Point Carbon

US offset supply grows 13% in '09

Published: 01 Mar 2010 06:23 PM CET Last updated: 01 Mar 2010 06:27 PM CET

US offsets created 29 million tonnes of emission reductions in 2009, a Point Carbon report finds.

The supply represents a 13 per cent increase over 2008 and a 63 per cent rise over 2007, according to Point Carbon's Carbon Project Manager North America database of projects.

The total US offset market was worth $73 million in 2009, representing 19.4 million tonnes of emissions reductions, the newly released report shows.

US offset volumes were roughly divided between transactions conducted on exchanges (37 per cent) and transactions done in the over-the-counter market (63 per cent).

Offsets certified to the Climate Action Reserve (CAR) standard made up the bulk of transactions, accounting for 37 per cent of total volumes and 65 per cent of the US offset market value in 2009.

CAR offsets are viewed as the most likely carbon credits that would be allowed in a federal cap-and-trade system.

Growing volume

Offsets certified to the Chicago Climate Exchange (CCX) standard – known as carbon financial instruments (CFIs) – represented the second largest volume of traded transactions, accounting for 33 per cent of total volumes in 2009.

The Voluntary Carbon Standard (VCS), though small in terms of volumes, made up 11 per cent of US offset value.

Despite growth in supply, a tough economic climate and declining chances for a federal climate bill passing this year led to a fall in demand and a decline in prices.

Prices on the spot offset market fell the steepest. The mid-market price for CAR credits – known as climate reserve tonnes (CRTs) – fell 29 per cent, VCS offset prices dropped 44 per cent, while CCX CFIs dropped a staggering 91 per cent on the exchange.

CFIs fell further than other standards because it was unclear whether they would be eligible for early action credits in a federal cap-and-trade scheme.

But prices for some forward and futures contracts fared better.

Forward prices for 2009 vintage CRTs rose in 2009 for both landfill and livestock methane projects.

Price difference

On the Chicago Climate Futures Exchange (CCFE), CRT contracts for reductions taking place in 2009 (known as vintage 2009) rose in value to $7.70 from $6.50 in the spring.

The House-passed Waxman-Markey bill and the Senate's Kerry-Boxer legislation would make 2009 vintage offsets eligible for compliance, explaining why these forward contracts rose in price while the 2008 spot prices declined.

Methane capture projects made up roughly half of the offset types in 2009. Landfill gas projects, in particular, were the most prolific, reducing 9 million tonnes of CO_2e in 2009, or 34 per cent of total reductions that year.

Projects that capture methane from livestock waste or coal mines both produced roughly 2 million tonnes of emissions reductions each.

The supply of forestry carbon credits remained small, representing 6 per cent of the total US offset market in 2009.

A large portion of supply came from enhanced oil recovery projects (17 per cent), despite uncertainty over whether they would be eligible in a federal cap-and-trade scheme.

Industrial gases and soil sequestration projects generated 6 per cent and 14 per cent of emissions reductions, respectively.

Who are the buyers?

The biggest buyers of primary market carbon credits were carbon funds and developers, making up 39 per cent of transactions, according to a Point Carbon survey.

Financial intermediaries represented 30 per cent of buyers and emitters 25 per cent.

Retail buyers came far behind, representing only 6 per cent.

Point Carbon analysts forecast a 263 per cent in US offset trading volumes in 2010 if federal cap-and-trade passes, but a leveling off of growth if the legislation fails to pass.

Globally, the US offset market remains small compared to the international market.

The international offsets market was worth $26 billion in 2009, with US offsets worth only 0.2 per cent of the global compliance offset market, according to the report.

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