

**“Living Planet” interview with Janos Pasztor  
28 April 2006**

**Deutsche Welle (DW): Can you give me an idea what sort of growth the carbon market is experiencing at the moment and how it's looking for the future?**

*Janos Pasztor (JP): Well, we started a few years ago with a carbon market that was worth zero, maybe about two years ago – something like that – and we now have, as of the end of 2005, we have a carbon market that is worth about 10 billion Euros. So that's a big growth. Now, how do we expect this to grow into the future? It's very difficult to predict, but what is important is that the markets, the carbon markets, are very much influenced at this stage by what governments are saying about the future of their commitments and, as you may know, right now we are in the process of having a dialogue and discussions about how the future after the Kyoto Protocol's first commitment period will evolve and these signals that come out of those negotiations – discussions and negotiations – will have impacts on that market.*

**DW: So are the sounds that governments are making, are they mainly positive?**

*JP: We had a very big conference, the United Nations Climate Change Conference in Montreal last December in 2005, and at that conference, some decisions were made that had given positive signals to the market. Maybe not as conclusive as some people would have liked them to be, but nevertheless positive. Now what's important is that these negotiations that continue, they will continue to send further positive signals.*

**DW: The Kyoto Protocol doesn't only allow emissions trading, it also allows industrialized countries to invest in clean technologies in developing countries and thereby earn emissions credits. Can you tell me which countries this is actually happening in at the moment, and a little bit about the kind of projects that are happening?**

*JP: As of today, we have 166 registered projects under the clean development mechanism and approximately a quarter of these are in Brazil; a little bit less, but also about a quarter in India; and somewhat less – about 14% – in China. These are the three largest countries in terms of the number of projects. If you look at the same, but by the amount of greenhouse gas reductions, then the numbers are slightly different. Then, China is at the top, about 30% of the emissions reduced; followed by Brazil 20%; and followed by [Republic of] Korea, also about 20%. In some of these cases, there are some very small projects, and some very big projects; for example, the largest project up to date is a project in China, the Shandong HFC23 – that's [a] hydro fluorocarbons decomposition plant – that by itself produces 10 million tonnes per year of emissions reductions - that's a very big project.*

**DW: Tell me a little bit about China, because I think China is known for being a serious polluter and has the potential to pollute even more, but obviously there seems to be a willingness to comply here. Is it a positive thing that China seems to be working with this idea?**

*JP: As you may be aware, under the Convention or under the Kyoto Protocol, China, as other developing countries, they don't have specific commitments to reduce greenhouse gases. At the same time, China – as many other developing countries have been putting in place a number of policies and measures to reduce the growth in their emissions, while making sure that their economies grow. Obviously, they are quite poor countries when it comes to per capita GNP levels and they need to be able to grow to pull people out of poverty; so growth is there, it has to be there. But they have put in place many policies, for example, energy efficiency policies, efficient auto emissions standards, much more so than some of the highly industrialized countries. So they are very conscious of this situation and they are doing the best they can to ensure that their emissions are growing as slowly as possible.*

**DW: The Kyoto Protocol also allows industrialized countries to invest in clean technologies in other industrialized countries and so earn emissions credits. Can you explain a little bit about how this works and whether this is actually a successful idea at all?**

*JP: Yes, indeed, there is a possibility for what is called the joint implementation – JI – between industrialized countries within the Kyoto Protocol, and it is perfectly possible for investors, project participants, with funding from a richer industrialized country to go to a less rich or – not necessarily less rich – another industrialized country and do an investment that produces reduction in greenhouse gases. Up til now, most of these developments have been in countries that are part of what used to be called Central and Eastern Europe. The potential JI countries, the potential countries where such possibilities exist are Russia, the Ukraine, but there are also projects in Bulgaria, Hungary and so on.*

**DW: Under the Kyoto Protocol, industrialized countries have to reduce their greenhouse emissions at home. To what extent are they making use of the Kyoto mechanisms - emissions trading, for example, the clean development mechanism, to actually reach these emission reductions objectives?**

*JP: The original agreement behind the Protocol was that these mechanisms would be supplementary to efforts at home, at the national level. Now if it's supplementary it would mean that less than half...something like that, but it was never defined. It's politically difficult to define such a number and, in fact, most countries have not yet said what would be their objective. Generally, it appears that many countries would be close to that half, but we expect that later on this year, in particular the EU countries will be publicly saying what is their intention in terms of their percentage, or approximate percentage of how much the mechanisms would be used.*

**DW: The growth in the emission trading market has been very strong, but it's been compared to the "dot-com" boom of the 1990's, so do you think that there's a danger that this market could also overheat, grow very strongly, overheat, and then the bubble could burst?**

*JP: I wouldn't think that it's a good idea to compare it to the "dot-com" boom because that was very much fueled by speculation, real speculation, and I don't think that we have that situation here. But as I mentioned earlier, it's still an immature market and you do expect fluctuations, as we have seen in the last couple of days and they will continue, both in the short term and perhaps somewhat longer term. But what is important is that the markets respond to the political signals and in this case, the political signals come out of what happens in our negotiations or what don't [sic] happen in those negotiations. And all of those feed into the market and it can go up and down. Also, some important factors are not part of the market: for example, the United States at present is not part of the market that was originally planned in Kyoto. So these things all add up to give us some complexity and unpredictability.*

**DW: During the talks in Bonn in May, countries are going to put forward proposals about how to use other market-based mechanisms to combat climate change. Can you tell me a little about what these other types of mechanisms might look like?**

*JP: Well, it's important just to recall that these talks are really the follow-up to what happened in Montreal at the end of last year, where countries have decided on these two major tracks of discussion. One is a dialogue including all the Parties, including the United States, under the Convention and another set of negotiations under the Kyoto Protocol to look at the future. And it's in that context that you will expect that Parties will come and provide some ideas, not yet concrete proposals because these are not yet ... negotiations but just ideas of what could be possible ways forward. Now one of the areas that countries will be looking at is precisely market-based mechanisms and whether there is a way to move forward with the existing ones or whether there are some other new ones. For example, we have the CDM – the clean development mechanism – and a number of Parties have said that maybe what could envisage is modified CDM such as covering sectors or others have called for "programmatic CDM" where instead of looking at specific projects, you would look at programmes, such as energy efficiency programmes for a country and the proponents of these feel that this would engage much more countries in the CDM process. These are, of course...the ideas are fine but there are many methodological questions, many technical questions that would still need to be worked out before all Parties would share that. But we look forward to hearing many of these proposals and let's hope that some of those will become reality.*

**DW: And finally, could you tell me to what extent new market-based mechanisms could encourage countries like the U.S., which is the world's largest polluter, also very fast developing countries like China and India to sign up to the type of reduction commitments that experts are saying, "look, this is what we really need"?**

*JP: Well they might be encouraged, but let's not forget that even during the negotiation on the Kyoto Protocol, originally the idea of having the market-based mechanisms came from the United States, and they were included after initial opposition by many other countries and they were included nevertheless the United States decided it was not a possibility to go along with the Protocol, so if we have some additional market-based mechanisms, that would not necessarily guarantee that countries like the United States, Australia would be able to join. But nevertheless, it might help.*