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CARBON CREDITS WILL SHAPE THE NEW ECONOMY

FT. MYERS, FL – October 19, 2009. The shape of the new economy is going to be defined by an emerging \$3-trillion global market in carbon emissions credits, attendees at the fifth annual **Business Facilities LiveXchange** were told Monday.

In a keynote address entitled “Contemplating Carbon: How Climate Change Regulation May Effect Business Facility Decisions,” San Francisco-based attorney William Sloan predicted that a cap-and-trade system of carbon credits will assign a value to carbon emissions that will broadly impact energy use, transportation, economic development and site selection.

Sloan, of counsel with the global law firm Morrison & Foerster and a recognized expert on climate change issues, said the creation of a global carbon credit market has reached a critical mass with the establishment last year of \$118 billion in carbon trading in Europe. Sloan predicted that, within the next 10 years, more than \$3 trillion in carbon credits may be exchanged worldwide.

“We have crossed the rubicon and reached the point of no return. Carbon will be the largest physically traded commodity in the U.S, surpassing oil,” Sloan said in his keynote address.

Sloan, who serves on his firm’s Cleantech Steering Committee and has previously held positions in the U.S. Environmental Protection Agency and the Department of Justice, began his presentation with a graph dramatically depicting the increase in metric tons of carbon dioxide pouring into the atmosphere in the past 50 years. In 1952, CO2 emissions totaled approximately 40 million metric tons annually. In 2000, the amount of greenhouse gases spewing into the atmosphere was a staggering 25 billion metric tons.

With world leaders preparing to discuss a successor to the Kyoto Treaty and set strict new carbon emission reduction targets at a summit meeting in Copenhagen in December, a global mechanism for monetizing the cost of carbon emissions has moved front-and-center as an international priority.

According to Sloan, the choice comes down to a broad-based carbon tax or a cap-and-trade system of carbon credits.

“The government will decide who will be regulated, what the cap will be, how allowances will be regulated, and whether to permit offset trading,” he said,

Sloan predicted that locations that emit less than 25,000 tons of greenhouse gases may be exempted from the system. But he warned that the cost of capping larger emissions likely will be passed on to consumers in the form of higher costs for fuel and electricity.

Two bills currently are moving through Congress that would establish a cap-and-trade carbon credit system in the U.S. The House bill, sponsored by Reps. Henry Waxman and Edward Markey has been passed, but a Senate version, sponsored by Sens. John Kerry and Barbara Boxer, may not be debated before health care reform is completed.

If a new cap-and-trade system is not enacted by Congress in the next few months, Sloan noted that the Environmental Protection Agency recently was empowered by a Supreme Court decision declaring CO₂ a pollutant under the Clean Air Act.

“The default position would be to have the EPA regulate CO₂ emissions,” he said.

Under consideration by Congress are two types of carbon credits, said Sloan: an allowance that the government may distribute by auction or allocation; and an offset, which would permit project developers, locations and industries to turn their carbon emissions into a tradeable commodity.

An offset system would assign a serial number for every ton of CO₂ emitted by a site. Sloan foresees the establishment of worldwide trading exchanges to facilitate trading of carbon credits, and he suggested that the carbon marketplace may eventually evolve to include the bundling of credit derivatives by investment houses.

Sloan told the **LiveXchange** attendees to expect a lively and contentious debate over carbon credits. “It’s like what Bismarck said: making law is like making sausage. You may not want to watch it being done.”

However, the Morrison & Foerster attorney predicted that whichever system emerges, the creation of a carbon trading mechanism will profoundly change the fundamentals of how economic development is conducted in the emerging economy.

ABOUT BUSINESS FACILITIES LIVEXCHANGE

Business Facilities LiveXchange gives corporate executives (delegates) who are searching for locations in which to relocate, expand, or consolidate their facilities an opportunity to learn about the issues that impact site selection, network with other executives, and meet with economic development organizations (sponsors) from across North America. In 2010, **LiveXchange** will take place November 7-9 at the Hotel Monteleone, in New Orleans’ French Quarter.

The invitation-only event-which includes a world-class conference program, deluxe accommodations, meals, airfare, and ground transportation-is designed for senior-level corporate executives with the most demanding schedules. Endorsed by *Business Facilities* magazine, **LiveXchange** provides an atmosphere that fosters highly productive discussions with economic developers and location consultants.

