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# Friends of the Earth attacks carbon trading

An FoE report says 'cap and trade' carbon markets have done little to reduce emissions but have been plagued by corruption and inefficiency

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The world's carbon trading markets growing complexity threatens another "sub-prime" style financial crisis that could again destabilise the global economy, campaigners warn today.

In a new report, Friends of the Earth says that to date "cap and trade" carbon markets have done almost nothing to reduce emissions but have been plagued by inefficiency and corruption that render them unfit for purpose.

As the world heads towards the Copenhagen climate summit, Britain and other developed countries want to see carbon trading expanded worldwide. The carbon market, mainly based in Europe, was worth \$126bn in 2008 and is predicted to mushroom to \$3.1tn by 2020 if a global carbon market takes off.

However, FoE fears that the area has been hijacked by speculators on the financial markets. Sarah-Jayne Clifton, the report's author, said: "The majority of the trade is carried out not between polluting industries and factories covered by carbon trading schemes, but by banks and investors who profit from speculation on the carbon markets – packaging carbon credits into increasingly complex financial products similar to the 'shadow finance' around sub-prime mortgages which triggered the recent economic crash."

The FoE claims that the first phase of the European emissions trading scheme between 2005 and 2007 failed. And the second phase, from 2008-2012, is likely to fail too, it said. FoE is calling on governments to use more reliable instruments such as carbon taxes, which are harder to avoid and can be effective at changing people's behaviour and reducing emissions.

A spokesman for the Department of Energy and Climate Change said: "We agree that domestic action by developed countries as well as public finance is essential to meet the challenge of climate change and ... the UK is going all-out to get an ambitious, fair and effective deal.

"But carbon trading can also play a role, making it far more likely that we tackle

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