
Carbon Monitor

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California Sets Compelling Targets?

California's global warming law and the associated carbon-related opportunities and risks are substantive.

This law promises to affect nearly every single business, government entity, and household in California...and other states are following in California's footsteps. The magnitude of the problem, the opportunity, and the risks are huge. Consider that:

By 2020 California has committed to reduce CO2 emissions by ~177 million tons while the state's population will have grown by ~42%

Experts predict that a carbon tax of between \$150 and \$200 per ton is needed to forestall disastrous climate change by 2050.

Domestic CO2 reductions are transacting for between \$4 and \$12/ton.

Some early actors will do very well....others will end up investing in projects that produce little in the way of tradable CO2e.

While Governor Schwarzenegger has vowed to use the power of the market to address California's global warming problem, a powerful democrat has promised that he "...won't let Wall Street traders control our fight against global warming."

www.cantorco2e.com

EU Price Update

The Dec08 eased further to close down at 19.83 Euro while the Dec09 firmed at 20.37 up from 12 in March.



www.leba.org.uk

Food Crops don't make Good Biofuels

Biofuels, hailed by many as the green solution to offset a coming oil shortage and reduce greenhouse gas emissions, are not a cure-all solution, experts at a water conference in Stockholm warned this week.

Biofuels, which are made from crops, require huge amounts of water, a resource that is already in short supply in many parts of the world. Bioenergy could thus end up diverting water resources desperately needed for food crops.

"When governments and companies are discussing biofuel solutions, I think water issues are not addressed enough," Johan Kuylenstierna, director of the World Water Week conference, told AFP.

The annual gathering is being attended by some 2 500 water experts from around the world.

In the future "food production will need to increase, water consumption will increase dramatically in the agriculture sector and biofuels will increase. This doesn't add up for the water perspective", Kuylenstierna added.

"Where will the water to grow the food needed to feed a growing population come from if more and more water is diverted to crops for biofuels production?" asked Stockholm International Water Institute (SIWI) spokesperson David Trouba.

According to SIWI, in 2050, the amount of additional water needed for bioenergy production will be equivalent to the amount required by the agricultural sector to feed the world properly.

"Biofuels are not 'the' solution, but one of the solutions," Kuylenstierna stressed.

'Good as an idea, bad in practice'

Meanwhile Sunita Narain, the head of the Centre for Science and Environment in India and a prominent expert at the Stockholm conference, said biofuels were "good as an idea, bad in practice".

The main priority should not be how to develop biofuels, but rather how to put a halt to society's increasing fuel consumption, she insisted.

She said it was "asinine" to believe that the world would be able to continue to consume as much biofuel in the future as it does fossil fuel today.

"If you want to use water for it (biofuel production), you must cut down on the consumption of biofuels," she said, suggesting that ethanol be used for collective transport such as buses to reduce the number of cars on the road.

In addition to the water shortage issue, experts said they also feared that large-scale biofuel production would lead to a sharp rise in the price of food staples.

"Biofuel production could be a great competitor to food production. Global food prices could increase," Kuylenstierna explained.

That thought was echoed by Narain, who criticised price pressure on foodstuffs and cited the case of the recent "tortilla war" in the United States.

An increase in US production of ethanol, made of maize, in early 2007 led to a rise in the price of the crop on the international market, which in turn prompted a surge in the price of tortillas, a corn-based bread that is a staple among Mexicans.

The United States is investing heavily in developing its ethanol production, which now accounts for five percent of fuel volumes sold in the country.

For 95 litres of pure ethanol, some 200kg of maize are needed, or the equivalent of enough calories to feed a person for an entire year, SIWI noted.

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