

Bloomberg Businessweek **FOCUS ON CLIMATE CHANGE**

# U.S. Carbon Trading Goes Up in Smoke

Buying and selling carbon permits in the emerging market designed to control global-warming pollution is no longer a career prospect in the U.S., though California is moving ahead with its own program

By [Roben Farzad](#)

Just three years ago, [George H. Stein](#), a managing director at New York-based recruiter [Commodity Talent](#), was seeing a brisk volume in calls from Wall Streeters looking to make a career switch. While oil traders were getting pilloried on Capitol Hill, a new line of work promised to deliver wealth and social benefits: buying and selling carbon permits in the emerging market designed to control global warming pollution. "There was such a great deal of interest in carbon trading," recalls Stein.

U.S. states were uniting to go on low-carbon diets. Companies were stepping up their own with targets. The Congressional Budget Office estimated that under a cap-and-trade plan, the U.S. market for the permits, which companies would need in order to emit CO2, could be worth as much as \$300 billion by 2020. Today, with prospects for a federal cap-and-trade program dead and prices in voluntary carbon markets in the U.S. collapsing, "Carbon traders are calling to ask me what they should do now," says Stein.

Energy trading consultant Peter Fusaro says he recently counseled a

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college grad looking to get into emissions trading to find a job on an oil and gas desk and bide his time until carbon comes back. "Carbon trading in the U.S.," says Fusaro—"there's no there there."

The European Union's carbon market, which has been operating since 2005, continues to grow. Trading volumes were up 8 percent in the third quarter compared with the same period last year. In the U.S., what activity there was is withering. The Chicago Climate Exchange (CCX), once billed as a Nasdaq for CO2, saw carbon prices drop to a nickel per ton before announcing on Nov. 17 that it would cease operations at the end of the year. CCX was founded in 2003 by Richard L. Sandor, an economist who's been called the father of financial futures. Some 450 companies, including DuPont ([DD](#)), Honeywell ([HON](#)), and several utilities, signed legally binding contracts to reduce their emissions. Those who succeeded in cutting CO2 could sell their credits to others that were having a harder time complying with CCX emission targets.

Bloomberg New Energy Finance reported on Oct. 1 on the "collapse" of trading in another U.S. market, the Regional Greenhouse Gas Initiative (RGGI), a consortium of ten Northeastern states that joined together to cap and trade greenhouse gas emissions from power plants. The RGGI's stated goal: cutting utility emissions by 10 percent by 2018.

Carbon jobs are dying, too: Last year JPMorgan Chase ([JPM](#)) acquired carbon brokerage EcoSecurities for \$206 million. It has since cut staff and pulled out of projects. "There's not enough clarity to continue to be able to invest in the market robustly," EcoSecurities Chief Executive Officer Paul M. Kelly said at a conference in May.

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It's not all gloom and doom, says Sandor: "The message continues to be that in the absence of federal legislation, a bottom-up approach ... seems to be key." California, the world's eighth-largest economy, is moving ahead with its own cap-and-trade program. The state's Global Warming Solutions Act envisions a reduction in greenhouse gases to 1990 levels by 2020. On Nov. 17, Barclays Capital ([BCS](#)) announced it completed what it said is the first trade of carbon allowances under California's program, in conjunction with power generator NRG Energy ([NRG](#)). Says Jason Patrick, the vice-president in charge of Bank of America Merrill Lynch's Carbon Markets group: "You've got to be adaptable and find business where it exists."

***The bottom line:*** *The failure of U.S. climate legislation has derailed efforts to build a robust carbon trading market stateside. All eyes are now on California.*

*Bloomberg Businessweek Senior Writer [Farzad](#) covers Wall Street and international finance.*

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