

# UNDERSTANDING CARBON MARKET OPPORTUNITIES – PRICING METHODOLOGIES AND TRADING STRATEGIES

Presenters:

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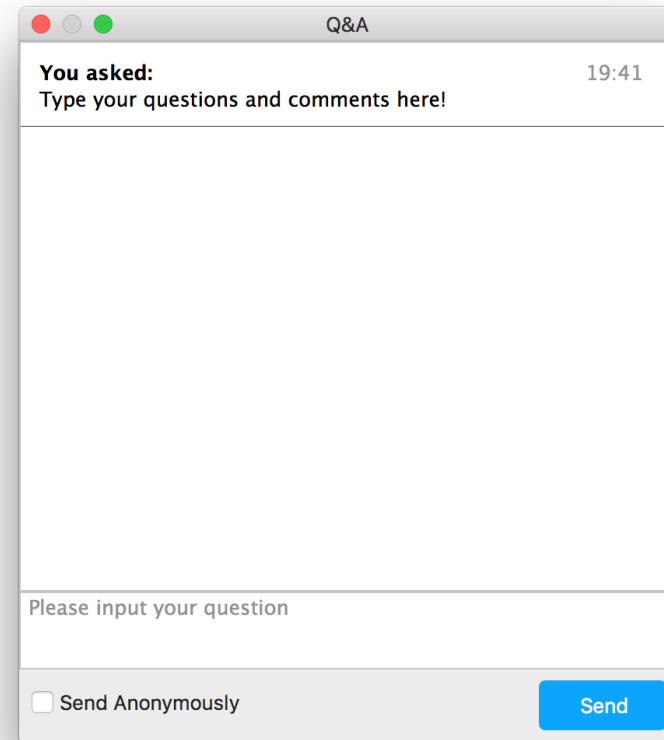
Bei Cui, PhD, Research Fellow, Monash Centre for Financial Studies, Monash University

David von Eiff, PhD, Director, Global Industry Standards, CFA Institute



# HOUSEKEEPING

- Today's webinar is scheduled for 60 minutes including Q&A
- All participants are muted throughout the webinar
- We welcome comments via the Chat button and questions via the Q&A button on your screen.
- This webinar will be recorded and uploaded onto [CFA Institute Asia-Pacific Research Exchange \(ARX, www.arx.cfa\)](http://www.arx.cfa) alongside the main presentation.



A screenshot of a Q&A window interface. The window title is "Q&A". At the top right, it says "19:41". Below the title bar, there is a header "You asked:" followed by the instruction "Type your questions and comments here!". The main area is a large empty text box. At the bottom of the text box, there is a prompt "Please input your question". Below the text box, there is a checkbox labeled "Send Anonymously" which is currently unchecked. To the right of the checkbox is a blue "Send" button.





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# Real Carbon Price Index

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**Dr. Bei Cui**

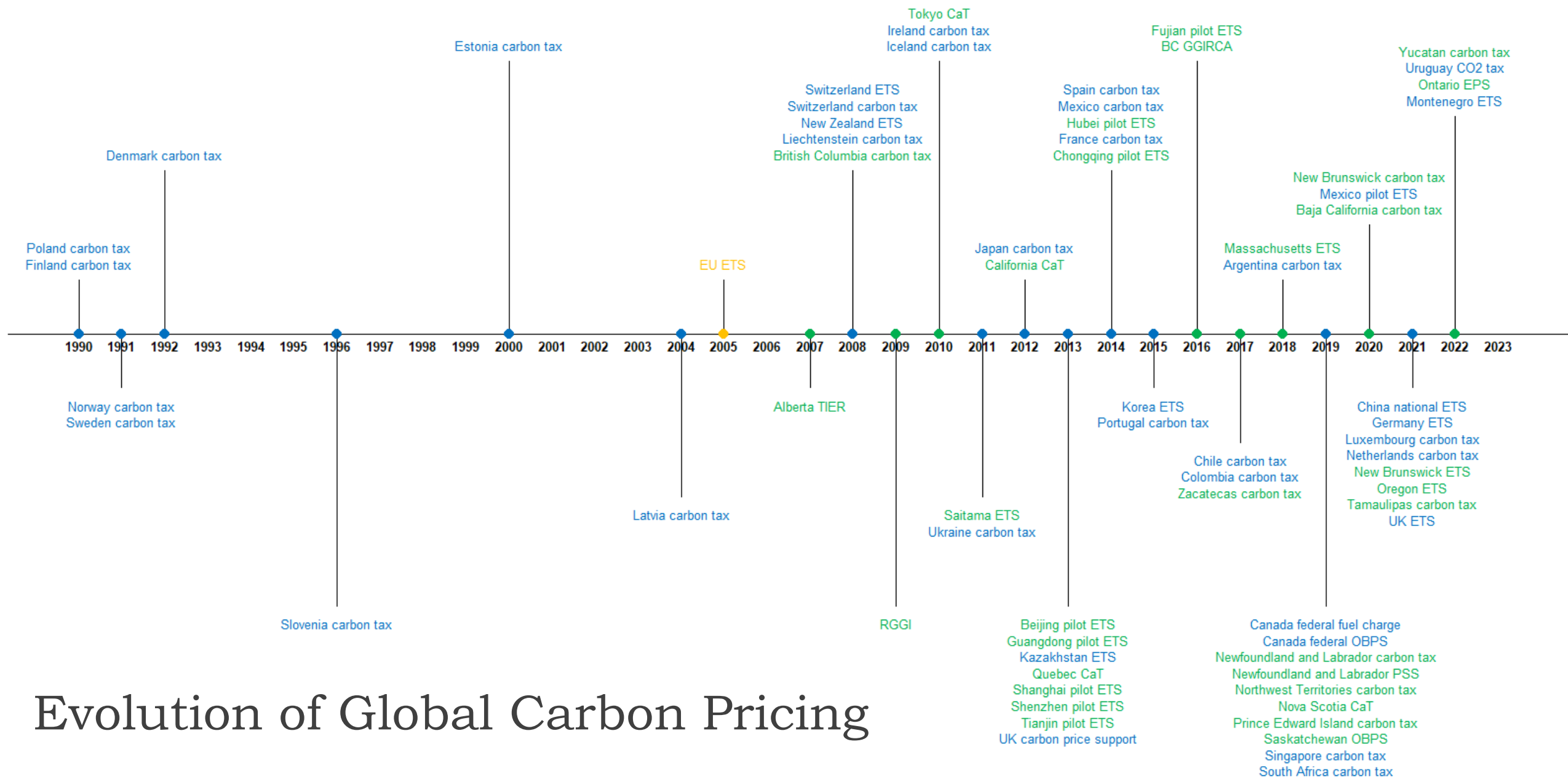
**CFA Webinar – Understanding Carbon Market  
Opportunities**

**25 Jan 2024**

# Carbon Pricing Mechanisms

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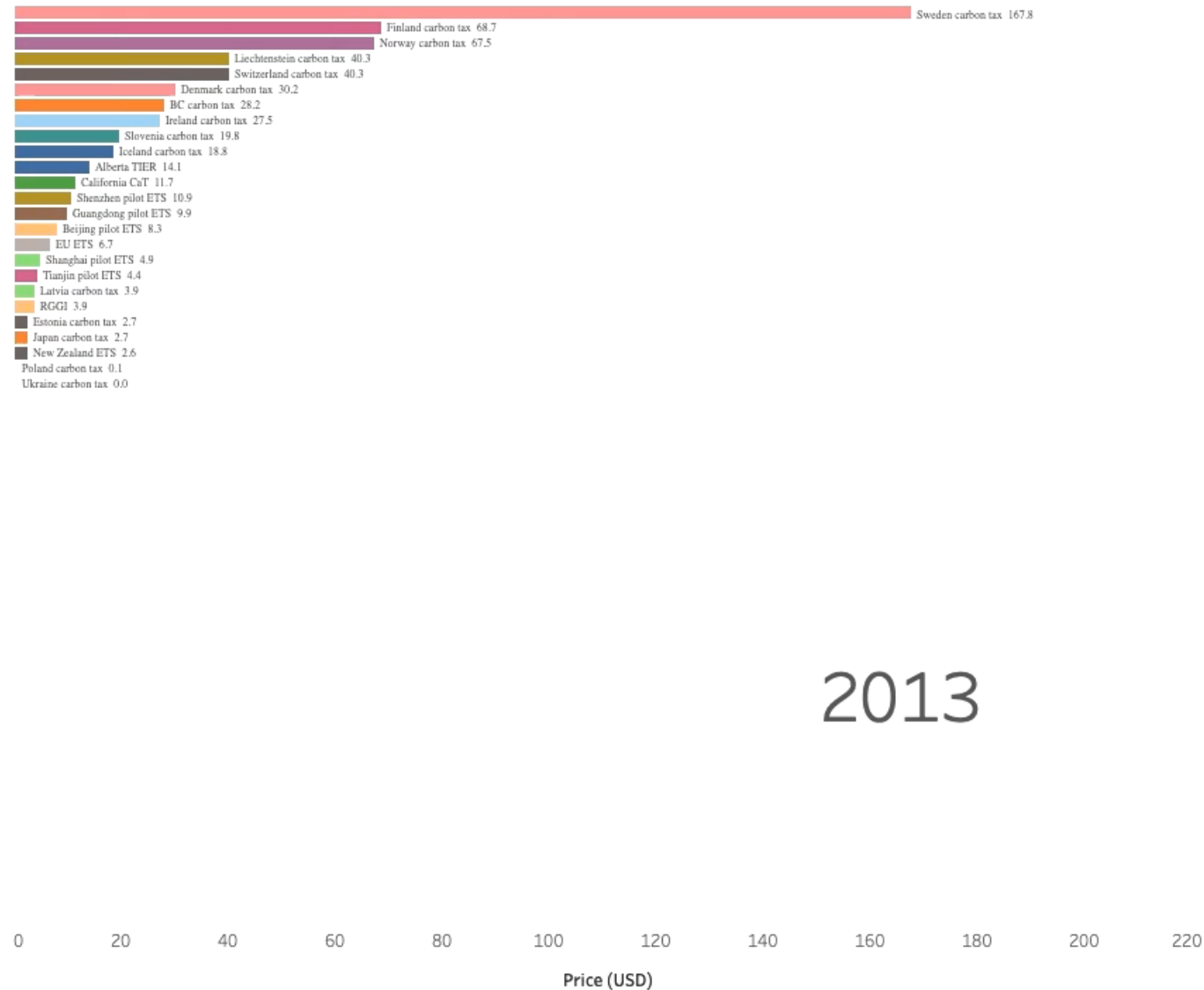
- Carbon taxes
- ETS
- No carbon price
- Does not cover carbon credits and voluntary schemes



# Evolution of Global Carbon Pricing

# Carbon Prices around the World

## Carbon Prices by Jurisdiction (US\$/tCO<sub>2</sub>)



2013

\*Source: RCPI, 2023

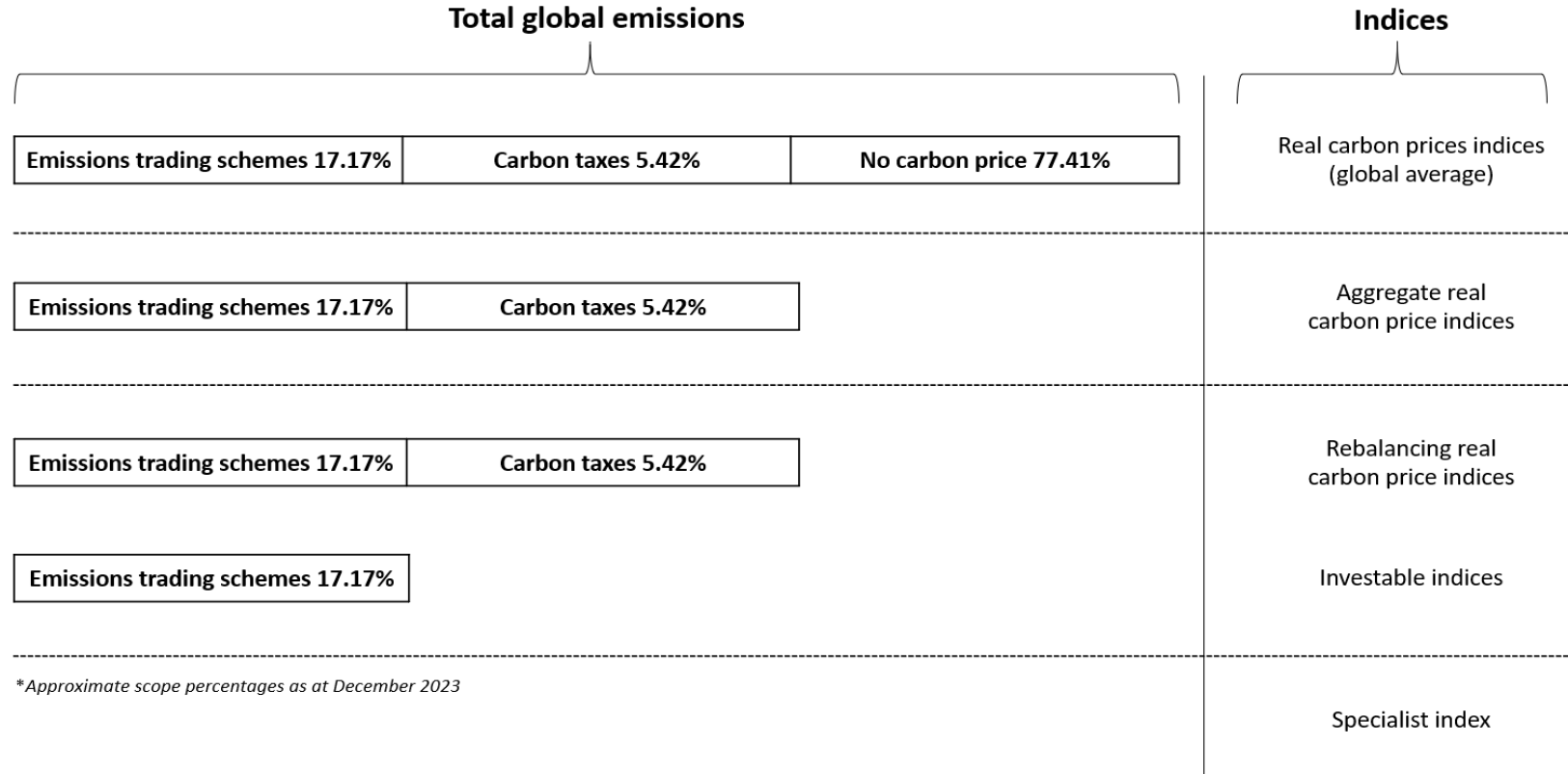
# Purpose and Application

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- A reference price for (physical) carbon price as **global benchmark**
- Show and interpret the evolution of the carbon price over time
- Illustrate the relativities and differences between regions/schemes
- Highlight the large rate of **non participation**
- Set a benchmark for organisations, governments, investors and others

# The Index Family

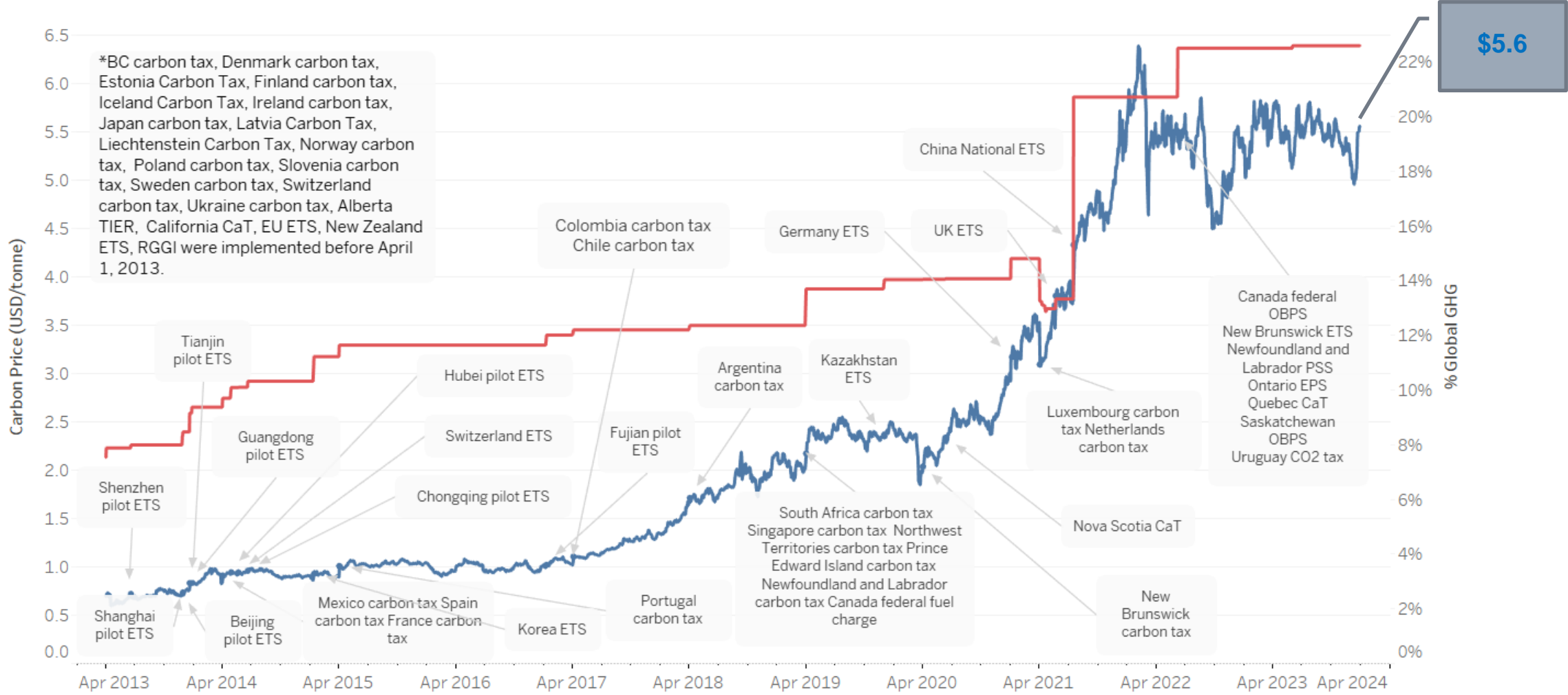
## Index taxonomy





# Real Carbon Price Index

■ % Global GHG covered ■ Carbon price

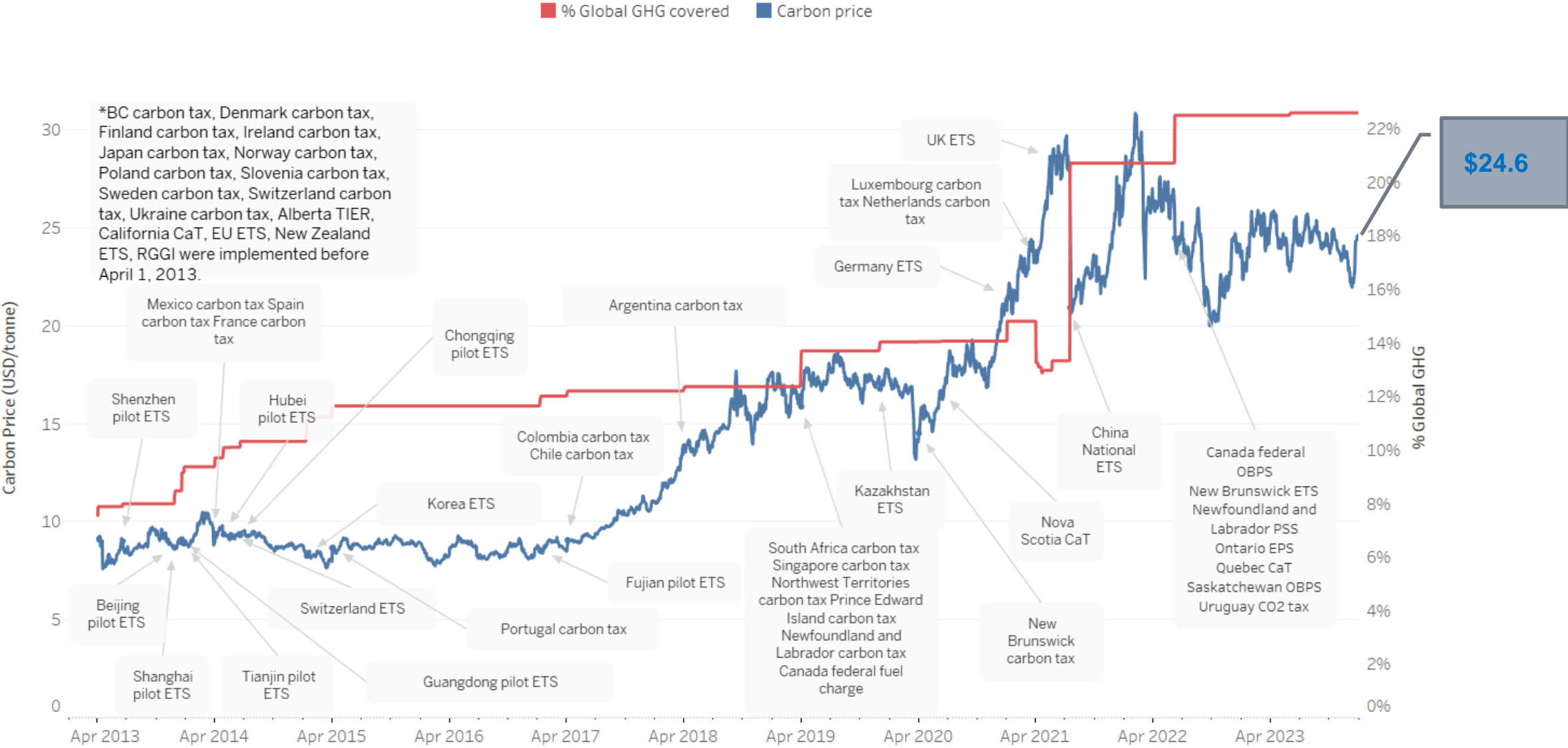


\*BC carbon tax, Denmark carbon tax, Estonia Carbon Tax, Finland carbon tax, Iceland Carbon Tax, Ireland carbon tax, Japan carbon tax, Latvia Carbon Tax, Liechtenstein Carbon Tax, Norway carbon tax, Poland carbon tax, Slovenia carbon tax, Sweden carbon tax, Switzerland carbon tax, Ukraine carbon tax, Alberta TIER, California CaT, EU ETS, New Zealand ETS, RGGI were implemented before April 1, 2013.

**\$5.6**

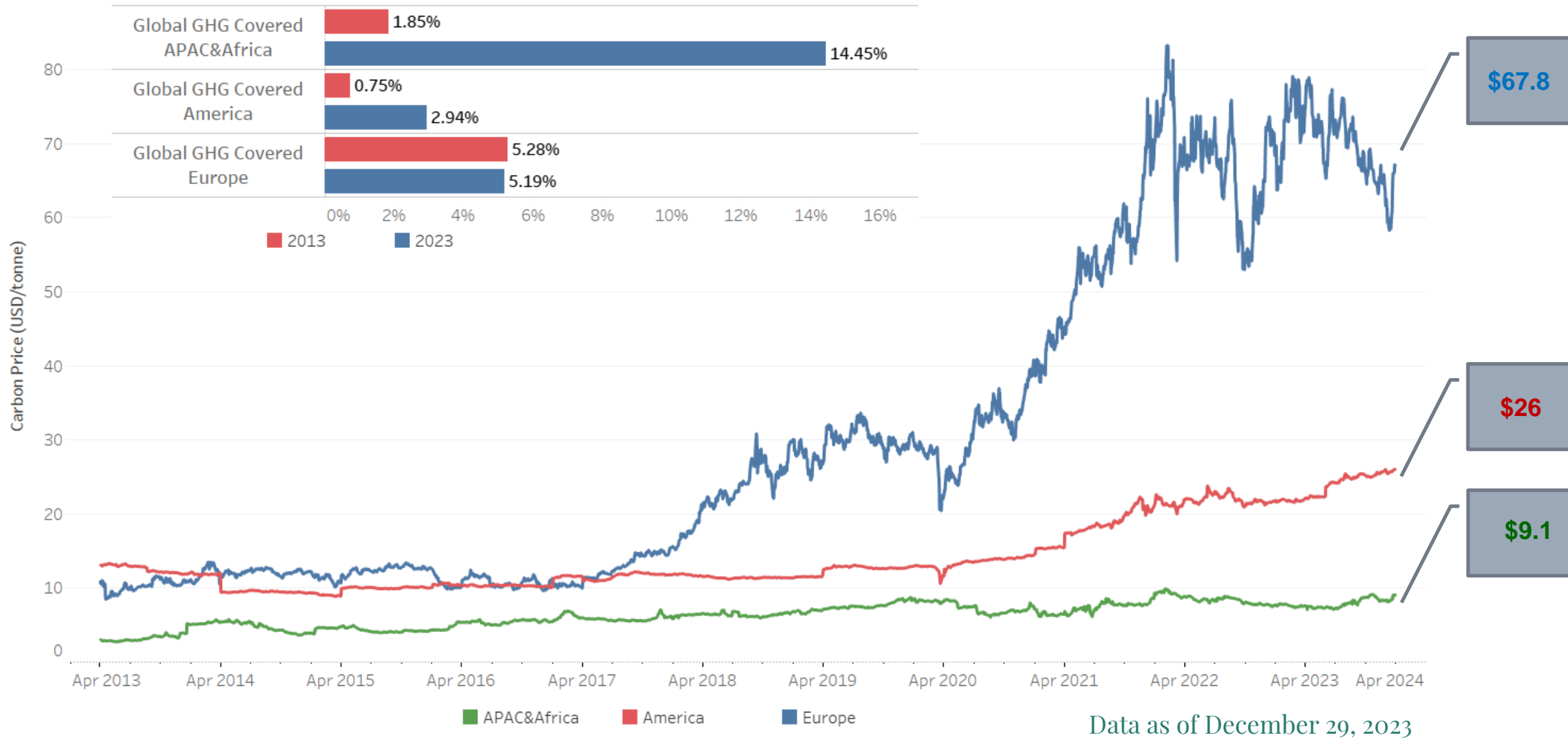
Data as of December 29, 2023

# Aggregate Real Carbon Price Index



Data as of December 29, 2023

# Real Carbon Price Index - Regional



# Availability

- Website [realcarbonindex.org](https://realcarbonindex.org);
- Bloomberg
- Monthly and periodic updates
- All data is open source and free
- Download whitepaper from website, follow on LinkedIn
- Press kit and presentation available – please email [bei.cui@monash.edu](mailto:bei.cui@monash.edu) to request a copy

## Monash/C2Zero Real Carbon Price Index

Fact sheet | 31 October 2022

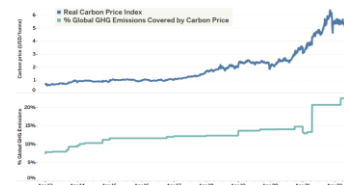
The Monash/C2Zero Real Carbon Price Index (RCPI) provides a weighted composite measure of the physical price of carbon<sup>1</sup> across all jurisdictions, based on mandated carbon prices set by regulators and governments.

The RCPI covers national, subnational and regional jurisdictions implementing a carbon tax or carbon emissions trading schemes (ETS)<sup>2</sup> and jurisdictions with no mandatory carbon price – the latter being counted in the index using a price of zero.

The RCPI enables an overall global carbon price and price history to be determined, reflecting the global value of carbon, as priced across all jurisdictions, dating back to April 2013.

The RCPI started in April 2013, covering 20 jurisdictions, accounting for 7.88% of global GHG emissions. As of June 2022, it covered 58 jurisdictions, accounting for 22.5% of global GHG emissions.

### Historical Index Value (April 2013 - October 2022)

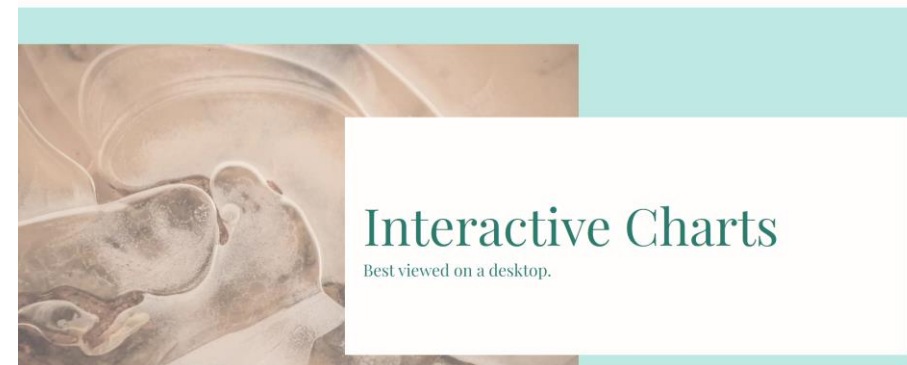


### Highlights

- In October, the global carbon price rebounded by 9.22% after three months' consecutive drops.
- The index was calm with mild ups and downs in the first three weeks but posted a 5.59% increase last week in response to a bullish run of EU ETS.
- As the largest ETS, the EUA price hit its eight-week high (USD80.63/tonne) on Friday (28/10) due to technical buying of traders.
- The other two largest ETS systems, experienced losses over the past month – China National ETS (-1.74%) and Korea ETS (-22.92%).



The Monash/C2Zero Real Carbon Price Index [Home](#) [White Paper](#) [The Indices](#) [Interactive Charts](#) [Fact Sheet](#) [Blog](#)



# Understanding Carbon Market Opportunities – Pricing Methodologies and Trading Strategies



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thank you