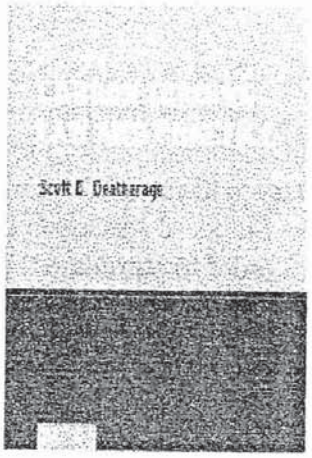
Book Review

CARBON TRADING LAW AND PRACTICE

Reviewer : Anita Permatasari
Number of page : 299 pages
Author : Scott D. Deatherage
Publisher : Oxford University Press, 2011



Carbon trading is a trading of greenhouse gas emission allowances needed in jurisdictions that require they be submitted by regulated entities for each ton of greenhouse gases emitted under a regulatory program, or, alternatively off sets from reducing greenhouse gas emissions, whether under a mandatory regulatory system or a voluntary program. This term is used since the famous Kyoto Protocol was signed in the Third Conference of The Parties (COP 3) to the United Nations Framework Convention on Climate Change (UNFCCC) in Kyoto, Japan. To understand the concept of the Carbon Trading, one first has to understand the basic science underlying the concern with climate change. This book helps us to understand the very first step of the Climate Change Negotiation, including the basic science of the climate change.

At the very beginning, this book guides us to the historical treaty making of the climate change, from the report made by the Intergovernmental Panel on Climate Change (IPCC), the establishment of the UNFCCC in the 1992 Earth Summit until the decision made at the COP 15 Cancun, related to the Carbon Trading. In addition to the international regulation on climate change, the writer also describe the national regulations behind carbon trading in several countries. It helps

us to understand the carbon trading mechanism outside the UNFCCC system, such as the bilateral offset made by Japan and the local Emission Trading Scheme (ETS), one of the famous yet controversial is the European Union Emission Trading Scheme (EU ETS), as the criticism over the CDM arises with regard to the methodologies.

This book is intended to provide an explanation of how environmental markets can be used to reduce the costs of greenhouse gas regulation. This book also reviews the regulatory systems that have emerged and continue to emerge to address climate change and greenhouse gas emissions. It also tried to explore what are the emission markets, and how they evolved and then were applied to greenhouse gas emissions as a fundamental background. The challenges of the existing programs of the Kyoto Protocol and the United Nations' implementation of the offset programs are discussed.

Beside the market based finance created in the Climate Change Negotiation's system, this book also explored other financial mechanism such as the carbon project development and the carbon finance. Furthermore, the writer also explained the voluntary market of the carbon assessed and issued by the Voluntary Carbon Standard Association (VCSA). The incentives from the government in order to stimulate the carbon projects are discussed as well, where renewable energy and energy efficiency receive much of these incentives, but other activities such as carbon capture and storage and the land used based projects are also explained.

Other parts of the Carbon Trading Mechanisms which are also crucial are the "commodity" and the accounting system of the credits. The writer perfectly described various types of the "commodity" of the carbon trading such as Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) regulated by the Kyoto Protocol. Moreover, the accounting system for greenhouse gas emissions and carbon credits that has become a significant issue for stakeholders has been described in this book. The accounting system is described as the process of measuring the Greenhouse Gases (GHGs) which normally will be issued and traded as the final step in the carbon trading system.

Carbon credits and emission markets as a means of addressing climate change and greenhouse gas emissions appear to be a fixture in

current and future economies. The extent of the application of emission markets to greenhouse gas emissions appears to be growing as the Second Commitment Period Kyoto Protocol will be continued until the year of 2020. It is also important to underline the process outside the Kyoto Protocol namely the Long-term Cooperative Action under the Convention decided at the COP 13 in Bali. This process is still convened in order to create various approaches outside the flexible mechanisms under the Kyoto Protocol.

The last part that remains as the most important part in the carbon trading is the existence of national legislatures which will determine to what extent these programs expand around the globe. Thus, this book will be a perfect gateway to those who are looking for a fundamental understanding of carbon trading law and business.