

The Carbon Markets & Investors Association (CMIA) is an international trade association representing financial institutions and other service providers to the global carbon market as well as investors in low-carbon technologies. Formed to represent businesses working to reduce carbon emissions through the market mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC), CMIA member companies include organisations that have been involved in an estimated 75 per cent of the value transacted in the global carbon market, worth roughly \$100 billion in 2008.

CMIA acknowledges the significance of the progress made at the Group of Eight (G8) and Major Economies Forum (MEF) in l'Aquila, Italy for the December 2009 Copenhagen negotiations. CMIA is encouraged by the emphasis placed by both the G8 and MEF on the **important role of global carbon markets** and on **liaising with the business community** to create institutions and mechanisms that would **most efficiently facilitate global emissions reductions**.

**In particular, CMIA commends the:**

- Common pledge to ensure that the global average temperature does not rise above 2 degrees Celsius above pre-industrial levels;
- Acknowledgement by G8 countries that an aggregate 80 per cent reduction on 1990 or more recent levels must be made by 2050 to achieve this goal;
- **Identification of the private sector**, in tandem with public sector initiatives, as crucial to providing the necessary capital for the achievement of national and global environmental goals;
- Recognition that for market mechanisms to function efficiently and to successfully mobilize private-sector investments, business opportunities and incentives must be created and barriers to the flow of funds removed by the provision of "stable and predictable regulatory frameworks", including G8 encouragement to remove "tariff and non-tariff barriers for trade in environmental goods";
- Commitment to **carbon markets as the most cost effective transitional mechanism to emissions reductions and the diffusion of low-carbon technologies**;
- Support for the alignment and eventual linking of national and regional cap-and-trade schemes to create a liquid and efficient global carbon market;
- Note of offset markets, such as the Kyoto Protocol's Clean Development Mechanism (CDM), as crucial to providing a means for sustainable development;
- Recognition of the necessity to **enhance the functionality and certainty post-2012** in both the CDM, and the innovative sectoral approaches to continue to involve developing countries in the global carbon markets while providing capital and technologies for national sustainable development and mitigation agendas; and the
- **Expression of willingness to engage with the private sector** in the creation of the optimal conditions for the engagement of private investors and market players in mechanisms that **provide both environmental integrity and a cost-efficient transition to a low-carbon economy**.<sup>1</sup>

**We greatly encourage global leaders and policy makers to actively engage the private sector in the formulation of market friendly policies, including the regulation of over-the-counter (OTC) derivatives.**

CMIA notes that **restrictions of OTC markets have the potential to cripple** the risk management capabilities of entities with emissions liabilities, the capacity of developers to find the necessary funding for projects, and the ability of carbon market service providers to manage their carbon portfolios and those of their clients. In short, CMIA points to the aforementioned consequences as having the potential to significantly affect the functionality of what policy makers have elected as a central instrument to the achievement of concrete environmental goals – carbon markets.

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<sup>1</sup> Paragraph 70, Group of Eight Declaration at l'Aquila, Italy, "Responsible Leadership for a Sustainable Future" (July 2009)

Moreover, for the achievement of the goals outlined by the G8 and MEF, **internationally agreed-to and specific mid-term and long-term emissions reduction targets are necessary** for the provision of regulatory and investor certainty.

CMIA is greatly encouraged by the progress made by global leaders in providing a blueprint for continuing talks. While no mid-term targets were set and the commitment for global emissions to peak by 2020 omitted, CMIA believes that the meetings of last week have **built the needed diplomatic momentum**, particularly following the recent passage of the Waxman-Markey Bill through the US House of Representatives.

**Finally, CMIA looks forward to further engagement with policy-makers on key issues for carbon market investors and service providers, and to continuing progress toward a successful agreement in Copenhagen.**

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