

U.S. CO2 Market May Be Less Efficient, Merrill's Karmali Says

By Mathew Carr

Oct. 20 (Bloomberg) -- The proposed emissions market in the U.S. probably will be less efficient than in the European Union, discouraging investment in carbon-reducing technologies, a Bank of America Merrill Lynch official said today.

"Transaction costs are going to be higher," said Abyd Karmali, managing director and head of carbon emissions at Bank of America Merrill Lynch, said at the Carbon Finance conference in London. "The irony is we could end up with Europe and Australia having a more efficient, lower cost" market for curbing emissions.

U.S. regulations will increase costs for CO2-cutting investments and limit traders' ability to manage risks, said Karmali, also president of the Carbon Markets and Investors Association. Low prices may leave carbon-efficient assets "stranded," he said.

Congress will likely act on legislation to rein in the \$592 trillion over-the-counter derivatives industry before deciding whether to set up a new market for pollution rights aimed at slowing global warming, Senate Agriculture Committee Chairwoman Blanche Lincoln said yesterday.

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