MCX launches carbon credit trading

EXPRESS NEWS SERVICE

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NOW companies will be able to buy and sell carbon credits through an exchange in India. In a new initiative that will enable direct trading of carbon credits to take off in India, Multi Commodity Exchange (MCX) today launched futures trading in carbon credits, making it Asia's 1st ever commodity exchange, and among the select few like the Chicago Climate Exchange and the European Climate Exchange.

Joseph Massey, DMD, MCX, said "Launching of carbon credit futures on the Indian trading platform would provide transparency to markets and help producers earn remunerative returns out of environmentally clean projects."

Carbon credits are generated by enterprises in the developing world by using cleaner technologies and, thereby, saving on energy consumption. This consequently reduces their greenhouse gas emissions. For each reduced ton of carbon dioxide emission, an organization receives a carbon emission certificate, which it can sell, either immediately or through a futures market, just like any other commodity. Carbon trading is carried out under a UN-mandated international convention on climate change.

"Indian companies have been at the forefront of innovation in use of technology and green field projects. Carbon futures is an ideal platform for these enterprises to get rewarded for adopting eco-friendly practices. With the launch of futures trading in carbon credits, we have taken another major step towards becoming the nation's growth engines," Massey said.

Under the Kyoto Protocol, Carbon Credits, or carbon emission reductions certificates, are issued by the Clean Development Mechanism Executive Board, the highest international body to register projects and issue credits.

Lamon Rutten, JMD, MCX said "The market for trading in carbon emissions is estimated to be in the range of $60 billion to $70 billion annually. India is one amongst the global leaders having already generated close to 30 million carbon credits and has roughly another 140 million in the pipeline for sale, making it one of the largest beneficiaries in the carbon credit trade. The launch has provided a platform for Indian companies to be able to benefit from the adoption of cleaner technologies."

TRADING BENEFITS

- Sellers and intermediaries can hedge against price risk.
- Advance selling could help projects to generate liquidity and thereby reducing its cost of implementation
- There is no counter party risk as the exchange guarantees the trade
- The price discovery on the exchange platform ensures fair price for both buyers and sellers
- Brings players on to a single platform
- Offers immediate reference price. At present there is no transparency in the Indian carbon credit market