CHEAP CARBON IN THE EU ETS AND GEENING IN ECONOMY

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Abstract. The European Emissions Trading System (EU ETS) is one of the EU's flagship measures in the battle against climate change.The principle is simple by putting a price on carbon emissions and introducing scarcy into the market,the system gives large-scale emitters an incentive to lower their emissions. But carbon has traded at prices below predicted levels for the past year,prompting the question:is the system still effective?

1.INTRODUCTION

The price of allowances in the EU ETS has declinrd substantially since July 2008.
For most of 2008, carbon traded at around 25 euro a tonne, but the prince plummeted in February this year,bottoming out at 8 euro a tonne.
By mid-March it had recovered to 12 euro and a gradual rise continued as the summer approached,climbing to 14 euro in July.
The environmental outcome of the EU ETS is defined by its overall cap, and is not related to prices on the carbon market.

Fig.1- Havy carbon emission plant in EU.

2. THE LOW PRICE

Analysts concluded that the fall in value came about as companies sold what they considered to be surplus, allowances.Le allowances they would not need for compliance with the EU ETS.

The result, in short, of economic expectations revised in the light of the current economic crisis.Selling allowances can be a short-term solution to overcoming cash constraints, improving balance sheets for 2008/2009.
But that fllurry of selling seems to have come to an end as the share of spot trades for immediate delivery has declined, there has been a consequent increase in the share of forward contacts for delivery in December 2009,2010 .
Companies are hedging against future price developments rather than simply cashing in due to the crisis
A carbon tax is a blunt instrument that pays no heed to prevailling economic conditions.
A carbon market, on the other hand, is a flexible tool,and adapts the costs of achieving a given environmenttal objective to the prevailing financial circumstances,in a shrinking market, where market shares can often only be maintained by declining profit margins emitting CO_2 becomes cheaper and contributes to alleviating the overall economic challenges.In a buoyant market,companies, are able to pay more for emitting CO_2.
The market option therefore also brings an element of economic stabilisation,which is not the case with a rigid carbon tax.

3. LONG-TERM GOALS

The environmental outcome of the EU ETS is defined by its overall cap, and is not related to prices on the carbon market.
By 2020, that cap will ensure that emissions are squeezed 21% below their 2995 levels.Of themselves, low carbon prices do not therefore affect the environmental outcome of the EU ETS.
In principle, the price level could effect the rate of investment in abatement measures,with a lower allowance price giving companies fewer incentives to invest,as fewer investments turs out to be economically viable or justified.
But investment decisions are not usually based on short term expectations.
For this reason, the current low price should not have a strong or remarkable effect overall investment strategies,although some investment decisions may postponed until until the end of the recession is in sight.

4.GEENING IN THE ECONOMY INITIATIVE

Climate change,environmental destruction and poverty often seem like insurmountable problems.Yet all could be tackled successfully, according to experts gathered at Green Week to imagine the word in 2050.Solutions include the rapid shift to a low or nogrowth economy, reducing population growth, and encouraging people to adopt a fully sustainable lifestyle.
In two Greening our economy session ,speakers,from different economic and environment backgrounds explored the multiple challenges fac humanity.They broadly agreed on the need to recognise that we live in a word of finite resources and that we cannot go on living as we do today.
”The ecological footprint already exceeds Earth’s regenerative capacity and our demands on this planet have doubled over the last 40 years”,noted Division of Technology. Industry and Economics ,Un Environment Programme (UNEP).
He called for a “transformative change” to the economy and society, before highlighting examples being explored in UNEP’s. Green Economy Initiative, which makes the economic case for greening economies.
Doing this would create millions of “new and decent jobs”and better enable us to meet environmental challenges such as carbon dependency, ecosyste degradation and water scarcity.It would also help to reduce poverty.

The current economic crisis is also a great opportunity to rethink our economy, he added.
For example, just a small fraction of the more than three trillion euro that governments recently ploughed into the global economy to stave off the crisis would pay huge dividends if it had been invested in renewable energy.
Renewables were also a key priority for Jakob von Uexküll, founder of the Wold future Council .He said the word seems finally to be coming to terms with the fact that there are "limits to growth",a theory developed four decades ago by The Club of Rome about the dangers of exponential population growth on a planet with finite resources.
In von Uexküll's vision of "renewable world" in 2050,changes would have to be made to every aspect of our lives.
The four main areas where these must be made are renewable energy, product and waste management through circular production systems,green jobs, and sustainable economic and financial systems that preserve real wealth.

5.RUSH FOR RENEWABLES

However, the "core" of his vision is a renewable word with 100% energy supply from renewable resources.
This would include a wide mix of renewable energy technologies, the use of fuel cells and bio-fuels from waste for transport, and the use of new energy storage technologies and smart grids. He also advocated sourcing as much electricity as possible from local renewable.
The switch from fossil to renewable would change our lives and society in many positive ways, said von Uexküll.The chief benefits include "slowing down climate chaos „and reducing air pollution.
Countries would also no longer need to compete for oil and gas resources, which are behind many of today's conflicts. But he warned this would only happen if there were a "decisive switch to large-scale renewable energy".
Society would also need to engage in a "revolution in our production and waste system and mentality".
The throwaway society would disappear with cradle-to-cradle design systems allowing almost all waste or used materials to be fully used again.
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He added that the millions of new green jobs created in sectors from energy efficiency to sustainable agriculture to manufacturing would also spur positive behavioral change that would in turn lead to cultural change. People would haply become "sustainable consumers „preferring life quality with fewer resources to a world of ever-expanding consumer choice.

Fig.2. Traditional use of wind energy

Fig.3. New technology using wind energy.

6. CHANGING THE GDP INDICATOR

Several speakers thought that GDP (gross domestic product)-now the main indicator for economic progress- would be replaced by other indicators by 2050.
Among them was Dr Arnold Tukker, Program Manager SCOREL TNO, who also highlighted new research that emphasizes the difficulty of maintaining our current living standards without making severe changes.
He noted that in order to have a "fair and socially just" world by 2050-yet one in which people in rich countries maintain their relatively high wage levels-the world's economy would need to be around 5200 trillion.
That is four times its current level. We would have to decarbonizes and dematerialize the economy by a factor of 10, so as to ensure lower levels of CO'_2 and resources use.
Practically speaking this would involve major changes in consumption, production and the way the economy functions. On the consumption side we should expect changes in food, mobility, housing, and energy-using products: together they account for around three quarters of the lifecycle impacts of our economy.
Manufacturers and products would also need to be far more energy efficient.
One researches man from York University Canada, who said that natural systems must be embedded in the economy.
He argued that reducing economic growth may make it easier to meet targets such as lower greenhouse gases and that even leading capitalist economists are coming round to this view. He concluded by suggesting we want a better future by design, rather than one governed by reactions to disaster.

7. POPULATION ALSO A FACTOR

The President of the International Union for Conservation of Nature, argued for a reduction in the rate of population growth.
This would help address, the two major global challenges of poverty and a deteriorating environment.
He recommended "energy transfers" to poor countries through the provision of more renewable.
When people have more energy available at home or elsewhere, their behavior changes enormously, because they are offered more job and education opportunities.

8. TACKLING DEFORESTATION

The EU is recommending a three-step approach to be phased in over the coming years.
The initial readiness phase is already under way, and the basic infrastructure for forest inventories to address deforestation emissions on a national scale is being put in place.
Concrete policies and strategies that have an impact on the emissions from the forest sector will then be brought in, with measures for forest governance, land tenue reforms, and forest law enforcement.
The third stage should include an incentive mechanism to reward performance, with verified national reference levels for emissions from deforestation, and financial incentives for countries that manage to reduce their emissions below a reference level.
As the December conference approaches, one thing becomes ever clearer.
Climate change is already a painful reality in some of the world's poorest countries, and funds are needed to start adapting immediately.
In parts of Africa the temperature has already, risen by 2º, with dramatic consequences for agriculture.
According to our estimations to our estimations, the extra cost of mitigating and adapting to climate change in the developing to climate change in the developing world will total 100 billion euro a year by 2020, and the EU has reached internal agreement about how the money should be found.
A contribution will be needed from all, but the poorest must be the first recipients.
The short-term needs are already there. That is way why the EU is aiming to secure a deal that puts in place fast-start financing in the range of 5 euro to 7 billion euro annually over the-next three years, to kick in next year and allow for early action. It is too late to play a waiting game.

9. CONCLUSIONS

Better-educated women also choose to have fewer babies, which ultimately mean less poverty and reduced use of resources. He estimates that a woman who has two fewer babies will result in carbon savings of some 1700euro.
Moreover, energy transfer from richer to poorer countries could cut the global population from a predicted nine to seven billion by 2050.
The debate ended with optimism about international level talks to get global recognition for green economy policy.
But speakers warned that while individual may readily adapt to the lifestyle changes required of us all by 2050, our institutions might be more reluctant to do the same.
The revised ETS Directive now in place sets an EU-wide cap for more than 12 year an EU-wide cap for more than 12 years, with a linear reduction factor being applied every year .Through research and observation, ecology have found that the succession patterns in different stages usually display common characteristics.First,about changes in the plants and animal.
Second, organic matter increases from stage. Finally, as each stage progresses, there is a tendency toward greater stability or persistence.
Remember succession is usually predictable. This is the case unless human interfere.
This increased regulatory stability and predictability provides an investment-friendly environment.
With an increasingly stringent cap in place from 2013 onwards, the carbon price is expected to rise, triggering renewed investment in abatement measures.

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