

# DaimlerChrysler, Ford change lanes



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**B**olstering a trend that would have been unbelievable in the pre-Kyoto era, both Ford and DaimlerChrysler have recently announced their decision to leave the Global Climate Coalition. This coalition is a group of companies that believes that the science of global warming is uncertain and opposes international agreements to reduce emissions of greenhouse gases (GHGs). Ford, one of the largest and most powerful multinational corporations, became the first American car maker to announce its controversial departure (see *Environmental Finance* December 1999/January 2000 page 9). This followed the earlier departure of a group of other large companies including American Electric Power, Dow Chemical and Royal Dutch/Shell.

It is important to emphasise that Ford will continue to support 'voluntary' efforts to deal with climate change. Its opinions will almost certainly be part of the debate that is likely to emerge when Bob Smith (Republican - New Hampshire), chairman of the Senate Environment & Public Works Committee, reintroduces legislation to create incentives for companies that voluntarily reduce GHG emissions. It is also likely that the debate will continue at the state level if Senator Byron Sher (Democrat - Palo Alto) of the California legislature introduces a bill

that would limit state-wide GHG emissions.

Two obvious questions emerge:

- Why are the departures of Ford and DaimlerChrysler important? and
- What is the role of state and national legislation in promoting voluntary actions in the debate surrounding global climate change?

These departures could serve as a precursor to Ford and DaimlerChrysler executing individual trades in GHG credits, making investments in forestry sequestration similar to those of Toyota, General Motors and Peugeot, and establishing internal trading systems similar to those of BP Amoco and Shell. State level legislation that sets ceilings on GHG emissions or national legislation providing credit for voluntary activities might serve as a precursor to the evolution of national GHG markets similar to those proposed in Canada, the UK and Australia.

We also believe that individual sovereign efforts will result in a voluntary plurilateral trading regime\* in advance of the ratification of any international treaty. Markets are often the response to public opinion and potential legislation. A set of market rules and regulations are then developed in the private sector and ultimately ratified by legislation. This is the way markets have emerged in the past and will emerge in the future.

These recent developments are an unmistakable sign that market-based solutions to global warming are now emerging worldwide prior to the implementation of the Kyoto Protocol. We hope to give our readers an occasional scorecard of progress on GHG emissions trading. The first one is below.

Further updates will surely include many more developments motivated by the recent declaration of hundreds of business and government leaders from around the world at the World Economic Forum's Annual Meeting in Davos, Switzerland, stating that climate change is the greatest challenge facing the business world at the beginning of the century.

\* A 'plurilateral' regime refers to a framework for GHG emissions trading involving a medium-sized set of countries (eg 5-20). The concept was first introduced by Environmental Financial Products at the first UNCTAD GHG Emissions Trading Policy Forum in Chicago in June 1997. I would like to thank James Perkaus for first introducing this concept into the discussions while acting as a consultant to Environmental Financial Products in 1997. I would like to thank Dr Michael Walsh and Rafael Marques for their assistance in preparing this article.

## Scorecard I (March 2000): summary of greenhouse gas emissions trading activity

International agency initiatives	Emerging plurilateral trading groups	Initiatives for national GHG trading schemes or the CDM	Provincial, state, local programmes	Corporate initiatives and exchange activity	Examples of trading activity
World Bank	<i>Umbrella</i>	United States	<i>United States:</i>	BP Amoco, Royal Dutch/Shell, Dupont, Ford	Environmental Financial—Costa Rica
Carbon Fund	<i>Group</i>	United Kingdom	Oregon, New	Motor Co, Ontario Power, TransAlta,	Ontario Power—Zahren Alternative
UNCTAD	Japan, US,	Canada	Jersey, California	Suncor Energy, AES	Power
Global Policy	Canada,	Australia	<i>Statement of US</i>	Environmental Financial Products	GEMCO-IGF Insurance
Forum	Australia,	Norway	<i>mayors:</i> Denver,	Dutch Electricity Board (FACE Foundation)	BP Amoco—Nature Conservancy
OECD	New Zealand,	Denmark	Washington, DC,	Edison Electric Institute (Utilitree)	Arizona Public Service—Niagara
Workshops &	Iceland,	Netherlands	San Francisco,	Pew (21 corporate members)	Mohawk
Research	Norway,	New Zealand	Atlanta, Chicago	World Resources Institute	Suncor Energy—Niagara Mohawk
International	Russia,	Russia	<i>Australia:</i> NSW,	(3 corporate members)	Sumitomo—United Energy Systems
Energy Agency	Ukraine	Brazil	Western Australia	180 companies report in USDoe	(Russia)
UNEP		Costa Rica	<i>Canada:</i>	voluntary reduction database	Pacific Power Australia—NSW Forests
UNDP	<i>European</i>	Central America	PERT (Ontario)	International Climate Change Partnership	Tesco—Uganda forests
UNIDO	<i>Union</i>	Slovakia	GERT (BC)	International Petroleum Exchange	Waste Management Inc—Enron
European		32 host countries	Canadian	Sydney Futures Exchange	American Electric Power—The Nature
Commission	<i>Scandinavia</i>	with CDM/AJ	Federation of	Winnipeg Commodities Exchange	Conservancy
Nordic		offices or projects	Municipalities	Chicago Board of Trade	Central & Southwest—The Nature
Council			<i>International:</i>	Paris Bourse	Conservancy
EBRD			International	Insurance industry (Climate Pledge)	Illinova—US Reforestation
			Council of Local	Canada's Voluntary Challenge and Registry	Consorcio Noruego—Costa Rica
			Environmental		Toyota—New South Wales
			Initiatives		Tokyo Electric Power—NSW Forests