectors; as well as leading firms in the data verification and certification, brokering and trading, legal, finance, and consulting industries.