

End of US carbon trading looms

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The owner of the US's only nationwide cap-and-trade market has signalled the death of the seven-year-old industry, saying companies were no longer interested in trading carbon emissions credits in the absence of government legislation.

IntercontinentalExchange, the US futures exchange group, in July bought UK-listed Climate Exchange, operator of the European Climate Exchange – which trades CO2 allowances as part of the mandatory European Union Emissions Trading Scheme – as well as the Chicago Climate Exchange and the Chicago Climate Futures Exchange.

Although CCX's market is voluntary, since launching in 2003 it attracted large US companies such as Ford, Bank of America, Cargill, IBM and Intel. Members made a voluntary but legally binding commitment to meet greenhouse gas emission reduction targets either by cutting emissions or by buying emissions permits sold by members.

The business depended on the notion that the US would impose carbon emissions caps on companies and give its blessing to a market for trading credits, turning CCX's voluntary trading into a mandatory market.

However, Senate Democrats over the summer abandoned a push for cap-and-trade legislation. With Republicans expected to register big gains in Tuesday's midterm elections, prospects for legislation look more remote than they have for several years.

Jeff Sprecher, ICE chief executive, said he remained bullish on emissions trading in Europe, where ECX is profitable. However, he signalled the death of the industry in the US, where cap-and-trade is a lossmaking business.

"The voluntary market that was created has an expiration date of the end of this year in it," Mr Sprecher said. "The bulk of the users have said to us that they really don't want to continue to trade voluntarily in the absence of any credit for their work by the current administration."

He made the remarks as ICE reported third-quarter profits ahead of Wall Street's expectations, although its projections for revenues from clearing credit default swaps came in below analysts' forecasts.

The company earned a net profit of \$96m or \$1.29 per share in the quarter, up from \$87m or \$1.18 per share in the same period a year ago.

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