

Carbon Market Survey 2014

Into smoother waters?

TO THE POINT

18% of the survey respondents think cap-and-trade is an ideal abatement instrument, 58% think it is the best we can agree on, 11% are of the opinion it does more harm than good. This distribution is fairly equal across all categories of respondents.

52% of the European respondents agree that the EU ETS is the most cost-effective way to reduce emissions. This is up from 49% in 2013 and 42% in 2009.

Among the companies directly affected by the EU ETS – those whose emissions are capped – 52% say the system has caused them or continues to cause them to reduce emissions. This share has been relatively stable over the last years.

Some 38% of the companies see the cost of emissions as a decisive factor for investment decisions. This is down from 45% in 2013, a drop that is not likely to please environmentalist NGOs and others questioning whether the EU ETS really spurs green investments.

With regard to competitiveness, a clear majority sees it as “somewhat important, but not the main cause for worry”, only a quarter considers it “among the most detrimental factors”. This feedback contradicts to some extent the argument that the EU ETS is responsible for the close-down of European industry, a narrative often repeated by politicians and interest groups opposing a high price on emissions.

Some 68% of the North American respondents expect WCI to take on new members, either before or after 2020. Oregon, Washington and Alberta are seen as the most likely candidates. For RGGI, the relevant question is whether New Jersey will rejoin. Only 21% think this will happen within the next two years.

In China, 80% of respondents expect to see nationwide emission trading by 2020.

In the battered CDM market, 60% of respondents believe the EU ETS will continue to allow international credits after 2020, although this is clearly not foreseen under the current legislation.

Confidence is high that emission trading will continue beyond 2020 in the EU ETS (90%), and in California (79%). JI inspires the least faith, only 31% expect it to survive.

Only 19% of respondents expect a breakthrough in international climate negotiations in time to reach an agreement at the Paris summit in 2015. Still, that is 7 percentage points up from 2013. With regard to the content of a potential new treaty, two thirds believe it will be pledge-and-review only (not binding targets).

ABOUT THOMSON REUTERS POINT CARBON

Providing critical insights into energy and environmental markets

Thomson Reuters Point Carbon is a world-leading provider of independent news and analysis services for European and global power, gas and carbon markets. Our comprehensive services provide professionals with market-moving information through monitoring fundamental information, key market players and business and policy developments.

Thomson Reuters Point Carbon's in-depth knowledge of power, gas and CO₂ emissions market dynamics positions us as the number one supplier of unrivalled market intelligence of these markets. Our staff includes experts in international and regional climate policy, mathematical and economic modeling, forecasting methodologies, risk management and market reporting.

Thomson Reuters Point Carbon now has more than 30,000 clients, including the world's major energy companies, financial institutions, organisations and governments, in over 150 countries. Reports are translated from English into Japanese, Chinese, Portuguese, French and Spanish.

Point Carbon has offices in Oslo, Washington D.C., London, Beijing and Kiev.

Carbon Market Survey:

The Carbon Market Survey 2014, including this report, is the result of co-operation between several Thomson Reuters teams across the world. The questions have been prepared and analysed by the following team of Thomson Reuters Point Carbon staff: Emil Dimantchev, Hongliang Chai, Ingvild Sørhus, Maria Kolos, Jelena Simjanovic, Olga Chistyakova and Ashley Lawson, with the co-ordination of Anders Nordeng.

The survey web questionnaire was created by Warren Malueg in Eagan, and the report was set by Daryna Grynenko in Kiev.

For citations, please refer to: Point Carbon (2014): "Carbon 2014." Nordeng, A. et al. 32 pages.

EXECUTIVE BRIEF: MILDLY POSITIVE PERCEPTION OF EMISSION TRADING

The Carbon Market Survey 2014 shows that overall a narrow majority of respondents have a positive opinion on emission trading and its effects, although the exact share varies between the different questions.

Some 18% think cap-and-trade is an ideal abatement instrument, 58% think it is the best we can agree on, and only 11% are of the opinion it does more harm than good. This distribution is fairly equal across all categories of stakeholders.

Some 52% of the European respondents agree that the EU ETS is the most cost-effective way to reduce emissions. This is up from 49% in 2013 and 42% in 2009.

Among the companies directly affected by the EU ETS – those whose emissions are capped – 52% say the system has caused them or continues to cause them to reduce emissions. This share has been relatively stable over the last years.

Some 38% of the companies see the cost of emissions as a decisive factor for investment decisions. This is down from 45% in 2013, a drop that is not likely to please environmentalist NGOs and others that question whether the EU ETS really spurs green investments

Limited impact on competitiveness

We also asked the companies how the EU ETS impacts their competitiveness relative to other factors such as energy prices, labour cost, general tax level, etc. A clear majority sees it as “somewhat important, but not the main cause for worry”, only a quarter of the respondents considers it “among the most detrimental factors”. This feedback contradicts to some extent the argument that the EU ETS is responsible for the close-down of European industry, a narrative often repeated by politicians and interest groups that oppose a high price on emissions.

Some 68% of the North American respondents expect WCI to take on new members, either before or after 2020. Oregon, Washington and Alberta are seen as the most likely candidates. For RGGI,

the relevant question is whether New Jersey will rejoin. Only 21% think this will happen within the next two years.

Chinese national ETS expected

In China, 80% of the respondents expect to see a nationwide emission trading by 2020.

In Australia, the new senate is set to vote on the repeal of the Carbon Pricing Mechanism in July. Although most expect the non-affiliated senators to back the Government and endorse the repeal, 18% of Australian respondents still see a chance that the programme could survive.

In the battered CDM market, a surprisingly high number of respondents believe the EU ETS will continue to allow international credits after 2020, although this is clearly not foreseen under the current legislation. Many also expect California to open up for the use of international credits.

Confidence is high that emission trading will continue beyond 2020 in the EU ETS (90%), and in California (79%). It inspires the least faith, only 31% expect it to survive.

Only 19% of respondents expect a breakthrough in international climate negotiations in time to reach an agreement at the Paris summit in 2015. Still, that is 7 percentage points up from 2013. With regard to the content of a potential new treaty, two thirds believe it will be pledge-and-review only (not binding targets).

TABLE OF CONTENTS

| | |
|---|----|
| Executive Brief | 3 |
| Market and policy context | 7 |
| About the Carbon Market Survey | 7 |
| 1. Does cap-and-trade work? | 10 |
| 2. EU ETS | 13 |
| 3. Aviation | 18 |
| 4. WCI | 19 |
| 5. RGGI | 21 |
| 6. CDM | 22 |
| 7. China | 24 |
| 8. Australia and New Zealand | 26 |
| 9. South Korea | 28 |
| 10. What framework for tomorrow's climate policy? | 29 |
| 11. Conclusion | 31 |

TABLE OF FIGURES

| | | |
|------|---|----|
| 0.1 | The survey population | 9 |
| 0.2 | Geographical distribution | 9 |
| 1.1 | Cap-and-trade: the allure of imperfection | 10 |
| 1.2 | Similar perceptions across roles | 10 |
| 1.3 | Similar perceptions across markets | 11 |
| 1.4 | Long-term confidence in Europe and California | 11 |
| 1.5 | Perceived impact varies across markets | 11 |
| 2.1 | Confidence in the EU ETS edges upwards | 12 |
| 2.2 | Cautious optimism for EU ETS status recovery | 12 |
| 2.3 | Belief in 40% target for 2030 | 13 |
| 2.4 | Belief in the MSR | 13 |
| 2.5 | Hope in new regulation | 14 |
| 2.6 | Price expectations for 2014 and 2020 | 14 |
| 2.7 | MSR seen as able to spur price increase | 15 |
| 2.8 | Perceived effect of putting a price on carbon | 15 |
| 2.9 | Bigger emitters are more affected than small ones | 16 |
| 2.10 | Carbon matters for investments | 16 |
| 2.11 | A decisive factor for the big emitters | 17 |
| 2.12 | Increased confidence in the EU ETS's survival | 17 |
| 3.1 | Aviation emissions limited to Europe | 18 |
| 4.1 | Immature but rather effective | 18 |
| 4.2 | Expansion expected | 19 |
| 4.3 | Effect on emission reductions | 19 |
| 4.4 | Price expectations 2014 | 20 |
| 4.5 | Price expectations 2020 | 20 |

| | | |
|------|---|----|
| 4.6 | Compliance versus speculative buying | 20 |
| 5.1 | Modest appraisal of effectiveness | 21 |
| 5.2 | Little belief in NJ to rejoin | 21 |
| 5.3 | Price expectations 2014 | 21 |
| 6.1 | Optimism for the use of CERs post-2020 | 22 |
| 6.2 | Mixed view on European demand | 22 |
| 6.3 | Cautious optimism for support purchases from LDCs | 23 |
| 6.4 | From CER to CCER | 23 |
| 6.5 | Two of three consider re-classification | 24 |
| 7.1 | Hubei started, Chongqing next to go | 24 |
| 7.2 | Great expectations for a Chinese national ETS | 25 |
| 7.3 | The price of a Chinese carbon credit | 25 |
| 8.1 | Some still believe the CPM will survive | 26 |
| 8.2 | DAP not expected to be ready' | 26 |
| 8.3 | Mixed view on ERF readiness | 26 |
| 8.4 | Mixed view on compliance obligations | 27 |
| 8.5 | NZ price expectations | 27 |
| 9.1 | Starting as planned? | 28 |
| 9.2 | Price expectations at the lower end of the scale | 28 |
| 9.3 | Undecided on emission reduction effect | 28 |
| 10.1 | Tax seen as most likely in 2020 | 29 |
| 10.2 | Carbon matters for investments | 29 |
| 10.3 | A decisive factor for the big emitters | 30 |
| 10.4 | Increased confidence in the EU ETS's survival | 30 |
| 10.5 | High hopes for new ETSS | 30 |

MARKET AND POLICY CONTEXT

We launch our ninth annual carbon market survey at a time when confidence seems to be slowly returning to the major emission markets in Europe and North America. Having overcome political and legal challenges, these markets are now in a better position to convince the various stakeholders that there is a political determination to maintain them in the years to come, as an important instrument for emission abatement.

2013 was a year of crucial decisions for the EU ETS. Discussions on backloading dragged on throughout the whole year, as the European Parliament voted no to intervention in April, and then approved it in July. In anticipation of its implementation in March 2014, prices increased significantly in January and February, up from 5 to 7 euros, before falling again in late March, on the back of weakening German power prices.

Besides backloading there were other important policy processes. Germany debated its energy policy, the 'Energiewende', and in the end chancellor Angela Merkel decided to continue the financial support to new renewables, but less generously than before, and with a clear understanding of the important role attributed to the EU ETS.

**1,600 respondents,
102 questions**

There is hope in the North American markets, with steady auctions in California and a resurrection of RGGI.

Australia on the other hand, is in the process of dismantling its Carbon Pricing Mechanism. It remains to be seen whether the Direct Action Plan that will come instead will be

sufficiently ambitious to deliver real emission reductions.

There is progress in the Chinese pilots, but the impressive size of some of these pilots – caps in the order of 300 Mt in Hubei and 350 Mt in Guangdong – must be measured against the top-down approach that make it unlikely that these systems will ever show the same characteristics that we expect of a market in the western sense of the term.

South Korea is set to launch a comprehensive emission trading scheme in January 2015. If the Government goes ahead with a stringent 30% target this could lead to high carbon prices.

For the UN-led markets of CDM and JI the situation continues to deteriorate, as demand evaporates and uncertainty prevails with regard to which role (if any) these two should have in the future framework of international climate policy.

Ongoing policy processes present a mixed picture

This year the debate in Brussels is set to be dominated by the European Commission's draft 2030 energy and climate package, and more specifically on the proposed 40 percent emission reduction target, and the so-called Market Stability Reserve that aims to adjust the supply-demand balance of emission allowances. These discussions will go on long after the elections for a new European Parliament in late May, and the nomination of a new Commission in the autumn of 2014.

In parallel to this, and indeed very much linked to this process, we expect difficult discussions between member states before they agree on a common European position in the ongoing international negotiations, in particular in view of the summit that will take place in Paris in 2015.

ABOUT THE CARBON MARKET SURVEY

Against this backdrop, we release our ninth annual survey of the world's carbon markets. In Carbon 2014, we continue to explore how market participants and observers view the present and the future of CO₂ trading. Our survey covers the EU ETS, aviation, WCI, RGGI, CDM, JI, AAU, the Chinese pilot markets, Australia (soon to be abolished), New Zealand and the nascent market in South Korea. It also includes views on the ongoing international negotiations.

This year's survey ran from 17 March to 4 April using Qualtrics, a web-based tool. We reached out by e-mail to three main groups of recipients all over the world: respondents from previous surveys, regular users of the carbon section of Eikon (Thomson Reuters' desktop market data solution), and Thomson Reuters Point Carbon contacts in government, international organisations, and industry federations. The latter category comprised an especially large share of respondents to questions on the emerging markets in Asia.

In total, we garnered views from 1,600 respondents on 102 different questions. The general questions were asked to all survey participants, but none received more than 1,300 responses (no mandatory responses). Most questions were specific to the various market segments and/or roles, and were only asked to those who ticked the corresponding geographies/categories.

This naturally led to wide differences in the number of collected replies. The main bulk of EU ETS questions received on average some 550 responses, whereas the questions reserved for emitters with compliance obligations under the nascent Korean ETS only garnered a single response.

Compared to our previous survey in 2013, the number of respondents dropped by some 400, a fact that probably reflects the recent and ongoing closure of carbon market activities, particularly in the CDM segment.

The oldest markets are still the biggest

We asked participants to indicate the market(s) in which they are involved. Unsurprisingly, the largest and oldest markets still attract the most attention. Of the 1,293 respondents who reported interest in one or several markets, 52% ticked off for the EU ETS and 38% for CDM. The WCI was of interest to nearly a fifth of participants while the RGGI, JI, Chinese pilots and the Korean markets were all much smaller in terms of the number of respondents.

Furthermore, some 15 percent of respondents indicated interest in other emission or climate-related markets. The following were also mentioned: voluntary carbon markets, REDD+ (reforestation), Kazakhstan, Mexico, Tokyo and Alberta.

Many roles represented

Close to 1,200 respondents chose to define their role in the carbon markets (Figure 0.1). The biggest category was 'compliance companies' at 17%. These are entities with an obligation to cover their own CO₂ emissions in one of the existing cap-and-trade systems, such as the EU ETS in Europe or the WCI in California. Within this category, the biggest sub-section was 'power and heat' (48%), followed by 'oil and gas' (11%) and 'cement, clinker and glass' (8%).

Some 14% of the respondents ticked the category 'service providers', a heading that includes a wide range of professions, such as consultants,

lawyers, bankers, etc. Within service providers, 'consulting' is clearly the dominant sub-section (56%), followed by 'analysis' (13%), 'brokerage' (8%), and 'lending' (7%).

In third position we find 'CDM/JI project developers' at 12%, followed by traders (also at 12% when adding up 'carbon traders' and 'other commodity traders').

Other important categories of respondents are 'government', 'university' and 'interest group' (NGOs and business federations), each with a share of 7-8% of the survey population.

In terms of geographical presence, we see that 47% of the respondents are located in Europe, 24% in Asia and 22% in North America (Figure 0.2). If we increase the resolution to the country-level, USA takes the first position (15%), ahead of the UK (10%) and Germany (7%).

Structure of this report

Chapter 1 presents the respondents' perception of cap-and-trade as an instrument for emission reduction, at an aggregate level as well as between different roles and markets. We then proceed with a detailed look at each different market, from the established systems in Europe and North America, to the emerging ones in Asia. The last chapter presents the respondents' views on the likely future framework for climate policy, and on the ongoing international climate negotiations.

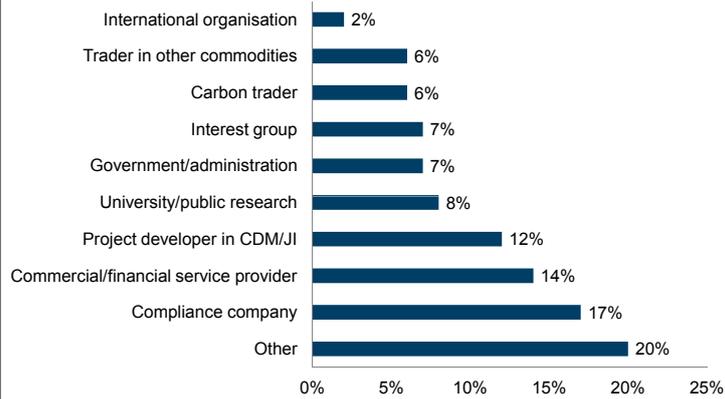
The JI has come under the double threat of ineligibility in the EU ETS from 2014 onwards and a looming issuance halt in Russia and Ukraine as none of them have signed up for the second Kyoto commitment period. Hence, we asked only one question specifically about the JI in this year's edition of the survey: "Will JI continue beyond 2020?" A similar question was asked to the

respondents who indicated interest in the so-called Assigned Amount Units (AAUs) that are used for transactions between governments with commitments under the Kyoto-protocol. The results from both these two questions are integrated into Figure 1.4.

The report does not present all the 102 questions included in the survey. For the sake of ensuring an accessible format we have selected the results we deem the most interesting and relevant to stakeholders. The selection is clearly weighted in favour of the EU ETS, which, being the biggest market, received the most responses and is likely to be of interest to a majority of readers. More in-depth analysis will appear in the Carbon Market Monitor in the months to come, on specific topics such as trading behaviour (available to Eikon subscribers).

Figure 0.1: The survey population

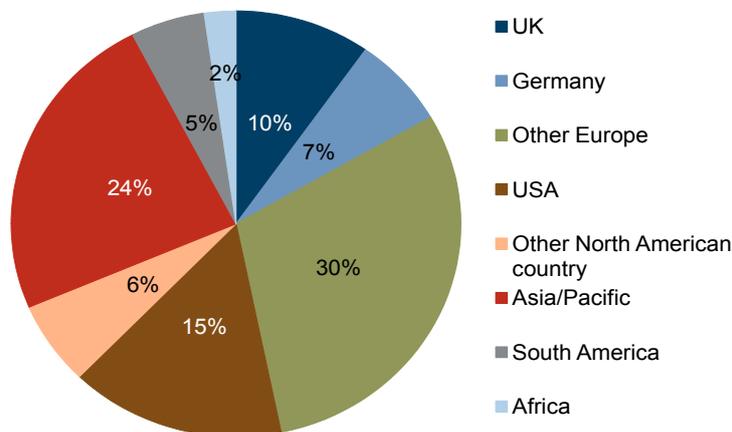
"What is your company/organisation's role in the emission markets?"
 Asked to all participants. N=1,199



Source: Thomson Reuters Point Carbon

Figure 0.2: Geographical distribution

"In which country/region are you based?" N=1,105



Source: Thomson Reuters Point Carbon

1. DOES CAP-AND-TRADE WORK?

All respondents, irrespective of role and geography were asked to choose one of several statements on the use of cap-and-trade as an instrument for greenhouse gas abatement. The results, shown in Figure 1.1, tell us that a majority of 58% sees it as “not perfect but the best we can agree on”. Some 18% consider it “the best way in theory and in practice”, and 11% as “doing more harm than good”.

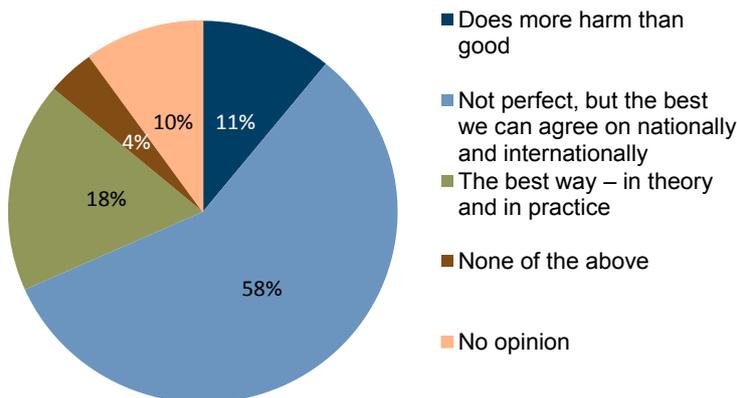
We believe the most plausible interpretation of this result is that it reflects the continuing strong resistance we can observe worldwide towards other abatement instruments, notably the widespread refusal to introduce a tax on emissions. The governments of most developing countries, including some of the biggest emitters, are in no hurry to impose extra costs on their industries and citizens. And where there is a political willingness to put a price on carbon, companies tend to prefer the flexibility of cap-and-trade over flat taxes.

When we break down the results by categories of respondents, we continue to see mainly the same pattern (Figure 1.2). The pragmatic support of emission trading is strongest among interest groups (includes business federations as well as NGOs) – at 66%, and among government/administration – at 63%. The perception of emission traders is very close to the average, with 61% seeing it as the best we can hope to achieve, 11% as harmful, and 13% as the best way.

The only respondents that stand out slightly from the overall trend are the companies most concerned – those whose CO2 output is capped

Figure 1.1: Cap-and-trade: the allure of imperfection

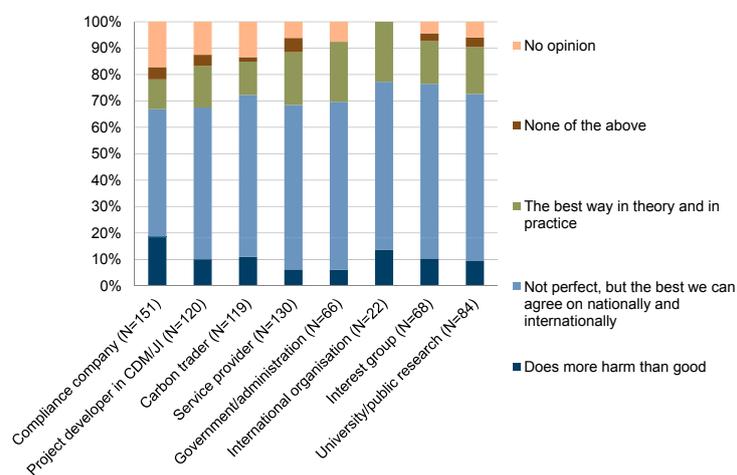
“Please share your view on cap-and-trade as a policy instrument for emission abatement:” Asked to all participants. N=965



Source: Thomson Reuters Point Carbon

Figure 1.2: Similar perceptions across roles

Same statement as in 1.1 broken down on roles



Source: Thomson Reuters Point Carbon

and must be compensated by the surrender of a corresponding amount of emission allowances every year. In short, they seem to be more split: 48% see it as the best we can agree on, 19% think it does more harm than good, and surprisingly, 17% don't have an opinion. No other category has such a high ratio of 'no opinion' as those directly affected by the system.

Perception also varies little between the existing cap-and-trade schemes. Respondents from EU ETS, WCI and RGGI were all asked to what extent they see their respective system as a cost-effective way to reduce emissions. Some 53% agree ('completely' or 'somewhat') in WCI, compared to 52% in the EU ETS and 48% in RGGI (Figure 1.3).

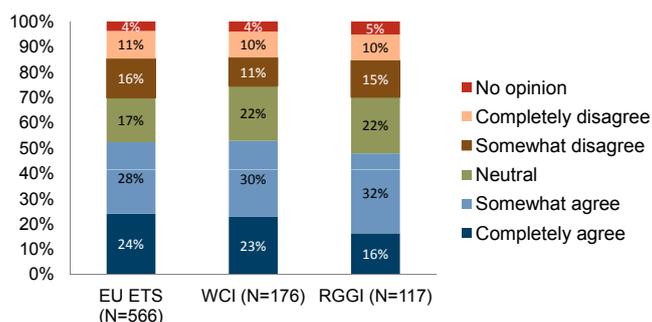
The impact of emission trading on competitiveness

All compliant companies in the various trading systems were asked how they perceive the impact of emission costs on competitiveness, compared to other factors such as energy prices, taxes, and cost of labour. Among the EU ETS respondents we see that 61% consider the EU ETS as "somewhat important, but not the main reason cause for worry". Some 26% consider it among the "most detrimental factors" to competitiveness. Only 6% agree with the statement that the carbon market has little or no effect on competitiveness (Figure 1.4).

Interestingly, we see very different patterns in the other cap-and-trade systems: In WCI, the 12 respondents are mainly split between "somewhat important" and "no effect". In RGGI, 4 of 8 chose "no opinion", with the remainder divided between "somewhat important" and "among the most detrimental factors".

Figure 1.3: Similar perceptions across markets

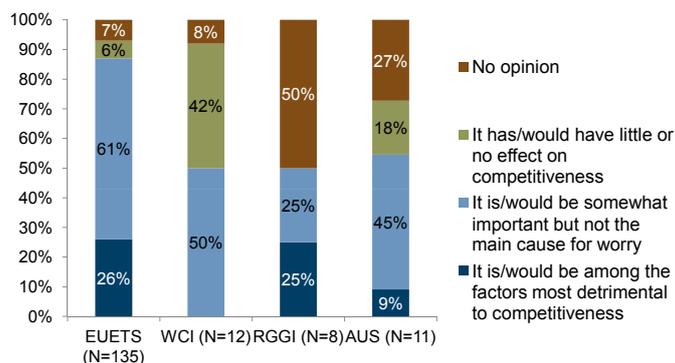
"Do you agree with the statement - [respective ETS] is a more cost-effective way to reduce emissions than other abatement instruments (tax, regulation, etc.)?" Asked to participants involved in respective market.



Source: Thomson Reuters Point Carbon

Figure 1.4: Perceived impact varies across markets

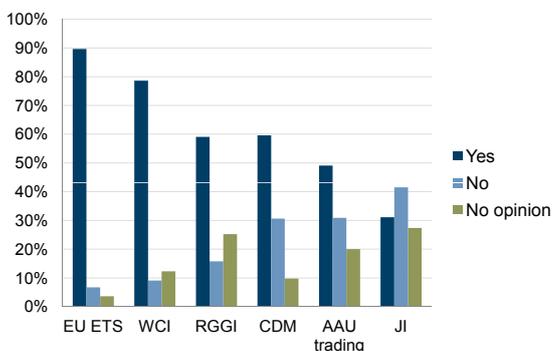
"How do you perceive the impact of the [respective scheme] on competitiveness weighed against other factors such as energy prices, tax, cost of labour, etc.?" Asked to compliance entities.



Source: Thomson Reuters Point Carbon

Figure 1.5: Long-term confidence in Europe and California

"Will the [respective scheme] continue beyond 2020?" Asked to all participants involved in respective markets (EUETS N=387), (WCI N=187), (RGGI N=127), (CDM N=235), (AAU N=55), (JI N=106).



Source: Thomson Reuters Point Carbon

In Australia, only 1 of 11 respondents considers the Carbon Pricing Mechanism (the Australian emission trading system – soon to be abolished) to be among the factors most detrimental to competitiveness. Five see it as somewhat important, 2 say it has little effect, and 3 do not voice an opinion.

Please note that with 8, 11 and 12 respondents respectively for RGGI, Australia and WCI, we urge caution in drawing firm conclusions from our survey results.

Confidence that trading will continue in Europe and California

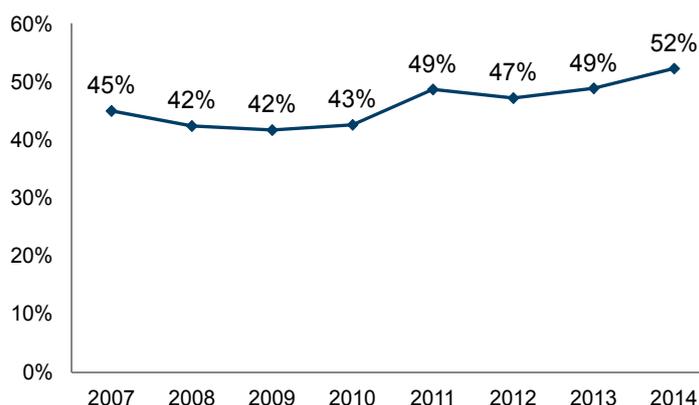
We also asked all respondents to indicate how they foresee the longevity of the different markets (both cap-and-trade and the UN-led programmes). We see that 90% of the EU ETS respondents expect it to be in place beyond 2020, whereas for WCI, the share is close to 80% (Figure 1.5).

Both the EU ETS and WCI are compliance systems, in the years to come there can be no doubt that their covered entities have to surrender allowances every year. Also, both have overcome political and legal challenges and this probably helps explain why they enjoy a considerably higher confidence ratio than RGGI, CDM, AAU and JI.

JI scores the lowest, as only 30% of respondents expect it to continue beyond 2020. Since this market's future survival depends on both a new international climate agreement AND a new source of demand, the real surprise is perhaps that so many participants still have faith in it

Figure 2.1: Confidence in the EU ETS edges upwards

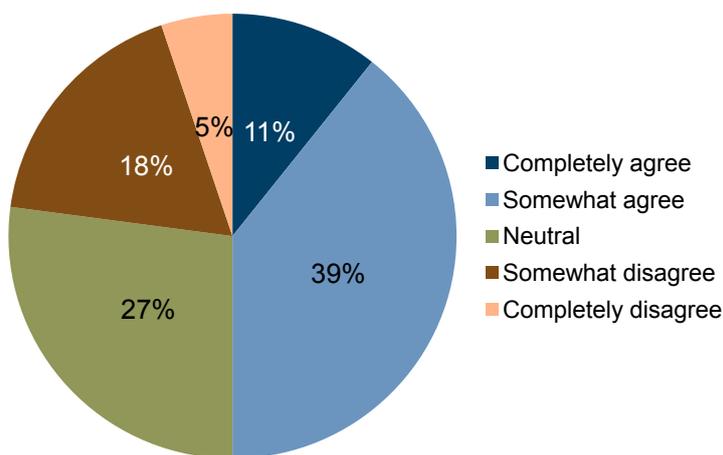
Share of respondents who agree with the statement "The EU ETS is a more cost-effective way to reduce emissions than other abatement instruments (tax, regulation, etc.)" Asked to all participants involved in the EU ETS. N=566



Source: Thomson Reuters Point Carbon

Figure 2.2: Cautious optimism for EU ETS status recovery

"Do you agree with the statement: the EU ETS will rebound from its current difficulties as the main instrument of EU climate policy" Asked to all participants involved in the EU ETS. N=552



Source: Thomson Reuters Point Carbon

2. EU ETS

This section contained questions on ongoing policy processes relating to the European carbon market, as well as price expectations in the near and mid-term. Each of these questions garnered some 500+ responses. A subset of respondents – the compliance companies – were given additional questions on how carbon pricing influences their competitiveness and their investment decisions.

All EU ETS respondents were asked to what extent they agree with certain statements about the EU ETS, such as whether it is the most cost-effective way to reduce emissions. When we add up ‘completely agree’ and ‘somewhat agree’ we get a ratio of 52% (Figure 2.1). This reflects a more positive view than ever before in this survey (ten percentage points up compared to 2009). It also continues an upwards trend in perception since 2012.

One possible explanation for this trend could be the persistence of those who want to tighten supply of EU allowances, both at member state level, and in the European Parliament. Their efforts bore fruits with the final adoption of backloading in late 2013/early 2014, after many market participants had lost hope of any market intervention.

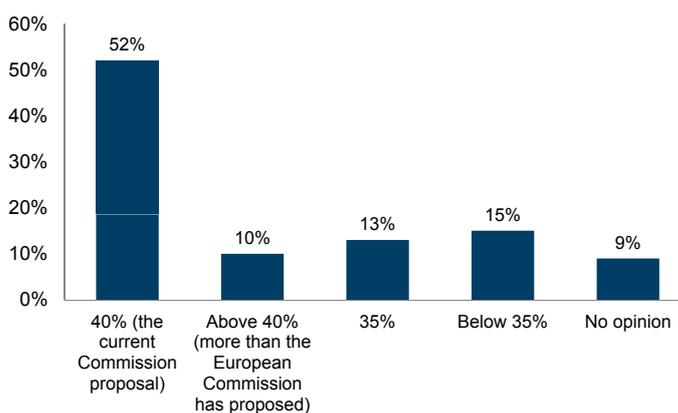
Alternatively, it could simply be that as the European emission allowances have become cheaper, the buyers (the compliance companies) find them more cost-effective.

Policy expectations

For the statement “The EU ETS will rebound as the main instrument of EU climate policy”, 50% agreed, 23% disagreed, and 27% gave a neutral opinion (Figure 2.2).

Figure 2.3: Belief in 40% target for 2030

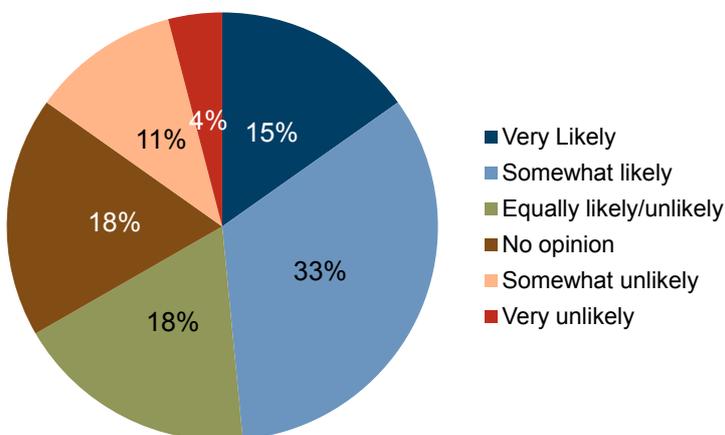
What greenhouse gas reduction target do you think the European Union will adopt for 2030? Asked to all participants involved in the EU ETS. N=541



Source: Thomson Reuters Point Carbon

Figure 2.4: Belief in the MSR

How likely do you think it is that the EU adopts the Market Stability Reserve? Asked to all participants involved in the EU ETS. N=541



Source: Thomson Reuters Point Carbon

In the draft 2030 climate and energy package it presented last winter the European Commission proposed a 40 percent emission reduction target for 2030 and the introduction of a so-called Market Stability Reserve (MSR) to better adjust the number of emission allowances coming to market.

Some 52% of the respondents believe the 40 percent reduction target will be approved, 28% expect a 35 percent reduction target or lower, whereas 10% think the target will be more ambitious (Figure 2.3).

The respondents lean towards an optimistic view on the chances of the MSR to actually materialise: 48% think it will, 15% think it will not, 18% have no opinion (Figure 2.4).

When asked to comment on the proposed adjustments (target and MSR), 55% of the respondents believe this strengthens the EU ETS' role as an emission abatement instrument (Figure 2.5).

Price expectations

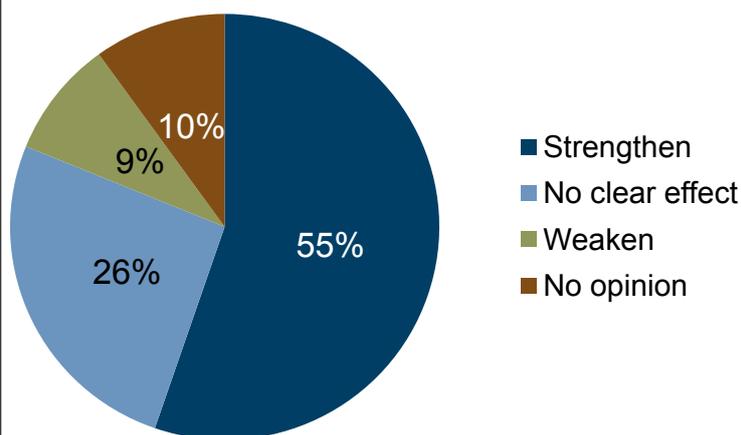
The survey participants were asked to guess average prices for the EUA front-year futures contract in 2014 and 2020. The results are summarised in Figure 2.6. More than 40% forecast the 2014 average price to come in between €5-6.99/t, another 24% expect prices between €7-8.99.

This is very much in line with most analysts' forecasts (TRPC expect an average price of €7/t). Some 7% expect the average price in 2014 will be less than €3/t, well below the €5.3/t level that prevailed as this report was published.

It should be noted that most of the responses to the survey were given in mid-March, and thus reflect the

Figure 2.5: Hope in new regulation

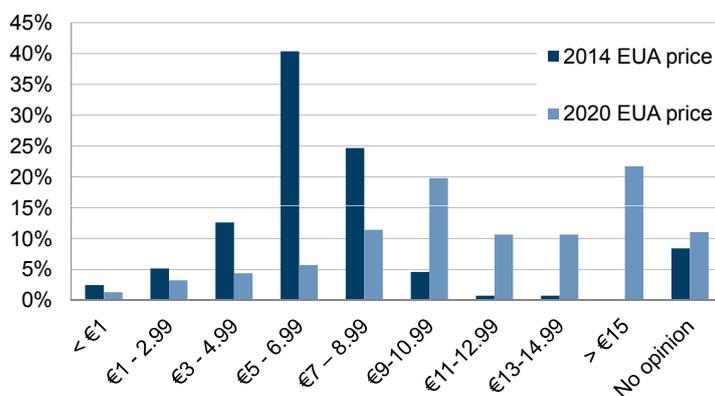
Will the EU ETS be strengthened by a 2030 target and a Market Stability Reserve? Asked to all participants involved in the EU ETS. N=541



Source: Thomson Reuters Point Carbon

Figure 2.6: Price expectations for 2014 and 2020

"What do you think will be the average price of EUAs in 2014 and in 2020? Average price of front-year futures contracts" Asked to all participants involved in the EU ETS. N=523



Source: Thomson Reuters Point Carbon

participants' views at that precise moment, when prices fluctuated between €5.90 – 6.50/t. Over the last days of March prices fell sharply to end the month at €4.70/t. Had the survey taken place two weeks later than it did, the respondents' average forecast would probably be lower.

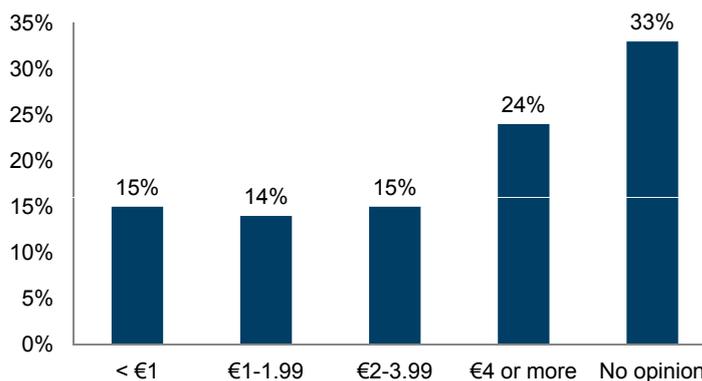
With regard to the impact of the proposed MSR, a quarter of the participants believe it could drive prices up by more than 4 euros in the years 2014-2020 compared to a scenario without the MSR. Some 15% believe the effect will be less than one euro, and 33% have no opinion (Figure 2.7).

Impact of the EU ETS

All respondents in the category of company compliant under the EU ETS were asked how they perceive the impact of emission costs on competitiveness (see Figure 1.5). They were also asked if the EU ETS spurs emission reductions, and how

Figure 2.7: MSR seen as able to spur price increase

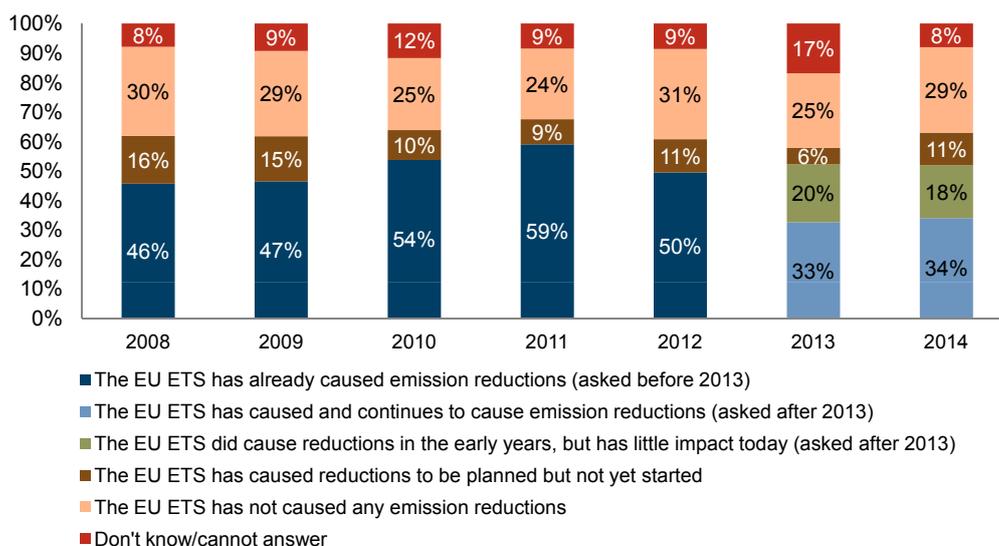
"How much do you think the average EUA price will increase from the perceived possibility that the MSR will be approved for implementation in 2021? (Compared to a scenario where it quickly becomes clear that the MSR will not be approved)." Asked to ETS compliance entities. N=124



Source: Thomson Reuters Point Carbon

Figure 2.8: Perceived effect of putting a price on carbon

"To what extent has the EU ETS caused your company to reduce emissions?" Asked to ETS compliance entities. N = 131



Source: Thomson Reuters Point Carbon

it affects investment decisions.

For the question whether a price on carbon actually leads to emission reductions, we see a fairly stable trend over the last years, roughly of the respondents report that the EU ETS has caused their company to reduce emissions (Figure 2.8).

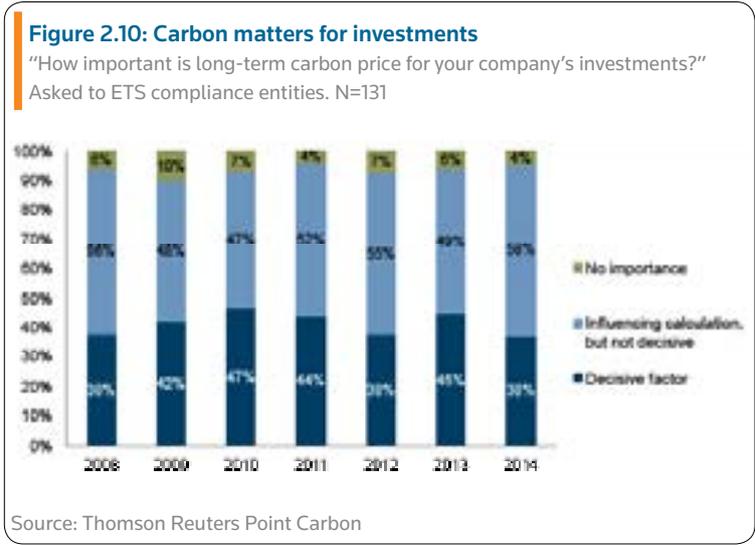
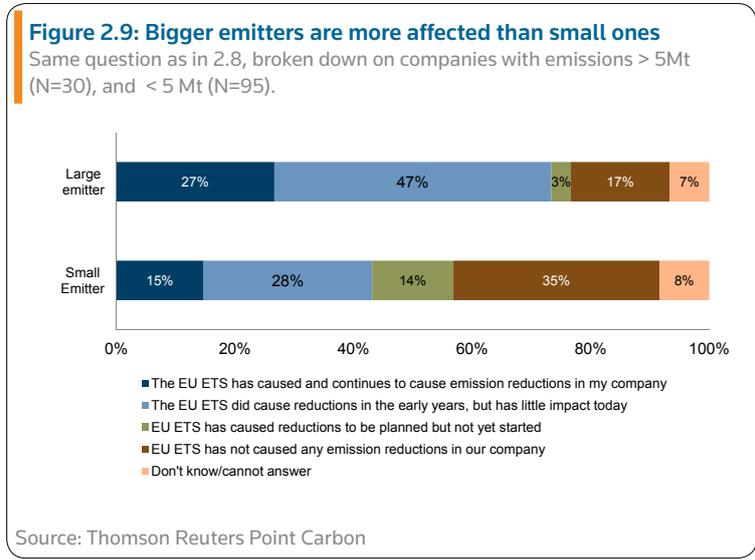
However, we see a clear difference between the small and large emitters. Among those who emit more than 5 Mt per year, some 74% report that it has and/or continues to cause reductions (Figure 2.9).

This gives a strong indication that for these companies CO2 emissions represent an important part of their overall costs. For the small emitters, only 43% state that the EU ETS leads to emission reductions.

When asked how important the long-term carbon price is for investment decisions, 58% see it as "influential but not decisive", whereas 38 percent consider it as a "decisive factor". Only 4% consider it to be of "no importance". The share who answered "decisive factor" is slightly down compared to the 45% in 2013, but this does not disturb the trend of relative stability altogether for the years 2008-2014 (Figure 2.10).

Again, we see a clear split between small and big emitters. Among the former, only 5% see it as decisive, whereas a full 71% say so among the latter (Figure 2.11).

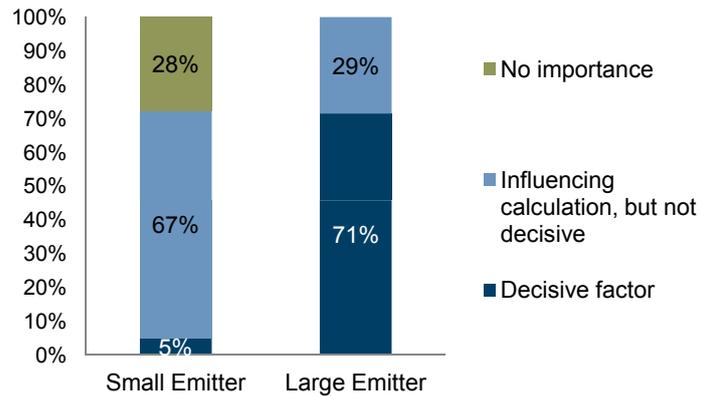
As we saw in Figure 1.4, the EU ETS enjoys a higher degree of confidence than the other markets. If we compare with previous surveys, we see that faith in the system's long-term perspectives is also up from 69% in 2013 to 90% in 2014 (Figure 2.12), an increase that is most likely due the successful implementation



of backloading, and the beginning of the process towards elaborating Europe's 2030 climate and energy framework.

Figure 2.11: A decisive factor for the big emitters

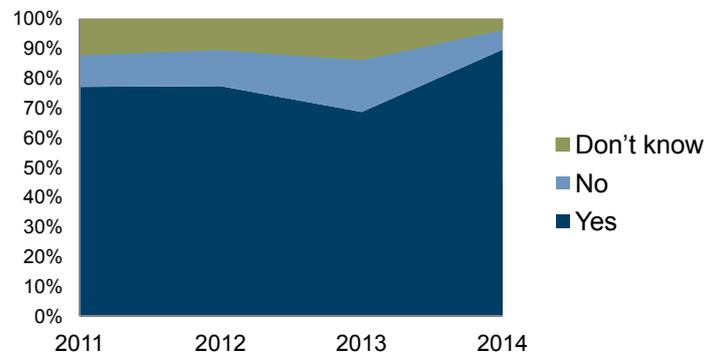
“How important is long-term carbon price for your company’s investments?” Asked to ETS compliance entities. Large emitter with annual company emissions > 5Mt (N=30), small emitter with emissions < 5Mt (N=95).



Source: Thomson Reuters Point Carbon

Figure 2.12: Increased confidence in the EU ETS’s survival

“Will the EU ETS continue beyond 2020” Asked to all participants involved in the EU ETS. N=387. Compared to previous surveys.



Source: Thomson Reuters Point Carbon

3. AVIATION

Originally, all flights to, from, and between European airports were supposed to be included in the EU ETS from 2012. However, due to strong opposition from several countries, notably China, India and the US, the EU decided in 2012 and 2013 to postpone the inclusion of intercontinental flights in the EU ETS. The freeze was intended to allow for a new round of negotiations on a global agreement on how to curb aviation emissions.

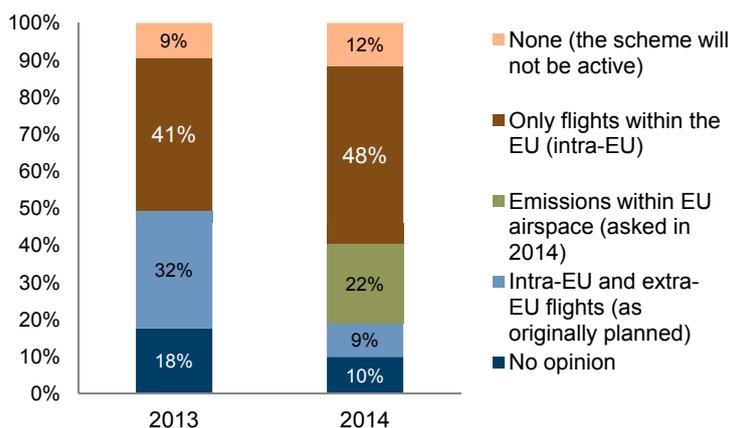
These negotiations are nowhere near to a conclusion, but yet there is no sign that the EU will reactivate the inclusion of international aviation emissions. As of today, only intra-EU aviation is included (this is set to last until 2016). A recent Commission proposal to include the part of intercontinental flights that take part in European airspace was approved by the European Parliament, but turned down in the Council, where Germany and France in particular were wary that this might spur the fury of China and other potential buyers of Airbus aircraft.

We asked the 111 respondents having signalled an interest in aviation emissions which flights they believe are likely to be included in the EU ETS between 2014 and 2016.

The biggest group (48%) believe only intra-EU flights will be subject to emission regulation, whereas 22% expect also international flights to be included, although only the part of the flight trajectory that falls within European airspace – not the whole distance from airport to airport as planned originally (Figure 3.1). Some 12% think aviation will not be part of the EU ETS at all (not even intra-EU flights), and only 9% believe the whole distance of international flights will be covered.

Figure 3.1: Aviation emissions limited to Europe

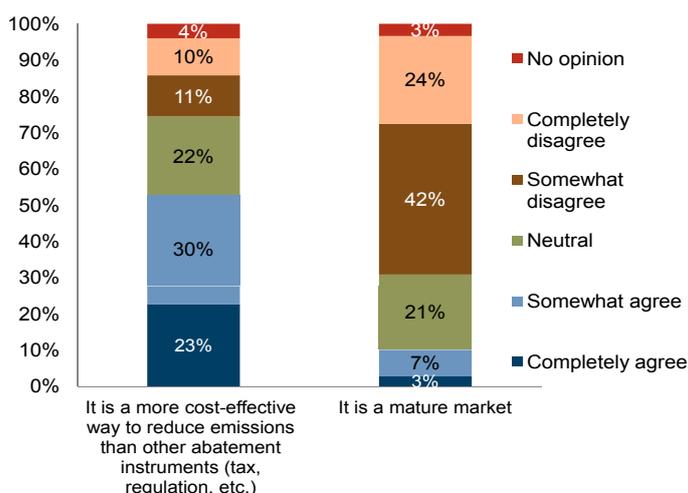
“Which flights do you think will be included in the EU ETS between 2014 and 2016?” Asked to compliance entities involved in Aviation ETS. N=111



Source: Thomson Reuters Point Carbon

Figure 4.1: Immature but rather effective

“Indicate the degree to which you agree with the following statements about the WCI?” Asked to all participants involved in the WCI. N=176



Source: Thomson Reuters Point Carbon

4. WCI

This section contained questions on the ongoing policy processes relating to the California-Quebec carbon market, as well as price expectations in the near and mid-term. Each of these questions garnered some 180-190 responses.

Among the Western Climate Initiative stakeholders, a subset of respondents – the compliance companies – were asked additional questions on how carbon pricing influences their competitiveness. These results are summarized in Figure 1.5.

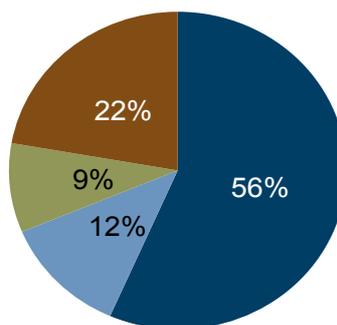
All WCI respondents were asked to what extent they agree with certain statements about their system, such as whether it is the most cost-efficient way to reduce emissions, and whether it is a mature market. The results are shown in Figure 4.1. Despite the rapid increase in trading of California allowances over the last year, only 10% see this market as mature.

One of the key questions for the WCI is whether it will expand from its current makeup of two jurisdictions. A full 68% of our survey respondents expect other jurisdictions to join the system, either before or after 2020 (Figure 4.2). The most frequently cited ones are Washington and Oregon in the US and British Columbia and Ontario in Canada.

Ten compliance entities reported to what extent the WCI has caused them to reduce emissions (Figure 4.3). Two said the market is “already causing reductions”, two said reductions are “planned but not started”, and three indicated that they “think it will by 2020”. The other three said the WCI is “not likely to cause any emission reductions”.

Figure 4.2: Expansion expected

“Will other jurisdictions join the WCI?” Asked to all participants involved in the WCI. N=186

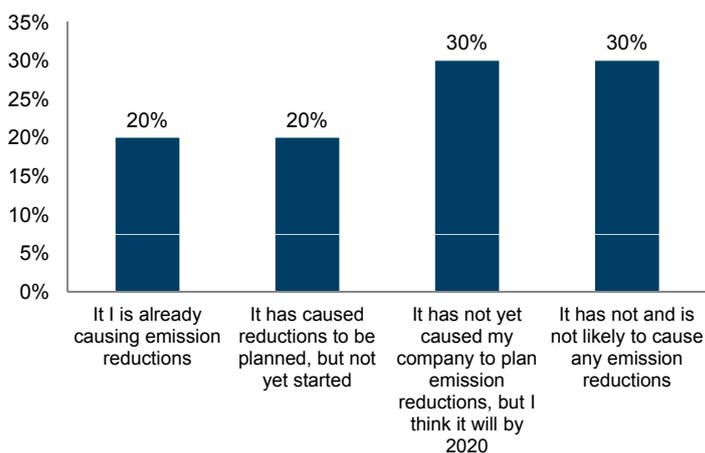


- Yes, by 2020 (enter likely new member(s) in the comment field)
- Yes, after 2020 (enter likely new member(s) in the comment field)
- No other jurisdiction is likely to join
- No opinion

Source: Thomson Reuters Point Carbon

Figure 4.3: Effect on emission reductions

“To what extent has the WCI caused your company to reduce emissions?” Asked to WCI compliance entities. N=12 (two respondents reported “don’t know”, this is not included in the chart).



Source: Thomson Reuters Point Carbon

Price expectations

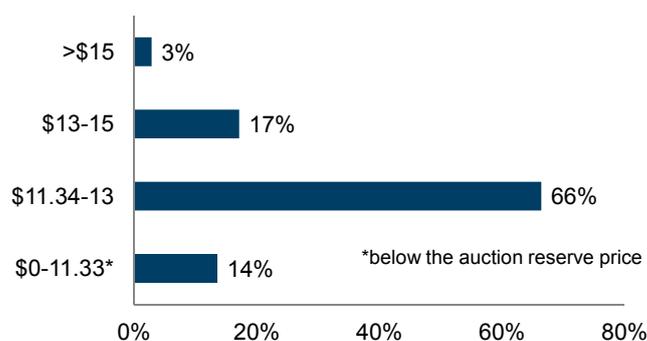
The survey participants were asked their expectations for average prices for allowances in 2014 and 2020. The results are summarised in Figures 4.4 and 4.5. Some 66 percent forecast the 2014 average price to be between \$11.34/t and \$13/t, a band just above the auction price floor. Another 17% expect prices in the order of \$13-15/t.

For 2020, an equal share of respondents expects prices just above the price floor, which will then be at \$17/t.

Most WCI respondents expect compliance trading to represent the lion's share of secondary allowance transactions in 2014, whereas 15% believe speculative trading will dominate (Figure 4.6). Some 11% expect little or no secondary allowance trading. For reference, secondary market transactions averaged nearly 11 Mt/month through the first four months of 2014.

Figure 4.4: Price expectations 2014

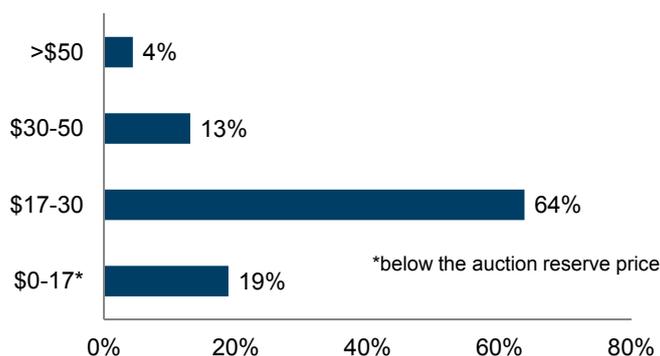
"In 2014, what do you think will be the average price of a WCI allowance?" Asked to all participants involved in the WCI. N = 140.



Source: Thomson Reuters Point Carbon

Figure 4.5: Price expectations 2020

"In 2020, what do you think will be the average price of a WCI allowance?" Asked to all participants involved in the WCI. N=138



Source: Thomson Reuters Point Carbon

Figure 4.6: Compliance versus speculative buying

"What will dominate secondary WCI allowance trading in 2014?" Asked to all participants involved in the WCI. N=178



Source: Thomson Reuters Point Carbon

5. RGGI

This section contained questions on how stakeholders perceive the nine-state market in the north-eastern US, and whether they believe New Jersey will rejoin the scheme. We also asked about price expectations for 2014. Each of these questions garnered some 120-130 responses.

Among the RGGI stakeholders, a subset of respondents – the compliance companies – were asked additional questions on how carbon pricing influence their competitiveness. These results are summarized in Figure 1.5.

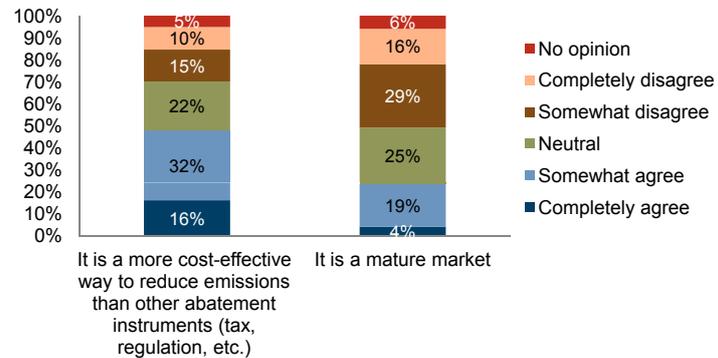
All RGGI respondents were asked to what extent they agree with certain statements about RGGI, such as whether the scheme is the most cost-efficient way to reduce emissions, and whether it is a mature market. The results are summarized in Figure 5.1. As is also the case for the WCI and the European market, a majority of those voicing an opinion see RGGI as a cost-effective way to curb emissions. On the question of market maturity, respondents are split: 45% disagree, 25% take a neutral view, and 23% agree.

Some 21% of respondents believe New Jersey will rejoin RGGI within the next two years, 37% think it will not, and 42% have no opinion on this question (Figure 5.2).

With regard to price expectations for 2014 (Figure 5.3), 36% foresee a price in the range of \$3-4/ short ton, and 29% expect it to be between \$2-3. Some 26% believe the average price will be above the cost containment price of \$4. On 5 March 2014, just before we launched our survey, the quarterly RGGI auction cleared at a price of \$4/st, suggesting respondents were more bearish than auction participants at the time.

Figure 5.1: Modest appraisal of effectiveness

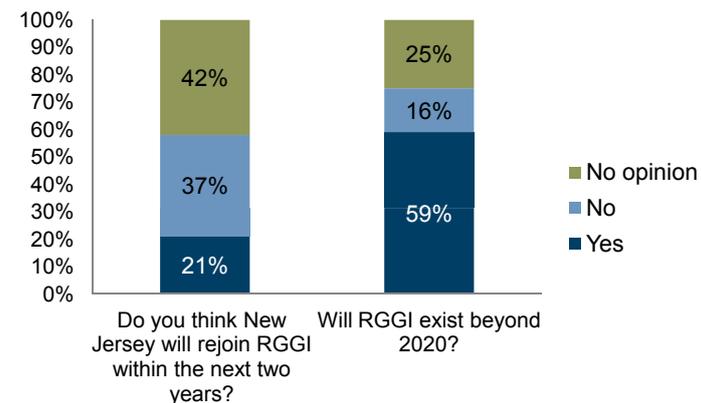
“Indicate the degree to which you agree with the following statements about RGGI?” Asked to all participants involved in the RGGI. N=117



Source: Thomson Reuters Point Carbon

Figure 5.2: Little belief in NJ to rejoin

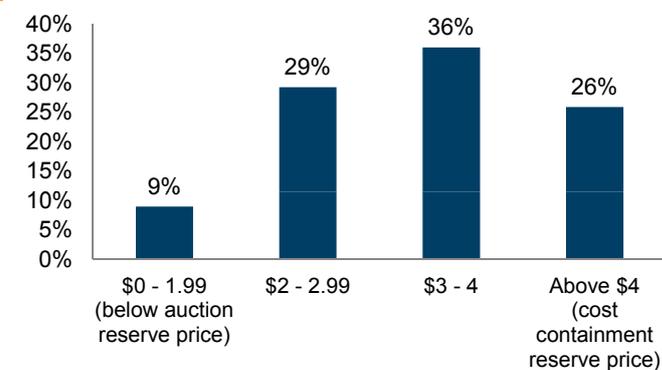
“Do you agree with the following statements?” Asked to all participants involved in the RGGI. N=127



Source: Thomson Reuters Point Carbon

Figure 5.3: Price expectations 2014

“In 2014, what do you think will be the average price of a RGGI allowance?” Asked to all participants involved in the RGGI. N=89



Source: Thomson Reuters Point Carbon

6. CDM

This section focused on CDM stakeholders' expectations about potential future demand for CERs, especially from projects based in Least Developed Countries. In addition, they were asked about conversion from CDM into the various emerging domestic emission credit schemes.

Some 380 CDM respondents gave their opinion as to which compliance systems they think will accept international credits post-2020 (Figure 6.1). Interestingly, 60% expect the EU ETS to continue to allow credits, although this would require a change of legislation, as the current rules only allow for the use of credits up to 2020. The WCI does not accept external credits at all, and yet 27% believe it will do so after 2020.

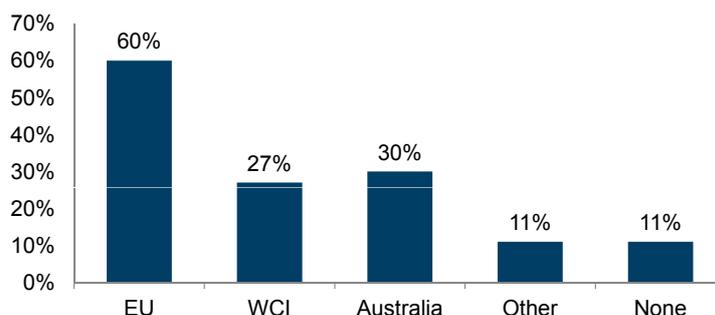
Another 30% of respondents expect Australia to accept international credits; this probably reflects the ongoing debate down under. The government sponsored Direct Action Plan (set to replace the Carbon Pricing Mechanism) will seek to incentivise companies to cut emissions more than in a business-as-usual scenario, and it might allow those who do not succeed to cover their excess emissions with CERs.

Respondents are evenly split on their expectations for non-compliance related demand for CERs in 2014-2016 (Figure 6.2). The highest share, 34%, believe it will be less than today, 32% think it will be around the same level as today, and 24% expect demand to increase.

A particular interest surrounds CERs from Least Developed Countries. Although they only represent a very modest share of the credits issued so far, the LDC-based credits benefit from better access to the European market, where compliance

Figure 6.1: Optimism for the use of CERs post-2020

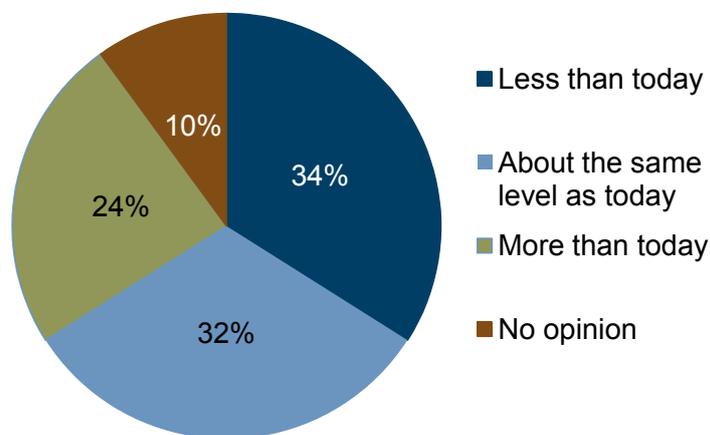
"Which countries/regions will accept international credits in their compliance systems post-2020?" Asked to all participants involved in the CDM. N=387



Source: Thomson Reuters Point Carbon

Figure 6.2: Mixed view on European demand

"What is your expectation for non-EUETS CDM demand in Europe for the years 2014-2016? E.g. European governments buying for Kyoto compliance and companies buying for voluntary purposes." Asked to all participants involved in the CDM N=387



Source: Thomson Reuters Point Carbon

companies are allowed to use them all the way up to 2020, and where certain governments are willing to pay above market price in order to support abatement projects in disadvantaged parts of the world.

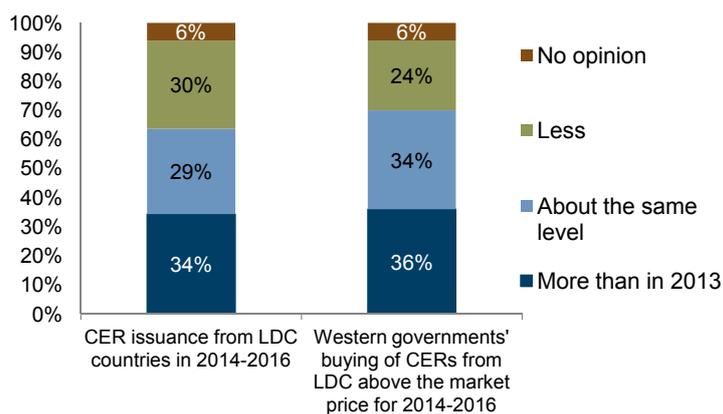
With regard to issuance in these countries in the years to come, the opinion among our survey respondents is quite evenly distributed between increase, decrease and a stable level (Figure 6.3). Expectations for western governments to pay a premium for LDC-based credits are slightly more on the optimistic side, with 36% saying 'more' against 24% saying 'less'.

We asked CDM respondents about their expectations for CDM projects in China converting into the new domestic credit market. Among the respondents with an opinion on this matter, 41% expect between 1/3 and 2/3 of Chinese CERs to switch to the status of CCERs (Figure 6.4). Some 34% expect less than 1/3 to be converted while 25% believe more than 2/3 will change status.

We also asked project developers whether they would consider re-classifying their own projects in the coming years. Some 38% state they will not, 25% say they are considering issuing units for use in their local emissions trading systems, and 27% indicate an interest in incorporating their existing CDM projects into a so-called Nationally Appropriate Mitigation Action that could be recognised under a new international climate treaty (Figure 6.5).

Figure 6.3: Cautious optimism for support purchases from LDCs

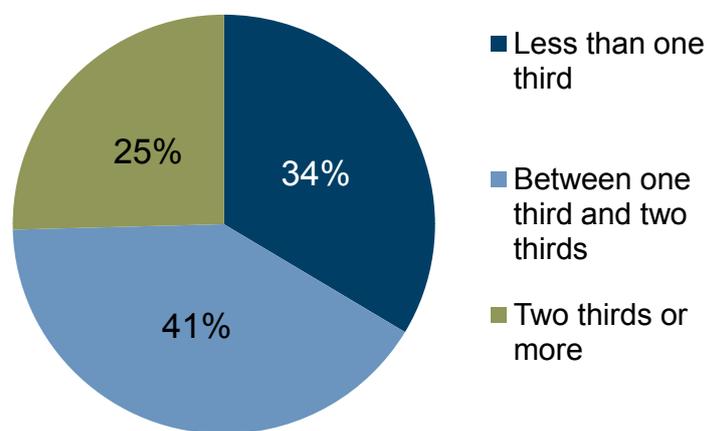
"What is your expectation for the [respective trends] for 2014-2016? Asked to CDM developers, traders and service providers. N=187



Source: Thomson Reuters Point Carbon

Figure 6.4: From CER to CCER

"What is your expectation for CDM projects in China to switch to the domestic credit market and issue CCERs instead of CERs in the years 2014-2016?" Asked to CDM developers, traders and service providers. N=122



Source: Thomson Reuters Point Carbon

7. CHINA

Participants who ticked off for interest in the Chinese emission market were asked about expectations for a national emission trading scheme and offset prices in 2014. Some hundred respondents answered these questions. Among the China stakeholders a subset of respondents – companies compliant under the pilot emission trading schemes – were asked additional questions on how the schemes affect their emissions. As only nine respondents answered these questions, the sample is statistically insufficient to allow for firm conclusions.

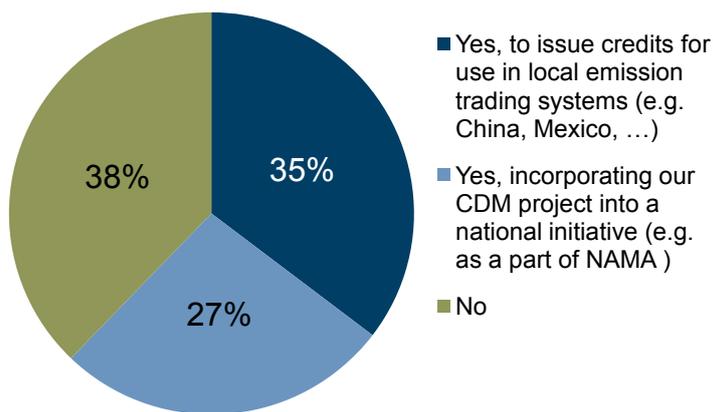
At the time the answers were garnered, two of the seven pilots – Hubei and Chongqing – were still not operational. The former started trading on 2 April, and quickly established itself as the most liquid of the now six operational pilots. With regard to Chongqing, still not active, 31% believed it will be by the end of 2014 (Figure 7.1). Some 27% believe it will happen in 2015.

Although there is still a long way from the seven pilots to a nationwide ETS, there have been clear signals of political support for the experiences so far. This might explain why, all in all, 80% of the respondents expect to see a national scheme by 2020. Some 11% believe it will come later, and only 10% are of the opinion that it will never happen (Figure 7.2).

In parallel to the pilot schemes for compliance trading, China is also experimenting with a domestic carbon credit or offset. Known as Chinese CERs (CCERs), this programme could potentially tempt many of the Chinese abatement projects that are currently registered under CDM, but whose owners are frustrated

Figure 6.5: Two of three consider re-classification

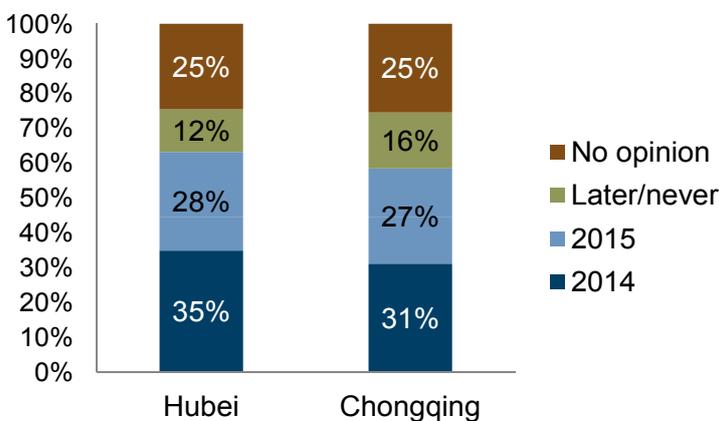
“Do you consider re-classifying CDM projects in the years 2014-2016? (By this we mean re-register the project as another type of instrument)?” Asked to CDM project developers. N=82



Source: Thomson Reuters Point Carbon

Figure 7.1: Hubei started, Chongqing next to go

“When will the remaining two pilots become operational?” Asked to participants involved in the Chinese ETS pilots. N=106

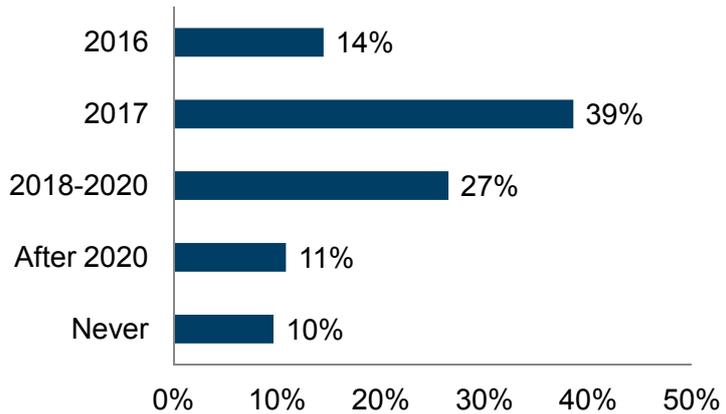


Source: Thomson Reuters Point Carbon

by the lack of demand in the international markets. This new unit is not yet in circulation, but there have already been reports of two intentions of purchase signed. We asked the respondents about their price expectations for 2014, the results are summarized in Figure 7.3. Close to 80% expect prices above 5 renminbi (€0.6), which is much higher than the level at which CERs are currently traded.

Figure 7.2: Great expectations for a Chinese national ETS

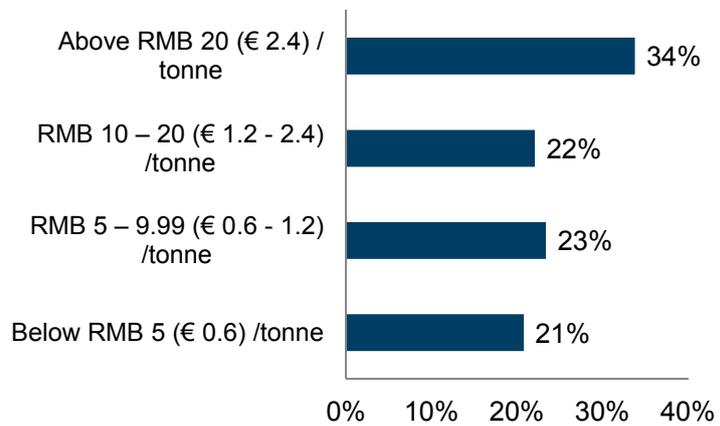
“When, if ever will we see a national ETS in China?” Asked to participants involved in the Chinese ETS pilots. N=107



Source: Thomson Reuters Point Carbon

Figure 7.3: The price of a Chinese carbon credit

“What do you think CCER prices will be in 2014?” Asked to participants involved in the Chinese ETS pilots. N=107



Source: Thomson Reuters Point Carbon

8. AUSTRALIA AND NEW ZEALAND

Respondents signalling an interest in Australia were invited to indicate their expected timeline for the dismantlement of the Carbon Pricing Mechanism (CPM). They were also asked about the likely development of the Direct Action Plan (DAP) that is set to come instead, based on an Emission Reduction Fund (ERF) and a safeguarding mechanism. Some 100 participants answered these questions.

Among the Australian stakeholders, a subset of respondents – the compliance companies – were asked additional questions on how carbon pricing influences their competitiveness. These results are summarized in Figure 1.5.

Some 47% of Australia respondents believe the CPM will be dismantled once the new Senate convenes in early July while 18% still see a chance that the CPM will survive (Figure 8.1). The relatively strong optimism for the continuation of the carbon market probably reflects the fact that the repeal bill will need the support of a handful of non-affiliated senators.

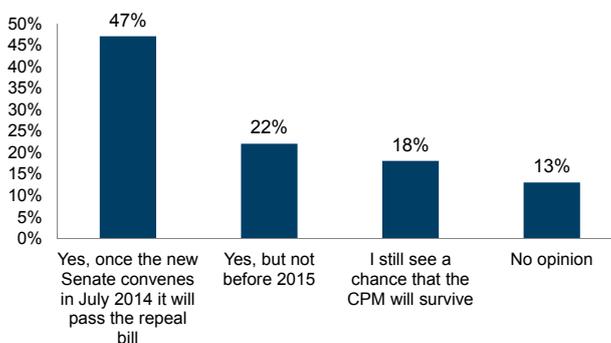
Although these crossbenchers are generally thought to support the Government on this issue, nothing is sure before the vote. We expect the Senate to vote on the CPM repeal in mid-July.

DAP expected to be delayed.

For the DAP, the big question mark is the safeguarding mechanism. It will apply to some 130 installations with direct emissions of 100,000 t CO₂ /year. Safeguard baselines

Figure 8.1: Some still believe the CPM will survive

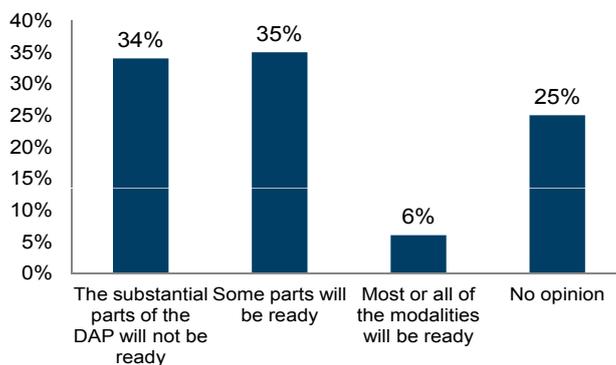
“Will the CPM be dismantled according to the instructions of the new government?” Asked to all participants involved in AUS ETS. N=106



Source: Thomson Reuters Point Carbon

Figure 8.2: DAP not expected to be ready'

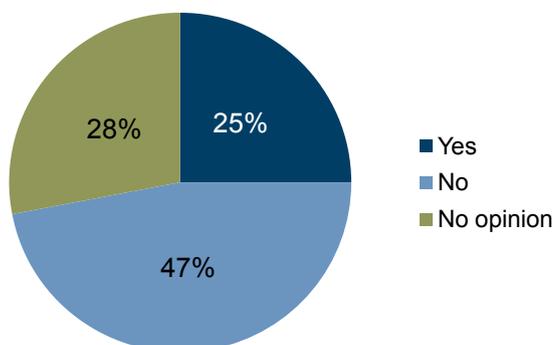
“Will the modalities of the Direct Action Plan be ready as foreseen by 1 July 2014? (including sector coverage, thresholds and the calculation of business as usual emission projections)” Asked to all participants involved in AUS ETS. N=105



Source: Thomson Reuters Point Carbon

Figure 8.3: Mixed view on ERF readiness

“Will the Emission Reduction Fund be implemented as foreseen on 1 July 2014?” Asked to all participants involved in AUS ETS. N=106



Source: Thomson Reuters Point Carbon

will be set using the highest level of reported emissions for a facility over the historical period 2009-10 to 2013-14. How the baseline will be set for new installations and significant expansions are yet to be decided. Only 6% of respondents expect all or most parts to be ready by 1 July (Figure 8.2).

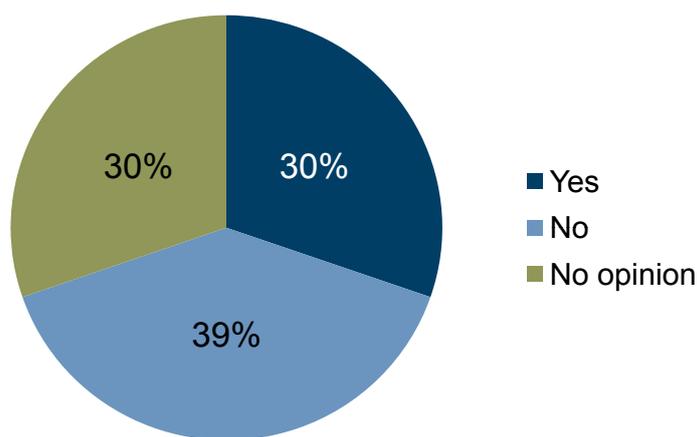
A quarter of the Australian survey population expects the ERF to be ready to start after the repeal of the CPM (Figure 8.3). Since this element is more or less covered under the current budget, the Government has hinted that if unable to obtain the necessary majority in Parliament, it could proceed by regulation rather than legislation.

Some 39% expect the new scheme to impose concrete emission compliance obligations on the 'liable' entities, 30% believe it will not, and 30% have no opinion (Figure 8.4). This might reflect survey respondents' view that the Government does not intend to raise revenues from the Direct Action Plan.

Seen as an emission market pioneer some years ago, New Zealand dropped off the radar when a more lenient regulation of emitters' obligations made prices plummet, and particularly after the country refused to sign up to a new commitment period under the Kyoto Protocol. Still, emission trading does continue, and we asked stakeholders what average price they expect for the New Zealand Unit spot contracts in 2014. The 55 responses are summarized in Figure 8.5, which shows that a majority expects NZUs to trade in a range between 3 and 5 NZ\$.

Figure 8.4: Mixed view on compliance obligations

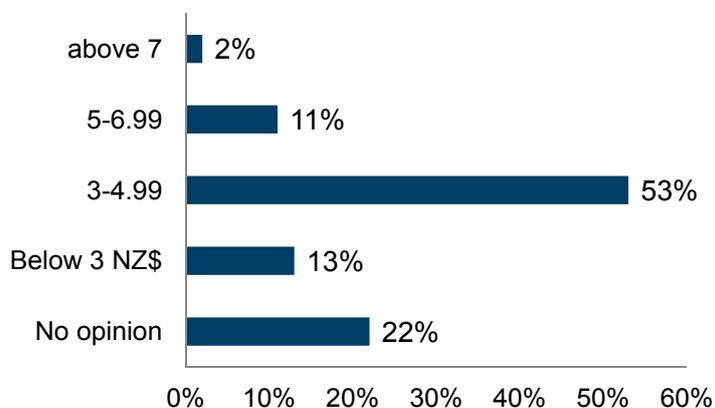
"Will the liable entities have compliance obligations?" Asked to all participants involved in AUS ETS. N=105



Source: Thomson Reuters Point Carbon

Figure 8.5: NZ price expectations

"What do you think will be the average price of spot NZU contracts in 2014?" Asked to participants involved in the NZ ETS. N=55



Source: Thomson Reuters Point Carbon

9. SOUTH KOREA

Respondents with interest in the Korean Emission Trading Scheme (KETS) were asked when they expect the programme to be launched, how they expect prices to develop, and whether they believe the scheme will lead to emission reductions or not. Some 40 participants answered these questions.

A subset of questions on how carbon pricing influences competitiveness and investment decisions was destined for Korean compliance companies. As only one respondent answered these questions, the sample is clearly statistically insufficient.

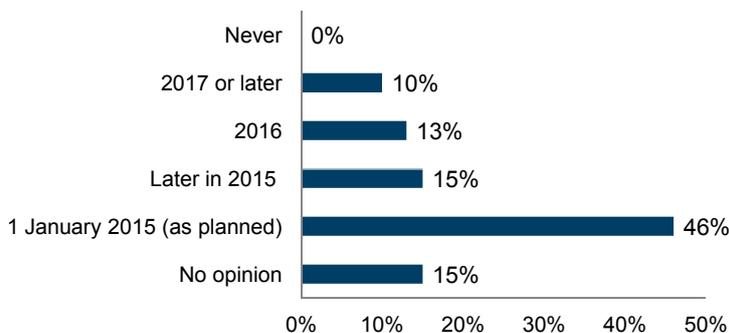
The biggest group of South Korea respondents, 46%, believe the scheme will start as scheduled, on 1 January 2015. Some 15% think it will be later that year, 23% expect it to happen in 2016 or later (Figure 9.1).

With regard to price expectations for 2015, 37% expect the average price to come in below 20,000 won (\$20) per tonne (Figure 9.2). Another 21% believe it will be in the range between 20,000 and 35,000 won. Interestingly, 16% foresee prices above 80,000 won.

The South Korea stakeholders are somewhat undecided with regard to the scheme's effect on abatement (Figure 9.3). Some 45% expect it will lead to reduced emission in the years 2015-2018, 18% percent think it will not, and 38% are neutral/have no opinion.

Figure 9.1: Starting as planned?

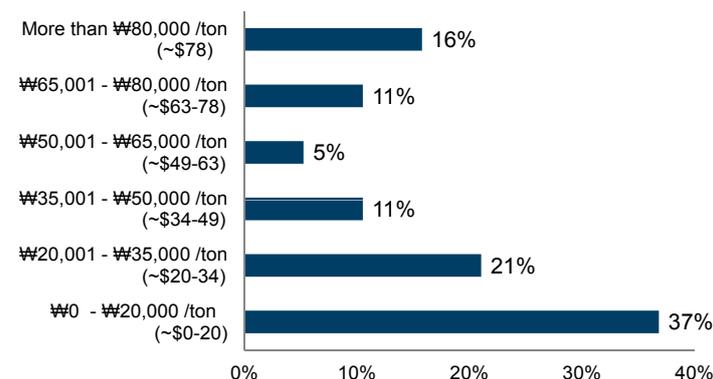
"When will the KETS start?" Asked to all participants involved in the KETS. N=39



Source: Thomson Reuters Point Carbon

Figure 9.2: Price expectations at the lower end of the scale

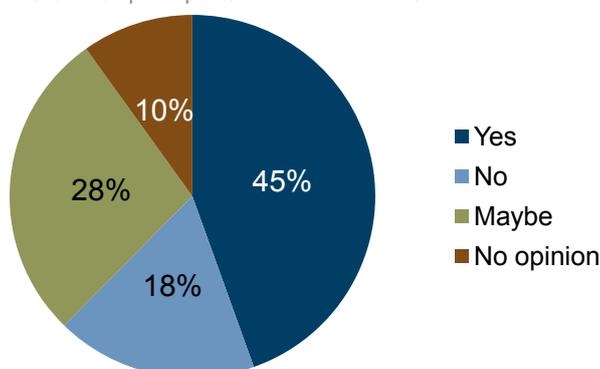
"What do you think will be the average price for Korean allowances in 2015?" Asked to all participants involved in the KETS. N=19



Source: Thomson Reuters Point Carbon

Figure 9.3: Undecided on emission reduction effect

"Will the KETS lead to reduced emissions in the first compliance period (2015-2018)?" Asked to all participants involved in the KETS. N=40



Source: Thomson Reuters Point Carbon

10. WHAT FRAMEWORK FOR TOMORROW'S CLIMATE POLICY?

We asked all survey participants irrespective of market to share their expectations for abatement instruments in 2020, and for the likely outcome of the ongoing international negotiations.

When asked which abatement instruments they think will be in place in 2020 (multiple replies possible), 47% of respondents believe there will be a tax on the point of emissions. Slightly fewer expect to see regulations defining maximum emission levels, and subsidies to existing and new forms of renewable energy (Figure 10.1).

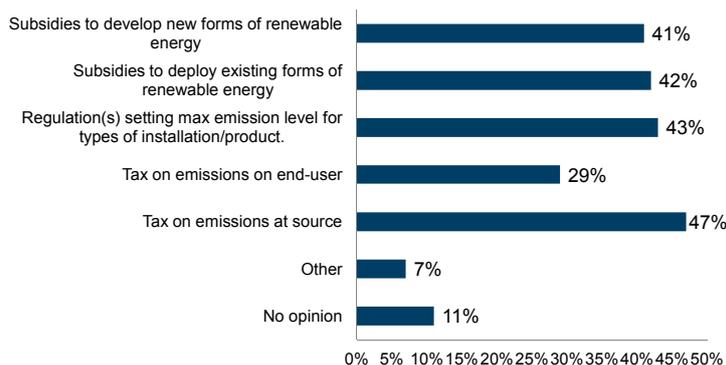
With regard to the latest international climate summit, in Warsaw in December 2013, 62% stated they were dissatisfied, 27% were neutral, and 12% indicated satisfaction (Figure 10.2). The degree of dissatisfaction is slightly higher than after Doha in 2012, but still below the level seen after the Copenhagen summit in 2009.

As was the case in 2013, few respondents believe in a breakthrough in international negotiations by the time of the Paris summit in 2015. Some 19% do expect a breakthrough, compared to 45% who see it as unlikely and 31% who take a neutral view (Figure 10.3).

Still, the share of 'likely' is up from a mere 12% in 2013, a fact that seems somewhat paradoxical given the lack of progress over that last year. This increase might be an effect of the ongoing debate in Europe on the 2030 energy and climate package.

Figure 10.1: Tax seen as most likely in 2020

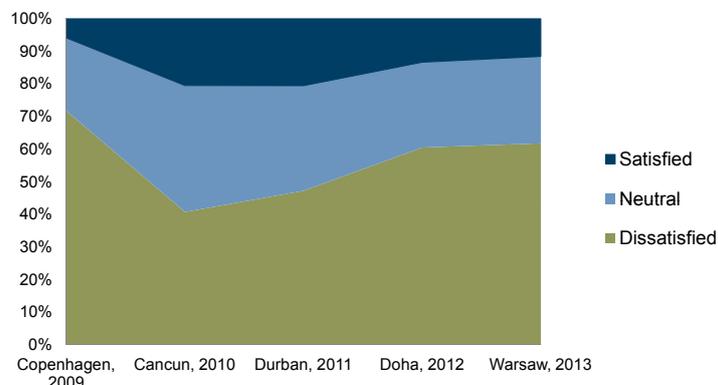
"Which abatement instruments do you think will be in use in 2020 in the jurisdiction in which your organization is involved?" Asked to all participants. N=965



Source: Thomson Reuters Point Carbon

Figure 10.2: Rising dissatisfaction with the climate negotiations

"What do you think of the outcome of the Warsaw Climate Change Conference (COP-19/CMP-9) in November 2013?" Asked to all participants. N=964. Compared to results from previous surveys.



Source: Thomson Reuters Point Carbon

Little belief in binding targets

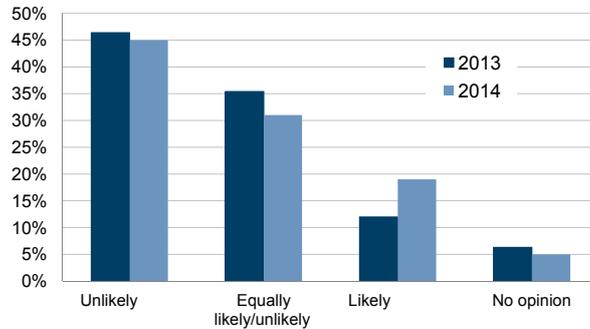
If there were to be a new international treaty (before or after 2015), 66% believe it will take the form of a pledge-and-review framework, and only 16% believe there will be binding targets (Figure 10.4).

A relatively high number of respondents expect new regional and national cap-and-trade systems to develop in the years to come. This comes across as an optimistic surprise in a market otherwise ridden by pessimism.

When asked which countries will start a new national mandatory cap-and-trade system by 2020, Australia comes out on top (61% expect it will have one), notwithstanding the fact that the current government is dismantling the system put in place by the previous government. Some 59% expect to see cap-and-trade in China, 48% in Japan, 46% in South Korea and 44% in the United States (Figure 10.5).

Figure 10.3: Slightly less pessimism over international negotiations

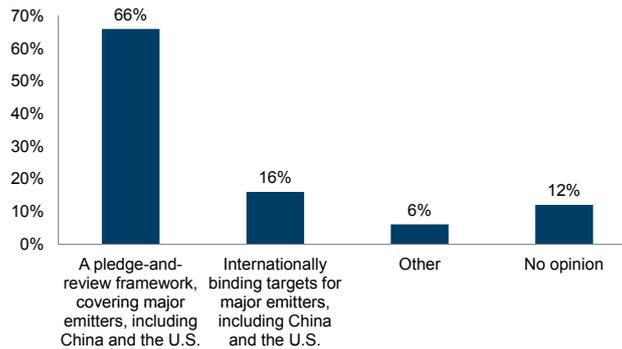
“How likely do you think it is that a new global climate treaty (for post-2020) will be decided in 2015?” Asked to all participants. N=961



Source: Thomson Reuters Point Carbon

Figure 10.4: No binding targets for China and the U.S.

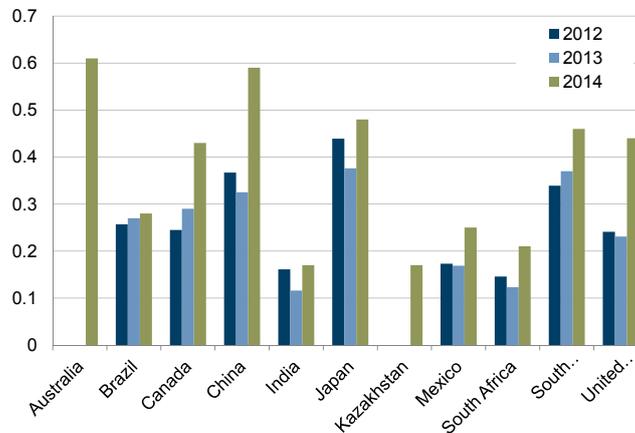
“If there is a new global climate treaty (agreed in 2015 or later), what do you think it will look like?” Asked to all participants. N=960



Source: Thomson Reuters Point Carbon

Figure 10.5: High hopes for new ETs

“Which (if any) of the countries below will have a mandatory emission cap-and-trade system at national or federal level in 2020?” Asked to all participants. N=795



Source: Thomson Reuters Point Carbon

11. CONCLUSION

With its 102 questions the survey has garnered a wide range of feedback from some 1,600 stakeholders in the world's carbon markets, both from direct market participants such as compliance companies and traders, and from more remote observers such as NGOs and university professors.

In processing this vast amount of information, the purpose is of course to identify the trends that span across markets and across the time series of previous surveys.

Some of the annually recurrent questions, such as whether the EU ETS is the most cost-effective way to reduce emissions (Figure 2.1), do indicate a slight upwards movement in perception compared to previous years.

On the other hand, Figure 2.10 shows a slight drop in the share

of companies who consider the cost of emissions as a 'decisive' factor for investment decisions compared to 2013 (most still see it as "influencing" decisions).

The share of companies who report that the EU ETS leads to emission reductions has not changed much since 2012 (Figure 2.8).

Comparison between markets the task is slightly more challenging; since most questions were specific to their respective markets. The share of support for emission trading is quite similar in Europe and North America (Figure 1.3), whereas the perceived impact is not (Figure 1.5).

Beyond these results, an expectation to find the same patterns in all markets is probably overly optimistic. For that, they differ too much, especially

with regard to what state they are in. There are at least four types: established ones with new-found confidence (EU ETS, WCI), established ones with dim perspectives (CDM and JI), promising emerging markets (Chinese pilots) and once-emerging markets that are now being dismantled (Australia).

If there is one statement that could sum up the feedback in a way that is valid for most respondents, it would probably be that emission trading enjoys support not so much in its own right as by being seen as slightly better the alternatives. Or, to paraphrase a famous British statesman: emission trading is the worst form of abatement instrument, except all others.

Colophon

Editorial enquiries

Anders Nordeng
anders.nordeng@thomsonreuters.com
Tel +47 23 31 65 05

Sales enquiries

Thomson Reuters Point Carbon Sales Team
For further information about the products please use
the form

https://forms.thomsonreuters.com/commodities_energy/

Other enquiries

Thomson Reuters Point Carbon, Norway
(Head Office of TRPC)

Dronning Eufemias gate 16, Oslo
0191 Oslo
Norway
carbonresearch@thomsonreuters.com

Website

www.thomsonreuters.com
www.pointcarbon.com

OFFICES

London

Thomson Reuters (Head office of the TR group)
The Thomson Reuters Building
30 South Colonnade, Canary Wharf
London E14 5EP
United Kingdom
Phone: ++44 (0)20 7250 1122
Fax: +44 (0)20 7253 7856

Washington D.C.

Thomson Reuters Point Carbon North America
1100 13th Street NW, Suite 300
Washington, DC 20005
carbonresearch@thomsonreuters.com

Sales enquiries

Americasnewbusiness@thomsonreuters.com
Tel +1.877.365.1455

Kiev

Thomson Reuters Point Carbon Kiev
3 Sportyvna Ploscha
Entrance IV, 4th floor
Olymp Business Center
01601 Kiev
Ukraine
Tel: +38 044 583 55 48
Fax: +38 044 583 55 49

A Point Carbon publication

Copyright © 2014, by Point Carbon.

All rights reserved. No portion of this publication may be photocopied, reproduced, scanned into an electronic retrieval system, copied to a database, retransmitted, forwarded or otherwise redistributed without prior written authorization from Point Carbon. See Point Carbon's "Terms and Conditions" at www.pointcarbon.com

The data provided in this report were prepared by Point Carbon's Trading Analytics and Research division. Publications of Point Carbon's Trading Analytics and Research division are provided for information purposes only. Prices are indicative and Point Carbon does not offer to buy or sell or solicit offers to buy or sell any financial instrument or offer recommendations to purchase, hold or sell any commodity or make any other investment decision. Other than disclosures relating to Point Carbon, the information contained in this publication has been obtained from sources that Point Carbon believes to be reliable, but no representation or warranty, express or implied, is made as to the accuracy or completeness of this information. The opinions and views expressed in this publication are those of Point Carbon and are subject to change without notice, and Point Carbon has no obligation to update either the opinions or the information contained in this publication.

Point Carbon's Trading Analytics and Research division receives compensation for its reports. Point Carbon's Trading Analytics and Research division reports are published on a subscription basis and are not issued at the request of any client of Point Carbon.

DO NOT REDISTRIBUTE