

GHG MARKET SENTIMENT SURVEY

5th EDITION



Survey Highlights

- Expectations for future trading volumes in carbon markets have remained broadly positive, but sentiment around future prices is bearish.
- Regulatory uncertainty continues to suppress low carbon investment and market participants are losing patience with the lack of progress.
- Carbon price required to limit warming to 2°C will not emerge in the medium-term.
- Opinions are divided on when new regional trading schemes will emerge, but the market is clearly losing confidence in a US federal scheme.
- There is increasing uncertainty around the role that CERs will play in the international offset market.
- No major agreement is expected from COP16 in Cancun.

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Survey highlights

Key findings of the fifth IETA GHG Market Sentiment Survey

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- **Regulatory uncertainty continues to suppress low carbon investment and market participants are losing patience with the lack of progress.**
- **Carbon price required to limit warming to 2°C will not emerge in the medium-term.**
- **Opinions are divided on when new regional trading schemes will emerge, but the market is clearly losing confidence in a US federal scheme.**
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- **No major agreement is expected from COP16 in Cancun.**

The 2010 IETA approach to GHG Market Sentiment

In keeping with the approach adopted for the 2009 survey and report, which reflected key developments in the GHG market over the previous 12 months, this year's survey has been developed to reflect topical issues such as the aftermath of COP15 and the prevailing economic and political conditions, particularly in the US and Europe, to ensure that the results provide relevant insights into the sentiment of GHG market participants. The survey has been designed to complement, rather than duplicate, other carbon market surveys that are conducted during the year.

In addition to the survey, IETA and PricewaterhouseCoopers jointly hosted a round-table of leading carbon markets specialists to conduct a more detailed discussion of the survey results and issues facing the GHG market. Unattributed quotes from this event are included throughout this report.

About this report

The survey was conducted on behalf of IETA by PricewaterhouseCoopers' International Survey Unit and this report was prepared for IETA by the PricewaterhouseCoopers Sustainability and Climate Change team.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 163,000 people in 151 countries across its network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PricewaterhouseCoopers' Sustainability & Climate Change team helps both public and private sector clients address the specific and immediate issues relating to sustainability, as well as helping with longer-term strategic thinking. The team has a unique blend of skills, experience and tools, as well as scale and reach in all service areas. Globally the network comprises some 800 sustainability and climate change professionals in 51 countries, with over 100 based in the UK.

Message from the President and CEO of IETA



IETA is delighted to present the 2010 edition of our GHG Market Sentiment Report, based on a survey conducted over the weeks leading up to Carbon Expo in May 2010.

This is our fifth survey of the views of our membership and other major players in the carbon

market worldwide and we believe these results provide an important barometer of carbon market opinion - not only of past and current performance, but expectations of the future from the people who will shape that future.

The survey goes beyond straightforward market sentiment, however. It covers a range of important policy and investment related issues that will impact on market design issues all around in 2010. These include the continued negotiating round for a post 2012 international agreement and the creation of domestic carbon markets.

IETA's membership and outreach covers a broad spectrum of participants from all parts of the carbon market, which makes us impartial between sectors, and ideally placed to give a broad view.

The survey was undertaken on our behalf by the PricewaterhouseCoopers International Survey Unit to ensure its impartiality, confidentiality and professionalism. In contrast to the approach of the past four surveys, we have chosen to poll individuals from around the globe for their views, reflecting the expanding nature of international climate politics and broader interest in the carbon markets.

This Report provides the kind of information that this young but explosive market needs as it matures and becomes ready to perform the vital public policy task for which it has been created.

I hope that you will find the Report and results of the survey as useful and enlightening as I have. We always welcome all views and suggestions. If your company was not involved this time and would like to contribute to the next survey, please let us know.



Henry Derwent

Introduction to IETA's fifth GHG Market Sentiment Survey

Who was asked?

This year we expanded the survey to include a wider range of organisations and, unlike in previous years, allowed more than one respondent from individual organisations. Respondents were from all segments of the carbon market including compliance players, project developers, consultants and service providers, governments and government bodies, financial institutions, academic institutions, traders and investors.

The enlarged sample size led to a significant increase in the absolute number of responses received as compared to previous IETA surveys. There were 757 responses this year – an increase of over 500 – giving an overall response rate of about 10%. The majority of respondents (48%) are based in Europe while 16% are located in North America. The major emerging markets of China and India together provided 10% of respondents, with a further 7% based in Central and South America. The remaining 19% of respondents are split across a number of regions including Africa, Australasia, Japan, Russia and Eastern Europe and South Korea.

Setting the scene

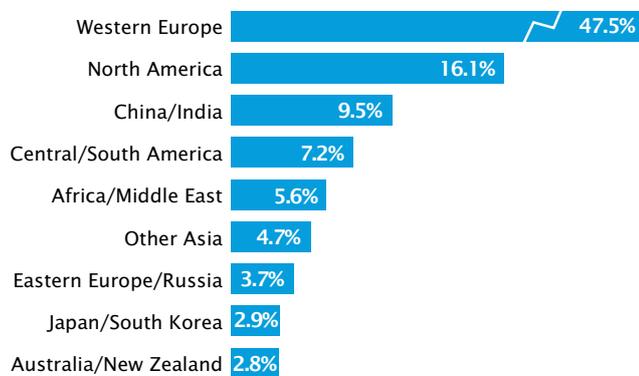
Many of the opinions expressed by respondents to the last survey 12 months ago proved prescient. There was a strong view that Copenhagen would not result in a major agreement or prompt the EU to shift from its current 20% target to 30%. However, the UN negotiations are rolling forward to Cancun in November and South Africa next year, where the future of the Kyoto Protocol and broader long term cooperation on climate may be agreed. In the EU, the Commission is now considering a unilateral shift to a 30% target.

While Copenhagen did not send the right signals to the carbon market, the direction of travel is clear, as more climate legislation is being proposed at the national and regional levels. In the US, another climate bill has been introduced to the Senate, and in Japan and Korea framework cap-and-trade proposals are moving forward slowly. In Australia, the CPRS has faced setbacks, though the government remains committed to market mechanisms.

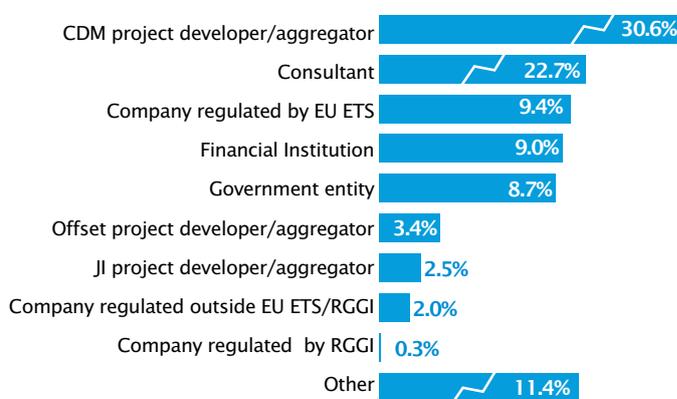
Looking ahead, Yvo de Boer, the outgoing Executive Secretary of the UNFCCC, has outlined how an agreement at the UN level might take shape over the next 18 months:

“The idea for the meeting in Cancun is to reach what I expected for Copenhagen...this would be to deliver a functioning architecture, adopted through decisions that you could then turn into a treaty afterwards. It is not feasible to get this architecture in place as well as finalising a treaty text in the two weeks.”

Geographical distribution of survey respondents



Respondents' roles in the carbon markets



Last year's report called for a bold, global response to climate change, which cut across all industries. While the Copenhagen Accord represents a small step in this direction, progress towards this goal has been slow and a coherent, global response to climate change seems as far away as it ever has.

A critical factor in this is the fragility of the recovery from the global economic downturn.

The unsettled global economy has had a direct impact on carbon markets, in terms of both investment and emissions. Companies have re-assessed discretionary spend (many major capital projects have been shelved or cancelled), and reduced industrial output leading to reduced emissions and a fall in demand for both compliance and voluntary credits. The European Commission has reported that emissions from installations covered by the EU ETS dropped 11% in 2009. This contributed to a period of relatively low carbon prices throughout the financial crisis.

"Focusing on the economy now, climate later, is not a way that works. Markets are the most efficient mechanism to generate real, viable emissions reductions and they remain the mechanism of choice among developed nations."

In addition to the challenges posed by policy uncertainty and the financial crisis, the carbon markets were the victim of serious VAT fraud last year. While this fraud did not directly compromise the integrity of the EU ETS as a mechanism for reducing emissions, it has reduced tax revenues in EU member states that charge VAT on EUA spot transactions.

More directly damaging to the reputation of the EU ETS was the announcement that 'recycled' CERs from Hungary found their way back into the EU ETS, having originally been sold to buyers outside of the EU ETS.

While both these issues were quickly and effectively addressed by the Commission and member states, they have undermined the reputation of carbon markets in other countries where they are being proposed.

Late 2009 also saw renewed challenges to the integrity of climate change science, with questions raised about the validity of some of the findings of the IPCC's Fourth Assessment Report and controversy around the presentation and handling of climate data at the University of East Anglia's Climate Research Unit.

An investigation by the House of Commons Science and Technology Committee has found no reason to challenge the prevailing scientific consensus that *"global warming is happening [and] that it is induced by human activity"*. A separate independent Science Assessment Panel reported that there was *"no evidence of any deliberate scientific malpractice in any of the work of the Climatic Research Unit"*. However this publicity has undermined public confidence in the science, and encouraged climate change scepticism, further hindering the efforts of policy-makers proposing new climate legislation.

The last 12 months in the carbon market

Many of the developments highlighted in last year's report, including the election of Barack Obama, agreement by EU ministers to hold on to 20-20-20 targets, the prospect of greater clarity around the future of the CDM and the bold international response to the global credit crisis, have not had the positive impact on carbon market sentiment that were anticipated 12 months ago.

Last May, at the time of the last IETA survey, Phase II EUA prices had recovered from prices below €9 in February 2009 to around €15. However, in line with analysts' forecasts, the price remained relatively low for the rest of the year, generally ranging from €13 - €16, but falling back to a low of €12.13 on 21 December, immediately after the close of COP15.

Whilst the first quarter of 2010 saw similarly low EUA prices, these have strengthened over recent months, briefly crossing €16 in early May, partly in response to tightening emission reduction targets, increasing oil and gas prices and concerns about structural issues in EU ETS Phase III.

Project based credits broadly tracked EUA prices throughout 2009. CER forward prices fluctuated between €9 - €14 for most of the year, with a low of €7.60 in mid February and a high of €13.81 in late October. For the first quarter of 2010, following on from COP15 in December, CER prices have remained well within this range. April however saw an uptick in prices, crossing €14 at the end of the month.

"The carbon market isn't depressing; it's just been in a depression."

It is against this challenging political, economic and market backdrop that we have conducted our fifth survey of GHG Market Sentiment.

IETA's fifth Market Sentiment Survey

Q What change do you expect in EUA and CER trading volumes and prices?

A Expectations of future trading volumes have remained largely positive but confidence in future prices has fallen.

The focus of the survey

In contrast to previous surveys this year's edition has focused less on the expectations of the market in terms of future trading prices and volumes. This is in part because we believe that the story of EU ETS Phase II has largely been written, with few major changes expected between now and 2012. The European Commission recently announced that emissions in 2009 were 11.6% lower than in 2008; the hangover of banked allowances from Phase II are likely to impact on Phase III price expectations for some years. Survey questions on prices and volumes have therefore focussed on Phase III of EU ETS and a post-2012 world.

Market activity - trading volumes and prices

EUAs

Overall expectations for the trading of EUAs in Phase III of the EU ETS are positive with 78% of respondents expecting increases in trading volumes. This is down from 2009 when 85% of respondents expected increased EUA trading volumes in Phase III. Indeed 2009 saw healthy EUA trading volumes, though there are concerns that carousel fraud played a part in the high trading volumes.

Almost half of respondents that predicted increased trading volumes expect these to increase by up to 50%.

Just under a third expected the increase in volumes traded to range from 51 - 100%. The remainder, approximately a fifth, expected the volume of EUAs traded to more than double.

In terms of prices, the overall weighted average EUA price prediction for Phase III is 14% lower than it was in the 2009 survey, down from €30.11 in 2009 to €25.97 this year.

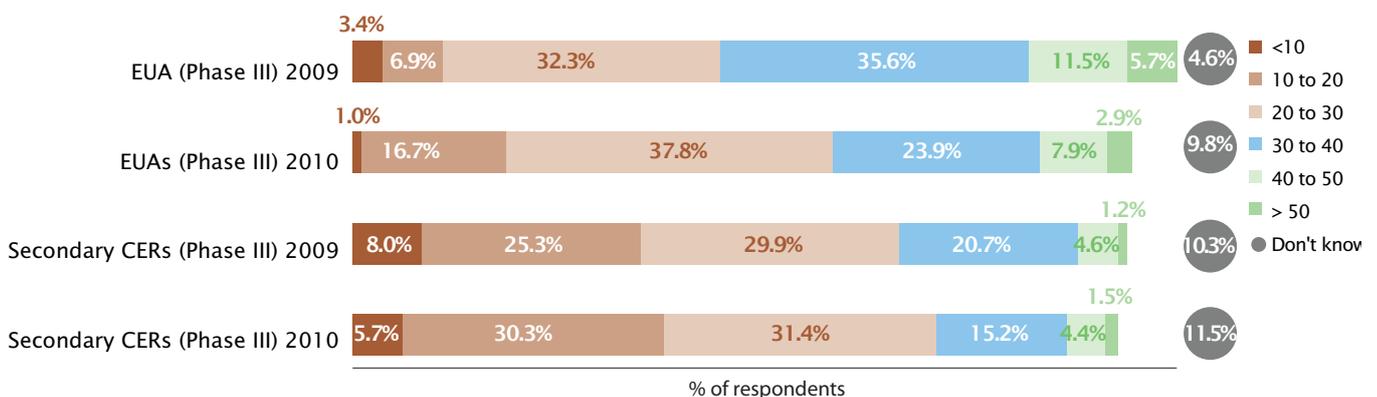
"Market prices are dependent on market momentum and the last few months have indicated a real concern about whether governments are really committed to doing something about climate change."

Almost two fifths of respondents expected Phase III EUA prices to range from €21 - €30. A further 35% predicted that Phase III EUA prices would exceed €30; this is down from roughly 50% of respondents in last year's survey.

In another signal that confidence in the long term viability of the price signal is slipping, 18% of respondents thought that EUA prices would be below €20 in Phase III, almost double the level in the 2009 IETA survey.

"Although people realise that we need high prices to initiate investment in low carbon technologies, this is not going to materialise with continuing regulatory uncertainty in the market."

Market Sentiment: Predicted Phase III EUA and sCER price comparison 2009-2010



CERs

When asked about future trading volumes of secondary CERs (sCERs) in Phase III of the EU ETS 69% of survey respondents thought that trading volumes would increase. This is slightly down on responses from 2009 in which 72% of respondents expected increases in sCER trading volumes in Phase III. Just over two fifths of this year's respondents expect increases of up to 50% in the volume of sCERs traded.

Almost 14% of respondents expected a decrease in sCER trading volumes, which is not a dissimilar proportion to the 2009 survey. This is likely to reflect the current uncertainty around the future shape of the CDM in a post-Kyoto agreement, and the potential import limitations of sCERs into the EU ETS in Phase III.

Despite this continuing uncertainty around the exact role that the CDM will play in Phase III of the EU ETS, sentiment around trading volumes of sCERs is broadly positive, and this is reflected in the respondents' views on likely future sCER prices.

Overall sCER price predictions for Phase III are similar to those in the 2009 survey. In 2009 the weighted average sCER price prediction was €21.54 while in this year's survey it is €20.76, a drop of only 4%.

Though 30% of respondents predict that sCER prices will range from €11 - €20, an almost equal proportion expect sCER prices to range from €21 - €30 while over a fifth believe that prices will be greater than €30.

These results reflect very mixed views on future sCER prices, which is not surprising given the prevailing uncertainty. Much will depend on the place allowed to CERs within an emerging US trading system, since additional limitations on the use of CERs in Europe seem likely to shrink and fragment the market.

Q What changes do you expect in VER trading volumes?

A Confidence in future trading volumes of VERs has fallen from last year.

VERs

Because the voluntary market operates outside of mandatory emissions reduction schemes like the EU ETS, the global economic downturn has had a significant impact on VER demand as companies have cut back on non-essential spending such as carbon offsets.

Though some expected that demand would rebound in 2010 the weakness of the economic recovery has continued to depress demand in the first quarter of 2010. The faltering progress of a US federal cap-and-trade scheme has also lowered demand for voluntary offsets from US buyers as pre-compliance assets.

One view is that the lack of a binding agreement from COP15 could have a positive impact on the voluntary markets. In the absence of compliance obligations market players may still acknowledge the need to take action on emissions and enter the voluntary market.

However, there is little by way of tangible evidence to support this theory thus far.

In light of these challenges our survey attempted to collate opinion on the future of VER trading.

On the whole, market sentiment was positive regarding the voluntary market, with over 60% of respondents expecting trading volumes to increase, up from 52% last year. A fifth of survey respondents also expect trading volumes to more than double during Phase III.

Also, the proportion of respondents that expect trading volumes in the voluntary market to decrease (16%) is lower than it was in the 2009 survey (19%). This suggests that market participants expect something of a recovery in the voluntary market in the coming years when sources of demand come back on-stream as the global economy recovers and regional trading schemes are established.

Market Sentiment: Predicted Phase III EUA, sCER and VER trading volumes (change on present day)



Achieving carbon prices required to limit warming to 2°C appears unlikely

Q What impact is ongoing regulatory uncertainty having on efforts to reduce global emissions?

A Regulatory uncertainty is inhibiting scaled low carbon investment and suppressing carbon prices. Under these conditions, limiting global warming to 2°C is looking increasingly difficult.

The regulatory horizon remains cloudy

The survey indicated that continued regulatory uncertainty, at both the international and national level, is having a negative impact on carbon markets and wider emissions reduction efforts.

The survey also suggested that the patience of market participants, waiting for clarity on policy and regulation, was wearing thin. Indeed, only 49% of respondents believed that market participants will continue to contribute significant resources into the carbon markets until 2012 in the absence of long-term certainty. Just 28% predicted that participants would persevere until 2015.

Though regulatory uncertainty and correspondingly weaker price expectations are important factors impacting on levels of investment in carbon reduction projects and low carbon technologies, they are by no means the only drivers. Additional issues that respondents identified as negatively impacting on investment include the lack of CDM EB reform, the current economic climate, limits on the use of offsets in the EU ETS, and the reduction in sources of demand for offsets.

Impacts of regulatory uncertainty

Seven out of ten respondents indicated that regulatory uncertainty is likely to have either some or significant negative impacts on investment in carbon reduction projects.

The majority of respondents (68%) also predict that a carbon price of greater than €40 is needed to achieve the goal of limiting atmospheric concentrations to 450 ppm CO₂e, the level required to limit warming 2°C¹. In contrast, respondents indicated that the average EUA prices in Phase III of the EU ETS are likely to be closer to €25. Furthermore, price expectations for Phase III are lower this year than they were this time last year.

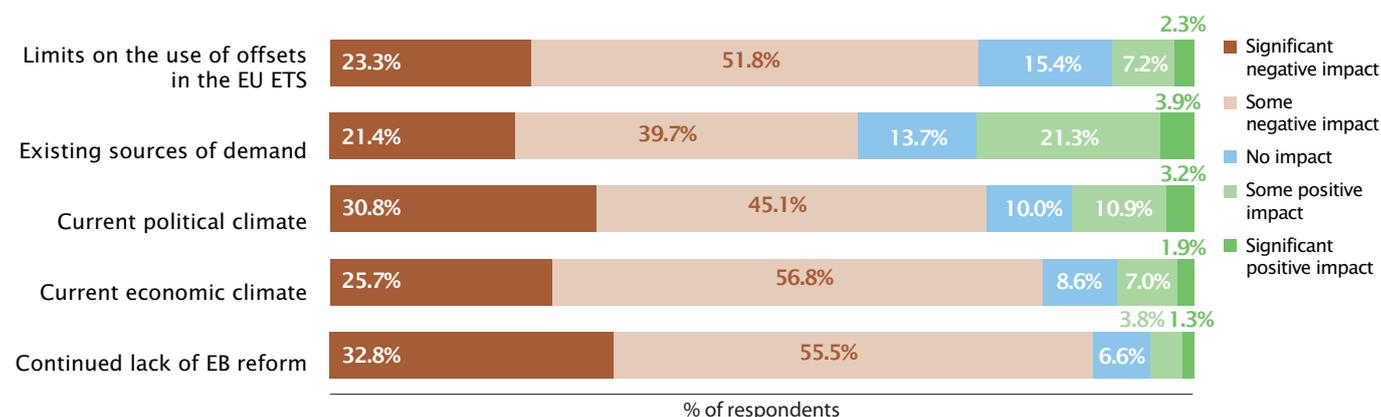
This suggests that the medium term carbon price signal alone will not be enough to drive the investment required in a low carbon economy to put us on the 2°C pathway.

“In the absence of regulatory certainty national governments and large corporates are often unwilling to commit to the levels of investment in low carbon technologies and carbon reduction projects that are required.”

A legally binding agreement could remove much of the regulatory uncertainty at the heart of this problem and facilitate emission reductions. The vast majority of respondents (88%) agreed that such an agreement is likely to result in increased carbon prices, which in turn could incentivise investment in carbon reduction projects and low carbon technology, putting us closer to a 2°C emissions pathway. All eyes therefore are turned to COP16.

“There is a difference between having a target and having the regulatory framework to get there. We haven’t got the latter.”

Potential impacts of factors affecting levels of low carbon investment



¹ The PwC Low Carbon Economy Index outlines performance measures against a global carbon budget for limiting global warming to 2°C.

The likelihood of regional trading schemes emerging

Q When will we see the emergence of regional GHG trading schemes?

A Following recent events in Australia and the US it now appears unlikely that any regional trading schemes will be approved this year.

High profile setbacks in the US and Australia

In the spring of 2010, two high profile attempts to develop national emissions trading schemes were dealt severe blows.

In the US, Republican Senator Lindsey Graham pulled his support for the energy and climate bill he developed together with Democratic Senator John Kerry and the independent Joseph Lieberman, so the bill that has now emerged, “the American Power Act”, which proposes a number of energy efficiency, development, and GHG reducing programs, lacks cross party sponsorship.

Meanwhile mounting political and public pressure against its proposed emissions trading scheme has led the Australian government to delay its plans to introduce an ETS until 2013 at the earliest. Although, well over 60% of our respondents expected national emissions trading to emerge by 2015, our panel was more sceptical:

“Given recent announcement by the US, Australia and Canada I don’t see how any regional schemes will emerge between 2013 and 2015. Momentum is completely gone.”

Japan and South Korea are expected to take the lead

Aside from Australia and the US several other countries have also considered developing their own ETS. These include Japan, South Korea and Canada.

Of these, 43% of respondents expect a Japanese ETS to emerge by 2012 with an equal proportion thinking that this will be introduced by 2015.

A quarter of respondents also predict that South Korea will introduce an ETS by 2012, with just over two fifths expecting an ETS by 2015.

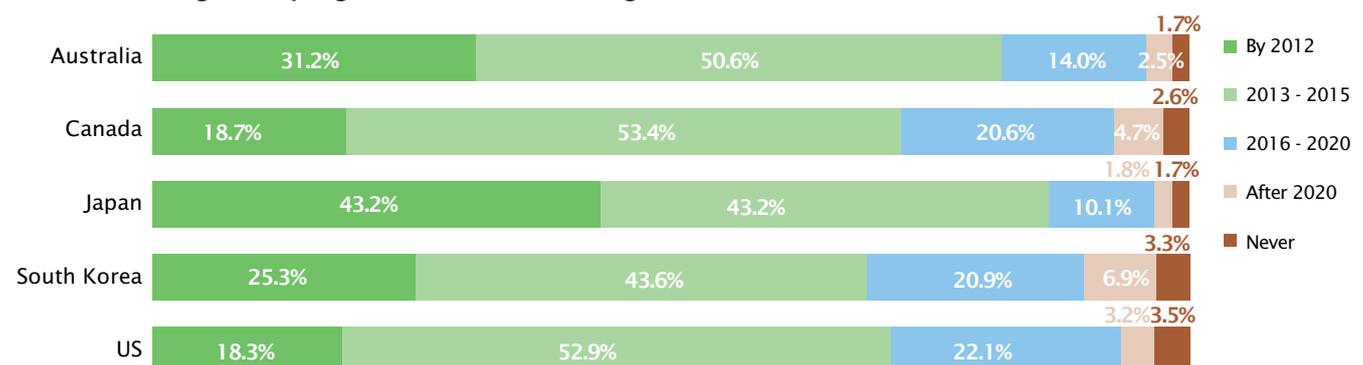
Whilst more than 80% of respondents suggested that Australia is likely to have an ETS in place by 2015, it should be noted that this survey was launched prior to the Australian government announcing the delay of the scheme.

Respondents had the least confidence in a US cap and trade scheme being introduced by 2012, which is perhaps not surprising given the challenges that the country’s various climate change bills have faced over the last 12 months.

Expectations for a Canadian scheme mirror those for the US. In Canada the government faces the significant challenge of attempting to mesh any federal system with actions already being taken by provincial governments.

“Where countries and companies are moving forward on this agenda they are doing so more unilaterally than multilaterally and this is not helping this wonderful global market that we have all been dreaming about.”

Predicted emergence of regional emissions trading schemes



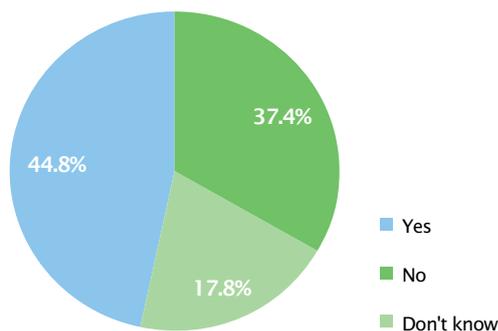
Uncertainty around the future role of CERs

When asked however whether the international offset market will be dominated by CERs in 2015 only 45% of respondents replied in the affirmative while 37% disagreed. The remaining 18% were undecided. Taken together, this suggests that 55% of respondents were not convinced that CERs will be the dominant international offset in 2015.

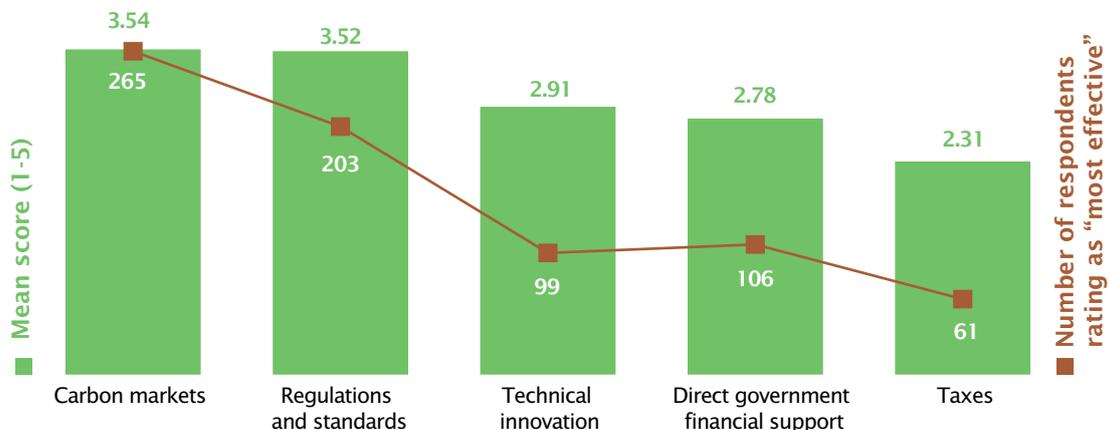
“Some other form of offset will need to emerge, perhaps in the form of domestic or regional offsets that are fungible across schemes.”

“NAMAs could take the larger countries from the CDM.”

There is uncertainty whether CERs will dominate the international offset market in 2015



Effectiveness ranking for potential drivers of low carbon investment (1-5 where 1 is least effective and 5 is most effective)



The role of carbon reduction mechanisms in driving investment

Some of this year's survey focus has shifted from investigating the perceived cost effectiveness of different carbon reduction mechanisms, to their effectiveness at driving investment in low carbon technologies and projects.

In last year's survey only 63% of respondents believed that GHG markets have delivered significant and cost effective emission reductions in developing countries. This compared to over 80% in previous years.

This year respondents have indicated that carbon markets, followed closely by regulation and standards, are likely to be the most effective means of driving additional investment in low carbon technology; recognition that carbon markets alone are not the complete answer to solving climate change.

Notably taxes ranked bottom of the proposed mechanisms in terms of their ability to drive investment and innovation in low carbon technology. Similarly, in the 2009 survey only 10% of respondents thought that carbon taxes would be more effective than carbon markets in delivering emissions reductions.

“Taxes are not the way to do it.”

Dented optimism and expectations for international climate negotiations

Q What outcome do you see as most likely at COP16 in Cancun?

A No major agreement is likely to result from COP16 in Cancun.

Moving on from Copenhagen

Not surprisingly the majority of our survey respondents (72%) disagreed with the statement “COP15 was a good result for carbon markets”. A further 19% considered the outcome to be neither good nor bad for the carbon market. These respondents may have adopted a “wait and see” approach to assessing the relative success of the Copenhagen Accord and its impact or otherwise on a US cap and trade scheme.

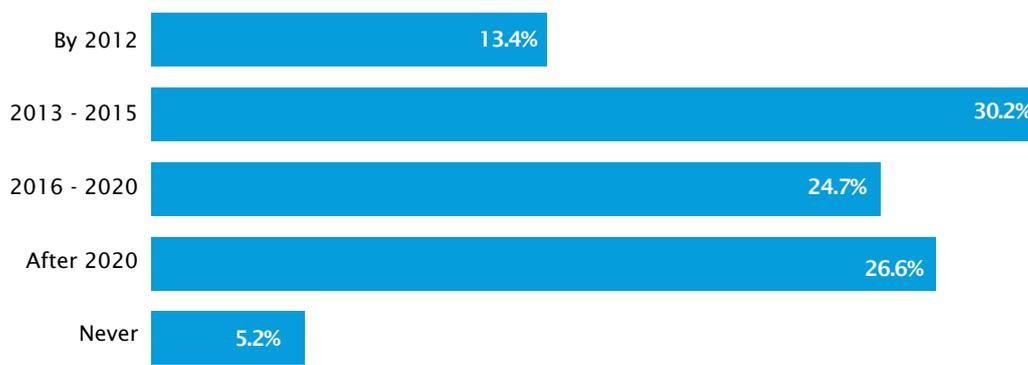
The first few months of 2010 saw extensive coverage of the ‘disappointing’ outcomes of COP15, both in terms of causes and repercussions. Instead of discussing these well developed themes further in this report, we have focused on what the market’s expectations are for COP16 and what conditions may be required to generate more successful negotiations in the future.

Limited expectations for COP16

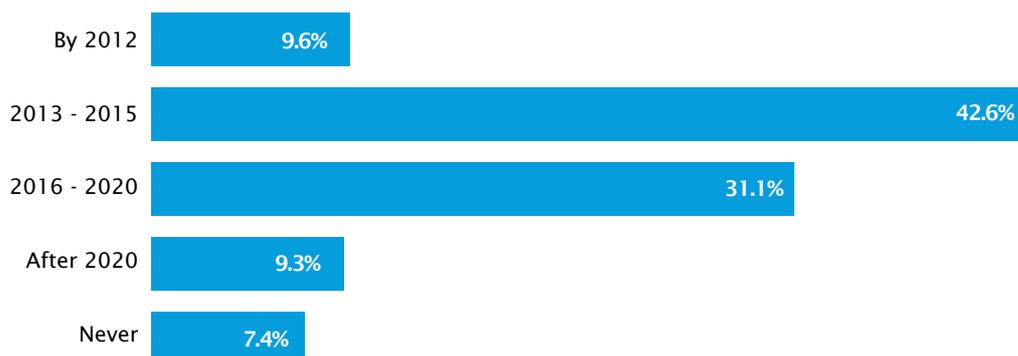
It is probably fair to say that the way that negotiations concluded at COP15 dented the optimism of many observers regarding the possibility of any comprehensive global agreement at COP16 in Cancun later this year. Indeed almost 60% of survey respondents believe that any major agreement will be postponed until further meetings in 2011. This compares to 52% of respondents in last year’s survey who expected an agreement to be postponed to COP16.

“People just expect that Cancun will roll-over to Johannesburg which in turn will roll-over to Rio and so on... we enjoy travelling more than arriving.”

When will larger developing countries take on legally binding emissions targets?



When will there be private sector investment in REDD+ at scale?



There was however some optimism that COP16 can bring some agreement on aspects of discrete issues such as: REDD+; increased ambition in national pledges; and commitments by large developing countries to a timetable for emission reductions.

"In terms of REDD, there may be some technical advances but anything in terms of a go or no-go decision is unlikely."

More detailed investigation of survey responses bore the following insights:

- Only 10% of respondents expect significant private sector investment in REDD+ by 2012. Whilst 43% expect such investment between 2013 and 2015, two fifths believe that this investment will not take place before 2015 and the remaining 7% are not confident that scaled investment in REDD+ will ever occur.
- Just 13% of respondents expect larger developing countries to accept binding emissions targets by 2012. Three out of ten expect such binding targets by 2015, while half of respondents think that developing countries will not agree before 2015.

Is a new formula needed for a successful COP16?

Much of the criticism of COP15 and the broader UNFCCC governance framework have been directed at the process itself, which was felt to be too bureaucratic and cumbersome to deliver the consensus required.

At our roundtable we discussed some of the key requirements for a successful COP:

- Attendance by Heads of State is critical, as it is they who hold the decision making power.
- All major emitter economies need to be involved in some form of binding agreement.
- The private sector needs to be more involved in the process.
- Operationalisation of the \$30 billion committed in the Copenhagen Accord will help to secure developing nations' support.

The adoption of the Vienna setting, in which key groups of stakeholders are represented in discussions by much smaller delegations, could potentially streamline the process by putting key decision makers together in more focused negotiations was also suggested as a route which may lead to more consensus and progress.

"I don't believe that the UNFCCC will survive as an effective negotiating forum if it fails to deliver a meaningful outcome at COP17 in South Africa."

About the survey

Conducting the survey

The survey was conducted on behalf of IETA by the PricewaterhouseCoopers International Survey Unit (ISU) in Northern Ireland. The questionnaire was jointly developed by IETA and members of the PricewaterhouseCoopers Sustainability and Climate Change team.

In previous years IETA's survey was administered to a single respondent from each of IETA's member organisations. This year the sample was expanded by the addition of a wider mailing list, including multiple respondents from individual organisations. Respondents were from all segments of the carbon market including compliance players, project developers, consultants and service providers, governments and government bodies, financial institutions, academic institutions, traders and investors

Each participant was sent an email with a web-based link to the electronic survey on 1 April 2010.

The survey was 'live' for 3 weeks, closing on 22 April 2010. During this period, scheduled electronic reminders were sent to non-respondents.

A total of 757 responses were received – a response rate of approximately 10%. Respondents were primarily based in Europe and North America, with 48% and 16% respectively. A further 10% of respondents are based in China and India, with 7% based in Central and South America. The remaining 19% is split across regions including Africa, Eastern Europe and Russia, Japan, South Korea and Australasia.

This report was prepared for IETA by the PricewaterhouseCoopers Sustainability and Climate Change team.

Survey Questions

Issues covered in the survey included:

- What is the geographical location of the respondent?
- What role does the respondent play in the carbon market?
- What impact will the events of COP15 have on carbon markets?
- What impact does regulatory uncertainty have on investment in carbon reduction projects and how much longer will participants continue to put resources into the carbon markets without long-term certainty in ambition?
- Who will provide the \$100bn pledged at COP15?
- What outcomes do you see as most likely at COP16 in Mexico?
- When will larger developing countries take on legally binding emissions targets?
- When do you expect to see private sector investment in REDD+ at scale?
- Can sectoral or NAMA crediting be made to work as a new offset instrument?
- What carbon price is needed to incentivise the level of investment required to get onto a 2°C/450ppm pathway?
- When will emissions trading schemes to emerge in the Australia, Canada, Japan, South Korea, and the US?
- What impact will increased market oversight have on trading activity?
- Within what timeframe do you expect that the principal carbon markets will be linked with fully fungible and tradable credits?
- Will CERs continue to dominate the international offset market?
- Will border carbon measures play a significant role in the expansion of carbon markets?
- What volume and price trends for CERs and EUAs are expected in Phase 3 of the EU ETS?
- How will the voluntary market develop in the period 2012 – 2020?

Glossary

CDM	Clean Development Mechanism	IPCC	Inter-governmental Panel on Climate Change
CDM EB	CDM Executive Board	ISU	PwC International Survey Unit
CER	Certified Emissions Reduction	JI	Joint Implementation
CO2e	Carbon dioxide equivalents	NAMA	Nationally Appropriate Mitigation Actions
COP	Conference of the Parties	PPM	Parts per million
ETS	Emissions Trading Scheme	PwC	PricewaterhouseCoopers
EU ETS	European Union Emissions Trading Scheme	REDD+	Reduced Emissions from Deforestation and Degradation including conservation, sustainable forest management and reforestation
EUA	European Union Allowances	sCER	secondary CER
GHG	Greenhouse gas	UNFCCC	United Nations Framework Convention on Climate Change
IETA	International Emissions Trading Association	VER	Verified Emissions Reduction

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About the International Emissions Trading Association

Members

The International Emissions Trading Association (IETA) is a non-profit business organization created in June 1999 to establish an effective international framework for trading in greenhouse gas emission reductions.

Our membership includes leading international companies from across the carbon trading cycle. IETA members seek to develop an emissions trading regime that results in real and verifiable greenhouse gas emission reductions, balancing economic efficiency with environmental integrity and social equity.

IETA currently comprises 171 international companies from OECD and non-OECD countries who operate in working groups following the major current issues in trading and climate policy.

Vision

IETA is dedicated to ensuring that the objectives of the United Nations Convention on Climate Change and ultimately climate protection are met through the establishment of effective systems for trading in greenhouse gas emissions by businesses, in an economically efficient manner while maintaining societal equity and environmental integrity.

IETA will work for the development of an active, global greenhouse gas market involving all three flexibility mechanisms of the Kyoto Protocol: the Clean Development Mechanism (CDM), Joint Implementation (JI) and Emissions Trading, as well as those outside the Kyoto Protocol.

Further information is available at www.ieta.org

