

## SECOND WEBCAST: EUROPE, AMERICAS

User_name	Message	Response	Shell expert
Steve	I'm curious as to your view of the different presidential platforms as it relates to climate change and emissions trading. What are the pro's and con's of each platform?	Hi,  What is most important is that both Presidential candidates have recognised the critical importance of responding to the challenge climate change and of regulating emissions. It is also important that both candidates have put emission trading systems at the centre of their regulatory proposals.	Steven
Scott Lorey	David,  How do believe regional programs, such the the New York-New England Regional Greenhouse Gas Initiative (RGGI), will impact the need for national and international programs.  Scott	Scott,  Our preference is to see large national cap-and-trade systems, such as the EU-ETS here in Europe. In fact the EU-ETS superseded a local Danish system and a UK system (which overran into the EU-ETS time-frame by two years).  With regards to the USA, I think that as long as the architecture of these regional systems is open or that a federal system recognises them for a given time such that participants can stay in the regional one before moving over to the federal one, then regional are a useful starter to a more widespread approach.  David	David
charl42	You seem to favour an approach based on initial "free allocation" to evolve into "full auctioning" eventually. Can you explain with a bit more detail, or by simplified example, how this type of distribution system can evolve in real world situation-- politically, economically?	Hi,  In broad terms, the balance between free allocation and auctioning should be guided by the extent to which the cost of emission allowances can be passed through to product prices. This pass through is desirable because consumers then face some of the environmental costs of their choices. However, it may take time for competition to generate the pass through effect.  This is why we advocate a gradual transition towards auctioning in general. Also, for those sectors that are	Steven

Canada

How can emerging ETS in North America, elsewhere globally, ensure that emissions traded under their schemes are fungible under other schemes?

emission intensive and trade exposed we would also advocate a high share of free allowance allocation until foreign producers face similar climate regulation.

A key objective in creating a global GHG market is to link different emissions management approaches together, thus establishing a single CO2 cost and creating equitable access to the prevailing lowest cost abatement opportunities. In order to link, similar structural elements must exist. Important considerations include:

- Pricing measures -- Price caps and price floors could undermine linking. A price ceiling in one system would effectively flow through to other systems once met, possibly necessitating the need for a trading gateway. This could further complicate system design and operation.

- Penalties -- The penalties for non-compliance must be broadly similar in the linked systems. Each must require environmental make-up of any missed target (i.e. no buy out) in the next compliance period and any fines should be at a similar level.

- Banking and Borrowing -- Provisions for banking and borrowing should be similarly structured. Limits in one system would be bypassed by trading into a system where any limit in place had not been reached.

- Monitoring and Reporting -- The monitoring and reporting guidelines in each trading system should follow similar protocols.

- Linkage and Offset Policies -- Ideally, linked systems should not impose any limits on trade flow (e.g. a limit on the percentage from linked systems that may be offered for compliance).

- Legal - An international set of accounting and verification principles, and common contracts.

- Different approaches to allocation can exist across linked systems. Grandfathering may be offered in one

David

		<p>system vs. auctioning in another. The allocation process does not directly impact trading and price behaviour.</p> <p>The decision to link them is based upon convergence of the CO2 prices within the respective markets.</p>	
Tom	<p>David, thanks for a very interesting overview.</p> <p>What do you see as the relative merits and demerits of an "Emissions Trading System" versus a "Carbon Tax" in creating incentives for GHG reduction? Which do you prefer &amp; why? Thanks</p>	<p>The aim is to ensure an environmental result - namely CO2 reductions to an acceptable level. Cap and Trade allows that environmental objective to be achieved accurately, although the price of CO2 will not be known in advance of setting the regulation. A tax will give a fixed price for CO2, but the environmental objective may not be met.</p> <p>We therefore prefer Cap and Trade, because we support the environmental objective being achieved. Additionally, we believe cap and trade is the most efficient way of adding a CO2 price into the global economy, and ensuring that the cheapest reductions are made first.</p>	Toby
Canada	<p>What role can projects surrounding projects to deliver Reduced Emissions from Deforestation and Degradation in developing nations play under an ETS?</p>	<p>There is a valid role in that a CO2 price can be a real catalyst for action in the land use sector (agriculture, forestry etc.). The challenge is to ensure that projects are clearly defined and that the emission reductions are measurable, reportable and verifiable. A second consideration is to ensure that there is sufficient scale within the cap-and-trade system to take in what could be a very large flow of credits from REDD projects - I think this then plays back to the first point about very clearly defined projects.</p>	David
nick.caumanns	<p>David,</p> <p>do you think the US will adopt the system of distributing allowances to various manufacturing sectors which importers of various products will then have to purchase from those US manufacturers in order to comply with import laws? ie is it potentially a way for a government to cause importers to effectively pay for US manufacturers to upgrade their plants...as happened in the case of</p>	<p>Hi,</p> <p>The so-called problem of "carbon leakage" features prominently in policy debates on design of emission trading systems. Carbon leakage occurs when domestic producers face competition from foreign producers that do not face a similar emissions</p>	Steven

unleaded fuel and is currently happening with refrigerants?

constraint.

The most widely proposed solution to this problem would be to provide emission intensive, trade exposed sectors with a relatively high share of free emission allowances, linked to their production. This helps to keep down the cost differences between domestic and foreign firms until more countries put in place emission trading systems.

Bloomberg

Do you think that projects for tar sands development in Canada will be unprofitable with carbon capture limitations?

The profitability of the Oil Sands operations in Canada are directly related to oil price scenario and energy costs (as gas is used in the process). We don't comment specifically about the oil price and oil price scenarios, although we can tell you that include CO2 cost in our projects planning. We are investigating a carbon capture project called Quest which would involve capturing CO2 at Scotford Upgrader processing units and transporting it to mature oil fields or U/G storage for sequestration, although its too early to comment on how they will impact future profitability of operations.

Gustavo

ccvanya89

How does Shell view regional carbon trading markets in the US in reference to a national program? Are they learning opportunities attracting more financial players as a result or will likely be focused on compliance buying until a national market is created?

I just answered an earlier question on this so if you look down the list you will find it. In the EU two national systems preceded the EU-ETS and both provided useful learning for the eventual implementation of the broader based EU-ETS. But both really operated in compliance mode only and did not attract the broader financial market. Of course, at the time they were running the market knew that the EU-ETS was on its way.

David

Andrew

Should CCS projects be able to qualify for emissions credits under the CDM?

Yes. For example, China, India and South Africa are using more than 80% of the total coal consumption in developing countries; much of this is for electricity consumption. CCS will be an important technology for them to help address CO2 emissions. A CDM funding mechanism to help them adopt this technology will

Tanya

		<p>need to be different than for developed countries. An approach that allows CCS projects to create tradeable CO2 certificates for CO2 stored underground will provide one of the necessary financing mechanisms to allow this technology to be deployed in developing countries.</p>	
Bloomberg	<p>Hello. Could you tell me what carbon price dynamic will be in the future? Also how I can access archives from the morning session?</p>	<p>Easy part first: in a couple of days, the archive from the morning session will be viewable on <a href="http://www.shelldialogues.com/emissions-trading">http://www.shelldialogues.com/emissions-trading</a></p> <p>Now, carbon price dynamics - currently, the price of CO2 is driven by many factors - fundamental supply and demand is initially based on the targets that are set by governments vs predicted emissions for the period. However, as we enter a trading period, many factors will influence CO2 supply and demand, for example economic growth (or decline), weather patterns (e.g. if it is windy in Spain, coal fired generation may be offset by wind power), gas vs coal prices, links to other emissions trading schemes and so on. These are all affecting the CO2 price today in EU.</p>	Toby
Andrew	<p>Why do you include Switzerland and Iceland in your EU ETS map? They're not included are they?</p>	<p>You are correct - so I've been too quick with the Fill tool on PowerPoint.</p>	David
Kent Satterlee	<p>Why would we believe that US consumers would support this approach when it will increase the cost of energy and essentially all commodities which require energy?</p>	<p>Hi,</p> <p>The benefit of reducing greenhouse gas emissions is that we would significantly lower the risks of significantly climate change. Significant reductions can be achieved through energy efficiency gains, which can save consumers money. However, other steps will likely lead to higher consumers costs, including for low carbon electricity and mobility.</p>	Steven
ccvanya89	<p>How likely it is for the US scheme to link into the EU ETS and others given the US clearly wants to lead on its own plan?</p>	<p>Hi, see an answer above for the criteria that are needed to allow linking. The Lieberman-Warner Bill</p>	Tanya

		has provisions to allow for linking. It is in the interests of the USA to allow linking so that the lowest cost ways to reduce CO2 can be found.	
SGiacomo	David, How can "ownership" of carbon emissions or credits be established in a complex transaction where multiple parties, sectors and nations are involved? For example, a KLM flight from Amsterdam to Lagos. Thanks	This question was posed in this morning's web-cast and I answered it there - the full transcript will be back up within a couple of days. But ownership is defined by the legislation that creates the compliance requirement - so in the example you gave KLM would be the owner under the proposals currently being considered in the EU.	David
R Armstead	David, how is international shipping going to be effected by a cap and trade system? In addition to this question, can the entire supply chain of a good fall under a C&T system?	Hi, International shipping is one sector that is being considered for the EU ETS. To date, it has not been included in any cap and trade scheme. There are bodies looking at whether this can be done, i.e. by the International Maritime Organisation. It is possible for the entire supply chain to fall under a C&T scheme - it is being considered in the USA.	Tanya
Deborah	David, I'm curious about Shell's position on the RATE OF CHANGE that's occurring in the world today, in order to make sustainable policy decisions possible. Does Shell feel that change is occurring fast enough in the world to keep global warming from seriously impacting our economies or our way of life? Or is it just impossible to know at this point?	At this point in time the necessary change is not taking place around the world. Emissions are continuing to rise and in the last few years that rise has been accelerating, mainly due to a resurgence in coal use. In addition, we are not improving our energy efficiency fast enough either. So there is plenty more that needs to happen.	David
Christos	How do you envision a mechanism for governments using CO2 taxes from auctioned allowances to invest in renewable energy. Will this be through R&D spending or direct technology subsidies?	One of the principles we support is of "Profit-neutrality" which means allowances are allocated free or auctioned depending on the ability of the sector to recover the marginal allowance cost from the consumer. Full free allocation would take place when the product price is driven by other factors, e.g. international competition, whereas full auctioning would take place when the product price fully embeds the marginal cost of an allowance. "Profit neutrality" pertains to the government as well, in that they should not use the trading system to	Stephen

further boost revenue. Auction revenue has come indirectly from the consumer and should therefore be returned to them, typically through the tax system. Governments, who receive revenues from auctioned allowances, are also encouraged to further support the development of technologies whose objective is for energy efficiency, CO2 reduction technologies e.g. CCS. Governments have various mechanisms in place to direct the funding to meet these objectives and a wide range of institutions and organisations who would be capable to respond to these requests.

Andrew

The UK Government points to the fact that UK CO2 emissions are below their 1990 level. However it can be argued that CO2 emissions have simply been exported from developed countries, chiefly to China, where many manufactured goods are now exported. Therefore, why shouldn't EU importers be required to purchase EU allowances under the emissions trading system? This could even be an efficient way to include emissions from transportation.

Hi,

Steven

You are right to point out that part of the reduction in UK emissions has resulted from the shift in production away from manufacturing and towards services that reflects on ongoing process of structural change found in most industrialised countries. You are also right to suggest that uneven climate regulation between countries can give the unregulated producers a competitive edge. However, for many -- but not all -- sectors emissions costs are a relatively small share of overall production costs.

For those sectors where emissions costs are relatively large, some additional policy measures are required to even out the competitive playing field. One approach could be the border adjustment that you propose. Another is to give emission intensive trade, exposed sectors a relatively high free allocation of free allowances.

Christybgj

Please talk about "grandfathering" in allowable emissions. It seems to be a point of disagreement.

Grandfathering is a word that describes the allocation of emission allowances for free based on historical emission levels for a given facility. It is a useful way to kick-start an emissions trading system, but is not a sustainable approach. As the CO2 price is passed down the value chain into the goods and services

David

provided by the emitter, auctioning will become the main method of allowance distribution.

LM Todd	David, thanks for this overview. You specifically discuss ETS for industrial bodies and state the system is not amenable to CO2 reduction in transportation. What is your reasoning? Could vehicle fleets participate in such a program?	Hi, The reason why we don't think C&T schemes work well for personal transportation, i.e. car users, is that there won't be the link between the holder of the allowance (e.g. the fuel supplier) and the person making the decision about whether to buy allowances or make reductions in CO2 emissions (the car owner). This break in the "make-or-buy" decision making process means that C&T may not be that effective in this sector. Instead, we think policies aimed at car owners, car makers and fuel suppliers would be more effective. The owner of a vehicle fleet would both hold allowances and make decisions about whether to invest in CO2 reductions, so vehicle fleets could participate in an ETS.	Tanya
JanPaul	Should the rules of the WTO (World Trade Organisation) be changed in such a way that products from countries that have not implemented an ETS can be imposed by a "CO2 import tax" ?	Hi,  This is potentially one way forward, but the process of changing WTO rules would likely be very protracted and unlikely to deliver a solution in a timely manner.	Steven
Ufuk	Who will pay for the carbon credits and what will be the price for CO2 in 2020 and in 2050? Thanks!	Currently some Allowances are given out for free by governments, and others are held back and will be sold to participants via auctions. The proportion that is auctioned will increase in the future, and proposed schemes, such as those in US (regional), Australia and New Zealand will look to possibly auction 100%. However, this is not the whole picture - under Kyoto Protocol governments will have to meet targets, which may mean that in some cases governments are accessing the market to buy CO2 directly, either from other governments or directly from companies. So you can, in some cases, see companies competing with governments to purchase CO2 from emissions reduction projects.	Toby

2020 and 2050... I would love to know what the price will be per tCO<sub>2</sub>e! This is obviously difficult to estimate given the lack of clarity on the regulatory environment currently. However, we can say that the CO<sub>2</sub> price in EU (for 2012) has peaked north of EUR32 earlier this year, and estimations for price out to 2020 are currently around EUR40, although analysts' views vary widely. We currently believe that higher prices will be needed to make some of the larger projects economically viable, for example CCS is likely to need a price >EUR40. As this will be a key technology for delivering lower CO<sub>2</sub>, this type of large project will have significant impact on CO<sub>2</sub> price going out to 2020 and beyond. Going to 2050 - who knows? Too many variables to make a prediction of any meaning for CO<sub>2</sub> price.

Paul Lynch      Who should be responsible for ensuring that emitters really make the carbon reductions required to stay within their allocation in a cap and trade scheme?

The competent authority in each local government who receives the details of each installations emissions would be responsible to check level against the cap. They have the capability to visit / audit installations if required and they will also have an increasing database of historical emissions to be able to cross check.

Stephen

Estephan      The first phase of the EU-ETS led to severe underpricing and failure to meet targets in large part because of overallocation and free allowances. As a result of this lesson learned many RGGI states are auctioning all or most of their allowances. Why not let the market speak in establishing the initial price through auctioning from the very beginning?

Just to be clear first up, the EU-ETS did not fail to meet targets, end of period emissions were at or below the targeted levels. That being said, there was an over supply of allowances in the system. What has been recognised in the RGGI system, partly as a result of learning in the EU-ETS, is that the power sector can pass the CO<sub>2</sub> price along the value chain faster than many other sectors, which means that there is a case for auctioning allowances at a much earlier stage in the life of the system. However, this is not true for all sectors. Where it takes longer to pass through the CO<sub>2</sub> price or it isn't possible then the case for auctioning is reduced or isn't there at all.

David

rdinnage	David, Do you have a view on the import limits for Phase III of the EU ETS on UN project-based credits [CERs/ERUs]? Should the import limits be raised from the current average of 14%?	We support the increase/removal of import limits on CERs/ERUs, as we believe that these mechanisms encourage the cheapest reductions to be made across the global economy.	Toby
estephan	How does a global company such as Shell deal with its emissions being regulated in Europe and not regulated at most points of extraction or in the US? Does this pose coordination and accounting difficulties?	Hi, In short, no. Shell considers that a key policy to address climate change will be the development of C&T schemes in all countries where we operate. So our expectation is that even where we are not currently regulated, we will be in the future. Shell is used to coordinating internally the approach to many different regulatory and environmental requirements across the 110 countries in which we operate.	Tanya
Kent Satterlee	Carbon cap and trade legislation must be accomplished country by country. Why would we expect the US government to implement a policy which increases cost to the consumer which would have no potential environmental benefit unless all countries participate in CO2 reductions?	Hi,  The way forward on this will require a high degree of global cooperation. The broad principle of the UN framework that governs the international negotiations is shared but differentiated responsibilities. In simple terms, this means that industrial countries would move first to regulate and reduce emissions and that developing countries would follow in time consistent with their development progress. The challenge will be to create a framework that makes this sequence of steps credible.	Steven
Will Bigelow	How are CO2 emissions or credits quantified? Is there a governing body that certifies a factory's or project's consumption/reduction each year?	In the initial phase of a scheme each installation would have to have its emissions verified by the competent authority in the country. Annually the factory would have to report its emissions to the same authority that has the capability to visit / audit.	Stephen
JOSE	From Shell Venezuela. Doubling the concentration of CO2 in a greenhouse can increase tomato production by 25%, and in the Netherlands growers run their natural gas heaters in summer expressly to boost CO2 levels. In 2005 the Pernis refinery, spotting the opportunity to turn their CO2 into a	This is a niche opportunity for using CO2 and is not really scalable to the very large reduction requirements needed to stabilise atmospheric CO2 at an acceptable level. That being said, this project still makes a difference in	David

useful resource, began capturing the CO2 produced from its hydrogen-making plant for supply to local farmers. Question: How feasible it is to introduce this project, or similar ones, in a largest scale?.

our Pernis Refinery and for the growers in the Rotterdam area. If such opportunities exist we should take them, but the really big reductions lie with technologies such as CCS.

Christybg

Back to the subject of giving away allowances vs. auctioning (initially). Do you think that auctioning will protect consumers by ensuring that the value generated by limiting global warming pollution goes to people and not polluters? Is it true that the European experience with emissions trading has shown that regulated entities will charge consumers the value of an allowance whenever possible, regardless of how it was acquired, leading to massive windfalls at the expense of consumers?

Hi,

Steven

We think that there should be a gradual transition towards auctioning for the initial allocation of allowances for the reasons you set out. We also think that proceeds from auctioning should be returned to consumers, preferably through reduction in other taxes. For example, the proceeds could be used to increase the income tax exemption or lower the basic rate of income tax. This approach would target support for low income households.

Stafets

You mentioned that carbon trading would not be an efficient process for real estate. Couldn't a corporate real estate portfolio strategies be integrated into the overall goal of a corporation for reducing it's carbon footprint? Couldn't the carbon savings within this real estate portfolio be traded on the market?

Hello, Shell is working now to find ways to reduce its carbon footprint across its real estate portfolio as part of our CO2 strategy. The question is whether a C&T scheme is the best regulatory approach to incentivise this. Most of emissions from real estate are associated with electricity use. Electricity is already covered by emissions trading in the EU. Other approaches to real estate can be strengthening building and appliance energy efficiency standards. The EU has introduced legislation that requires building owners to have an energy efficiency rating done on new or refurbished buildings, to encourage best practice.

Tanya

Ufuk

David. You spoke about Global Competition Issues. If other regions do not introduce a trading scheme or end up with a different scheme which has a different price as a result, the European companies will have a disadvantage. So what is your suggestion to prevent this from happening? Will you sell all of your refineries in Europe and move them to some other "cheaper" region? Will the European workers have to worry for their jobs? Thanks a lot.

Hi,

Steven

For emission intensive, trade exposed sectors such as refining we would advocate that these sectors be given a relatively high share of their allowances for free until the foreign producers with whom they compete face a similar regulation.

2005rd	<p>David, thanks for your presentation, following which I have two questions:</p> <p>1) How is our advocacy to governments (which ones?) linked with clear milestones in the run-up to Copenhagen in Dec 2009?</p> <p>2) How are the energy industries co-ordinating their message to governments in order to achieve convergence of views? (ie, energy providers on one hand and main industrial emitters, on the other hand, the latter being concerned with maintaining their competitiveness)</p>	<p>We are working at both national and international level to achieve our advocacy goals. At the national level this includes entering into the national discussion on tools such as emissions trading, which we are doing in the USA, EU, Australia and NZ. At the international level, we are seeking different objectives, such as the recognition of CCS within the Clean Development Mechanism and the use of sectoral approaches as a pathway to real action in developing countries.</p> <p>We work through organisations such as the World Business Council for Sustainable Development and the International Emissions Trading Association to take our views into forums such as the UNFCCC. Through such associations, we have to reach a shared view with a wide variety of industries.</p>	David
Andrew	<p>Should emission performance standards be introduced for power stations?</p>	<p>No, we think emissions trading is the better approach to manage emissions in the large industrial and power generation sectors.</p>	David
LizaB	<p>How does something like the Chicago Climate Exchange pay into this process?</p>	<p>CCX and other Exchanges provide a pooling of liquidity in a market as many companies may be looking at and trading on the same exchange. They allow companies to manage credit exposure/ contractual obligations with a single entity - the exchange - something which is quite attractive in today's economic climate. Also, the price of CO2 on an exchange is transparent, which helps give confidence in the current market price.</p>	Toby
David	<p>I think you need to be a lot clearer in spelling out the potential savings of ETS to consumers, if you are really going to get the political support you need.</p>	<p>Hi,</p> <p>Political support for climate policies must come from the widely shared understanding that uncontrolled greenhouse gas emissions pose an unacceptable risk to the earth's climate and that reducing emissions will be costly. It would be misleading to say that an ETS would lower costs to consumers. That being said, the</p>	Steven

schemes can be designed in such a way so as to recycle much of the emission allowance costs back to consumers through tax cuts and other measures.

Jill Feblowitz

I have been looking at information technology needed to support carbon trading. From what I've learned, in markets such as the EU ETS, existing energy trading and risk management systems have modules for transacting that support carbon trading. There is still a very low penetration of analytics that allow a company to gauge its position in the carbon market. At this point, most of the management and reconciliation of carbon emissions is done through environmental health and safety applications. Reconciliation is done on an annual basis. But I haven't seen any systems so far that take into account carbon offsets. Do you foresee that there will be more frequent reconciliation? Or that companies that participate in the carbon market will need to have real-time visibility to their carbon position?

The range of tools available to manage emissions and compliance within an ETS is growing rapidly. In addition, many companies have developed in-house software to do this job, which of course you wouldn't see in the market.

David

I don't think that companies will need real time visibility of emissions, but as the market grows and becomes more complex, the traders will need increasingly up-to-date access to expected changes in emissions profiles - e.g. the timing of a shutdown in a refinery. A decision to move it from December to January by the refinery manager could be quite important from a compliance and market exposure perspective and the sooner the traders know about this the better. So good information systems and models will be important.

Neno

The absence of federal greenhouse gas (GHG) regulation in the United States has not diminished the importance of businesses assessing their impact on global climate change. Growing concern among shareholder and investor groups has motivated many organizations to quantify their greenhouse (GHG) emissions and commit to GHG reductions. Accurate quantification and detailed documentation of GHG emissions is critical for these programs to succeed, yet companies are doing very little to demonstrate they are serious about it. A robust computing platforms and databases are still in its infancy and most companies rely on spreadsheets to manage GHG data. Establishing a comprehensive corporate GHG inventory is an important first step in developing a climate change strategy. Due to the lack of investment in database technologies, conducting even a baseline corporate GHG inventory can be a challenging process, particularly with respect to data gathering and data validation. Empirical formulas currently used will simply not work on the long term.

We have comprehensive management information systems which we use to maintain records of emissions from our facilities. These systems enable us to provide consolidated data externally in the Shell Sustainability Report and the Carbon Disclosure Project both of which are available online

Stephen

Christybgj	<p>Current data management chaos need to be addressed. Can you comment what Shell is doing on the subject of information management when it comes to organizing and managing its GHG data?</p> <p>To follow-up on your answer to estephan's question re: first phase of the EU-ETS, can you please give some examples from your answer: "Where it takes longer to pass through the CO2 price or it isn't possible then the case for auctioning is reduced or isn't there at all."</p> <p>You said in your videocast that the price travels rapidly through the electricity sector and that consumers were impacted immediately. But other markets could be slow. What are examples of other markets? And why do you think it is slow?</p>	<p>Hi,</p> <p>There are many empirical studies on precisely this issue. It appears from these studies that the cost pass through was relatively quick and complete in the electric power sector. But even on this point there is a range of findings. For other sectors, there has yet to be a significant body of evidence developed, but work is underway.</p> <p>Our view is based on both an understanding of the basic economic principles involved and a cautious approach towards waiting for further evidence to guide the evolution of policy in this area.</p>	Steven
fwitchger	<p>Why is Shell against a price cap and price floor? In the early phases of a stringent C&amp;T/ETS, sustained high allowance prices, with a high cost pass through to consumers would likely create backlash against the policy. Wouldn't it be important to set some reasonable bounds on CO2 prices?</p>	<p>The concern is that a price cap or price floor will not allow the market to discover the correct price for CO2 within a scheme, and will prevent the environmental objective from being achieved. The focus needs to be on ensuring that targets and allocations are set appropriately, with 'safety valves' included by allowing the scheme to link to other schemes around the world, or to allow the importing of offsets, thereby potentially giving access to buyers to cheaper reductions elsewhere.</p>	Toby
David	<p>Hi David</p> <p>The 'scientific' and economic benefits of the system are neatly explained in your presentation. But - as Steve hints in the first question above - the problem is really a political one. At the TUC conference yesterday, speaker after speaker demanded a Windfall Tax on the oil companies. How can you make Emissions Trading equally sexy, how can we dramatise the benefits to the man in the street, who would - quite frankly - prefer an energy rebate?</p>	<p>Good question - in terms of getting the man on the street interested, I don't think they are really going to be interested until a broad international agreement is hammered out. Just look at how much media attention Bali drew at end 2007. It is important to continue to keep profile on these large scale political events, and to focus on some of the publicly palatable benefits such as CDM investments.</p>	Toby
Christybgj	<p>If, as you stated in the videocast, that offsets are an</p>	<p>Not very - they simply become a voluntary tool,</p>	Toby

important part of an ETS - how effective do you think offsets are without an ETS in place?

which will deliver some emissions reductions, but will not deliver the wholesale investment in offsetting projects that arises when targets are placed on companies or governments.