

Climate-Change Related Financial Products: Transferability? Scalability?

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Climate Exchange Plc is an AIM listed company (TIDM: CLE) which owns the European Climate Exchange (ECX) and the Chicago Climate Exchange (CCX).



European Climate Exchange

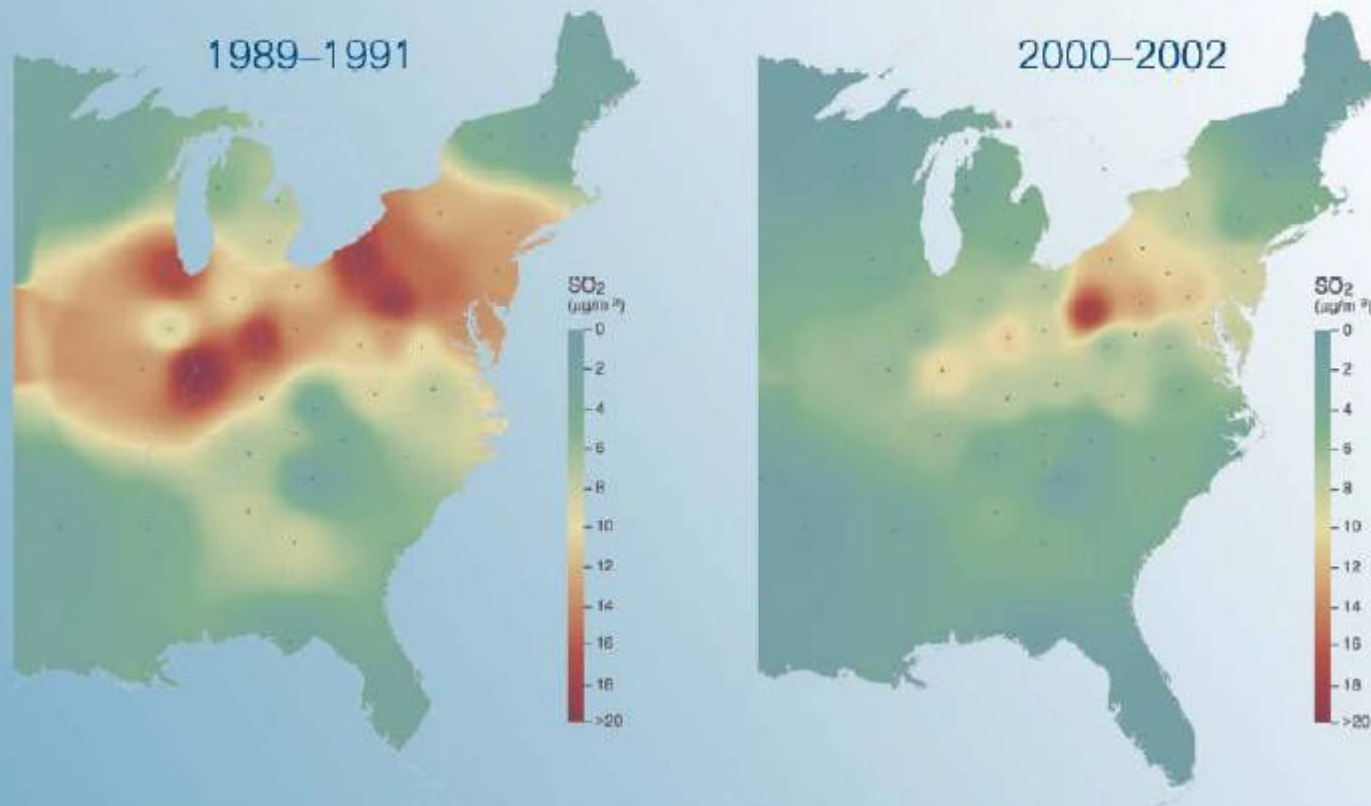


Chicago Climate Exchange

CLIMATE 
EXCHANGE (Europe) Ltd.

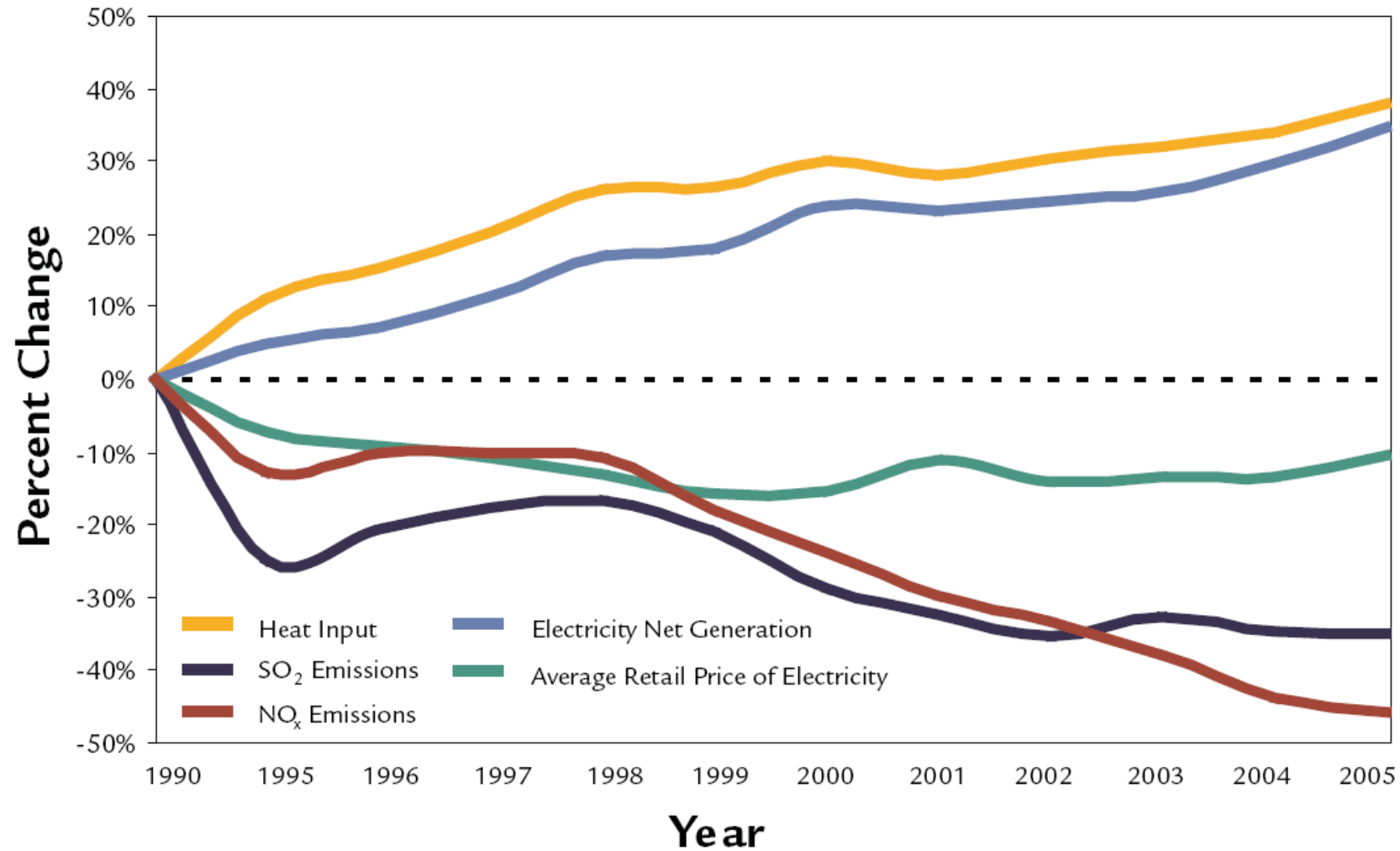
Reductions Achieved by SO₂ Trading in USA

FIGURE 16. Comparison of annual ambient sulfur dioxide (SO₂) concentrations in the rural eastern United States



Source: CASTNET

Trends in Electricity Generation, Fossil Energy Use, Prices, & Emissions from Electric Power



From *Acid Rain Program, 2005 Progress Report*
U.S. Environmental Protection Agency, October 2006

The Seven Stages of Capital Market Development

- 1. Structural change - demand for capital**
- 2. Uniform commodity/security standards**
- 3. Legal instrument providing evidence of ownership**
- 4. Informal spot and forward markets**
- 5. Emergence of exchanges**
- 6. Organized futures and options markets**
- 7. Proliferation of OTC markets, deconstruction**

Criteria for Assessing Appropriate Capital Market Mechanism

- Scale of the potential market
 - scale of the activity to be limited
 - ambition of target relative to business-as-usual
 - number of entities subject to regulation
 - number of mitigation options
- Ability to commoditise
- Ability to measure/monitor
- Ability to enforce
- Deliverability
- Salience of local impacts
- Presence of existing property rights