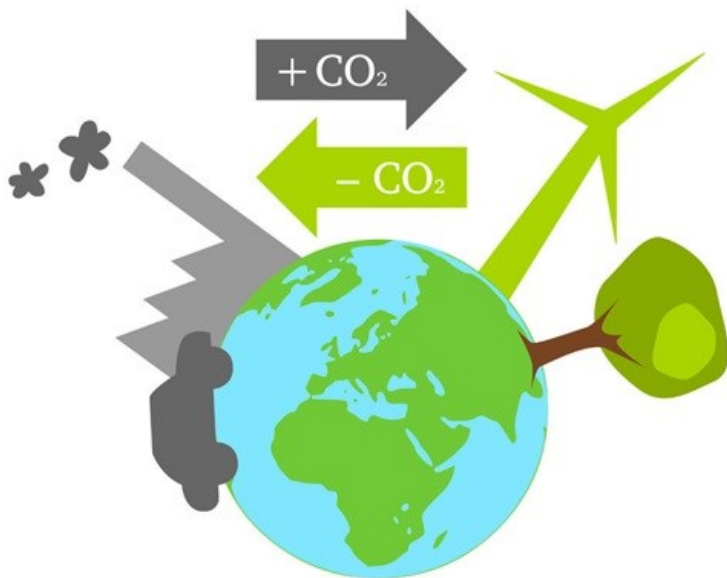


SA ready for trading of carbon offsets

Promethium Carbon recently demonstrated the market readiness for the trading of carbon offsets in South Africa on the Johannesburg Stock Exchange (JSE).



© Anke Goodwin - 123RF.com

The system was created within the context of the proposed carbon tax and carbon budgeting systems contained in the draft Carbon Offsets Paper of April 2014 and was the culmination of three years of work by the three organisations, funded by the British High Commission in Pretoria.

The trading demonstration showcased the applicability, functionality, utility and readiness of the well-established commercial and financial electronic infrastructure provided by Silocerts (a South African private sector commodity registry) and the JSE as a potential platform for the exchange of carbon offsets in South Africa.

"The demonstration shows that the required infrastructure to trade carbon exists in South Africa. The research programme was funded by the British High Commission in Pretoria through the Prosperity Fund," Robbie Louw, a director of Promethium Carbon, said.

Issued credits traded

Carbon offset credits that have already been issued by the eligible standards, and which come from projects implemented inside of South Africa, were traded as part of the demonstration. The trades were executed on an over-the-counter basis, and the credits were used for the voluntary offset of carbon emissions by participating corporate entities. All trades were then mirrored in a testing environment in both Silocerts and the JSE, indicating how these trades would look in the event of them being performed live on these two platforms.

"Our experience in operating a number of markets providing trading and clearing services gave us the opportunity to test what it would take to include carbon credits into our diversified product range," Nicky Newton-King, CEO of the JSE commented. "I am pleased with the flexibility of our systems to deliver this. We do recognise, however, that as this is a new product, we require support from our Registrar in terms of defining carbon credits within the Financial Markets Act."

Outcome of research

Louw said the outcome of this research confirms that a trading system could be made operational within the same time frames as the proposed carbon tax. The required infrastructure is already available and sufficient to:

- guarantee the environmental integrity of the offset system;
- guarantee the national appropriateness of the offsets within the context of the proposed SA carbon tax system; and
- guarantee the financial integrity of the trading system.

"Market readiness for carbon trading is relevant within the South African context as developing government policy, with respect to both carbon tax and carbon budgets, allow for the potential use of offsets to mitigate the carbon liability of emitters. The successful development of a carbon market will result in significant benefits to the domestic economy with respect to green growth, green job creation and climate change mitigation," Louw said.

"This demonstration is an important step toward the South African government's goal to reduce carbon emissions. Building on the UK's experience in carbon offset trading, we look forward to continuing our partnership with government, business and civil society to help South Africa develop a sustainable and prosperous economy and contribute to global action against climate change," British High Commissioner to South Africa, Judith Macgregor, said.

For more, visit: <https://www.bizcommunity.com>