

Carbon Credits to Be Traded at Brazil's Stock Exchange

Contributed by Alana Gandra
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The project establishing the Brazilian Greenhouse Gas Emissions Reduction Market (MBre), or carbon credits market, should begin to operate on the Rio de Janeiro Stock Exchange in the second half of the year.

This information was provided today by Virgílio Gibbon, professor at the Getúlio Vargas Foundation (FGV) and coordinator of the national MBre project, at the request of the Ministry of Development, Industry, and Trade (MDic), directed to the Commodities and Futures Market (BM&F).

The MBre was launched by the MDic and the BM&F last December and will allow Brazil, given its status as a developing country without targets to meet in the Kyoto Protocol, to offer projects that will contribute to the diminution of the greenhouse gas effect, Gibbon explained.

This will put the country in the position of generating these credits, which are currently being sold on the international market, even in the preliminary stage, prior to certification.

Gibbon said that it is still difficult to estimate the benefits, including the financial ones, that this market can confer on Brazil.

However, to get an idea of the magnitude of the program, the professor calculated that it should become one of the world's biggest markets in the coming years, "because the Kyoto Protocol refers only to the initial commitment period, which runs from 2008 to 2012, when developed countries are obliged to reduce their emissions to a level 5.2% lower than they were in 1990."

Since the mechanism aims to minimize the costs of reduction, the market is expected to channel a large volume of investments to developing countries, where it costs less to implement projects to contain emissions, he explained. In Japan, for example, reducing gas emissions costs as much as US\$ 500/ton.

Gibbons believes that this will lead to a large influx of funds, not just to purchase credits but also to invest in the development of projects.

"And this should open prospects for connecting capital markets in the northern and southern hemispheres, which can be very significant. The flow of capital could be very substantial. We are talking about projects on the order of US\$ 50 million, US\$ 100 million, each," he said.

Added to this are the carbon credits that can be traded, he observed. "It is really a very impressive market, very important, and irreversible, because the planet is heating up," Gibbon says.

Translation: David Silberstein
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