

Wall Street Green Trading Story
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(word version)

Regulation of carbon in the US seen as 'inevitable' by finance firms

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US financial firms expect to see national carbon regulation in the near future and say the climate change issue is rising up the agenda among investors.

Carbon regulation is "inevitable," said Denise Furey, senior director at New York-based Fitch Ratings, speaking at the Wall Street Green Trading Summit on 5 April. "A year ago, if I had suggested that to Wall Street people, they would have thought I'd taken leave of my senses," she added. But Furey said climate change has become an issue for 'mainstream' investors, not just socially responsible investors.

At the same time, some large US utilities are calling for carbon regulation, while regulators are initiating local programmes, like the Regional Greenhouse Gas Initiative (RGGI), she added. Furey sees RGGI, involving eight north-eastern states, as "a template for federal policy" because it is based on existing national US 'cap-and-trade' programmes for sulphur dioxide and nitrogen oxides.

William Page, of investment management giant State Street Global Advisors, sees "an enormous sea change in the past 18 months." There have been a number of pension plan initiatives and shareholder resolutions because investors are starting to link sustainability with management quality, Page said. This is leading to "the rise of the new fiduciary," who will have an obligation to consider environmental factors, and not just for SRI funds.

"This is not a 'do-gooder' issue anymore. This is a financial issue," said Peter Fusaro, principal of the Energy Hedge Fund Centre in New York. Greenhouse gas trading will move "beyond Kyoto," he said, to become the biggest cross-border market since oil. Playing a variation on the famous pronouncement of Gordon Gekko in the movie Wall Street that "Greed is good," Fusaro told the conference, "Green is good."