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Transactions Start In New Gen Commodity

MCX begins futures trading in C-credits

TIMES NEWS NETWORK

Mumbai: On a day when there was blood on Dalal Street, India made a mild debut as the first among carbon credit generating countries to launch futures trading in the commodity.

Enabling direct trading of an intangible asset, futures trading in carbon credits was launched on Monday by the country's biggest commodity exchanges, the Multi Commodity Exchange (MCX), with the first trade taking place at Rs 1,280 per tonne (about €22).

Though industry experts termed this as "a decent price" when compared to the latest trades at the European Climate Exchange which are going at around €22, the MCX saw thin trade on the first day considering that the equity markets had tanked and sentiments were negative.

As against expectations of registering higher volumes per day, merely 70 contracts (volume of 7,000 metric tonne) were traded on Monday, at the time of going to the press.

Globally, other carbon credit trading exchanges are the Chicago Climate Exchange and the European Climate Exchange. MCX DMD Joseph Massey 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. Trading in new generation commodities like carbon credits has placed MCX on the global map of innovative exchange for providing global products to the India Industry." 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.

TRADE BALM



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For each reduced tonne of carbon dioxide emission, an organisation 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.

With India already leading among the developing countries in the number of clean development mechanism (CDM) projects being registered with the UN body, futures trading will offer enterprises an ideal platform to get rewarded for adopting eco-friendly practices.

MCX joint MD Lamon Rutten said, "The market for trading in carbon emissions is estimated to be in the range of $60-70 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 trading unit of carbon credits is going to be in 200 tonne, where each tonne of carbon credit being an entitlement to emit one tonne of carbon dioxide equivalent gases.

Concurrently, five contracts of carbon credits will be available on the MCX platform with expiry in December 2008, December 2009, December 2010, December 2011 and December 2012 on 15th of respective expiry months.