Californian allowances and offsets hit record high

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California carbon prices rose for the second successive week in the seven days through Thursday.

Californian carbon allowances (CCAs) for delivery in December 2012 were bid at $13.50 and offered at $14.75 on Thursday, according to sources, reaching their highest level of the year so far.

Brokers and traders valued the allowances at $12.50 on 6 January.

“Capped compliance entities are methodically and deliberately joining the market daily and adding to the momentum and progress towards a more robust market,” said Kedin Kilgore, a trader with Barclays Capital.

But while the market is definitely growing, it remains “illiquid and thin”, he added.

“The number of counterparties that we’ve seen in the market is still not more than a dozen, which corresponds roughly with the low number of actual trades that we’re seeing,” Kilgore said.

California offsets

The value of offsets that many believe will be eligible for use in the California system also rose this week, traders said.

Bids for Climate Reserve Tonnes (CRTs), which are credits approved by Californian regulators and sourced from forest management, urban forestry, livestock, and ozone-depleting substances projects, were bid at $9.75 and offered at $10.50.

Bids were at a record high of $10.25 over the last seven days, according to one broker.

Around 400,000 CRTs have changed hands since the start of the year, one trader said, with most deals for around 10,000 credits.

The majority of activity has occurred in the spot market.

CRTs from landfill gas projects also rose to a record high of $3.50-4.50 as traders bet that compliance buyers will be allowed to use these offsets to meet targets in the first 2012-2014 phase of the scheme.

“Landfill gas is starting to get hot,” said one trader. “The market is feeling that California could be short on offsets if they only use the four protocols they have, so it’s possible they may let other things in.”

RGGI

The RGGI market, which is oversupplied with allowances, remained quiet again this week with traders reporting very little activity.

Allowances listed on the Chicago Climate Futures Exchange (CCFE) for March 11 (v10) settled at $1.86 on the exchange Thursday – unchanged from the previous week’s price.

The December 11 (v10) price fell to $1.88, down 3 cents from last week’s close.

The next RGGI auction is scheduled for 9 March.

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