

# Copenhagen dampens banks' green commitment

Banks are pulling out of the carbon-offsetting market after Copenhagen failed to reach agreement on emissions targets

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guardian.co.uk, Sunday 24 January 2010 20.06 GMT

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The lack of progress at Copenhagen has meant some banks are stalling on lending to carbon emissions-offsetting projects. Photograph: Joe Klamar/AFP/Getty Images

Banks and investors are pulling out of the carbon market after the failure to make progress at Copenhagen on reaching new emissions targets after 2012.

Carbon financiers have already begun leaving banks in London because of the lack of activity and the drop-off in investment demand. The Guardian has been told that backers have this month pulled out of a large planned clean-energy project in the developing world because of the expected fall in emissions credits after 2012.

Anthony Hopley, partner and global head of climate change and carbon finance at law firm Norton Rose, said: "People will gradually start to leave carbon desks, we are beginning to see that already. We are seeing a freeze in banks' recruitment plans for the carbon market. It's not clear at what point this will turn into a cull or a rout."

Paul Kelly, chief executive of EcoSecurities, which develops clean energy projects, said that while markets had not expected a definitive Kyoto Protocol deal at Copenhagen, they had expected some progress.

"The lack of regulatory certainty in the post 2012 world affects the market's view of what CERs [carbon credits from clean energy projects] will be worth and subsequently will constrain financing for projects. If you had an agreement at Copenhagen with a bit more detail, people would be more willing to take risk."

After two weeks of extenuating talks, world leaders delivered an agreement in Copenhagen that left campaigners disappointed as it failed to commit rich and poor countries to any greenhouse gas emission reductions.

Banks had been scaling back their plans to invest in carbon markets before Copenhagen. Fewer new clean energy projects need to be financed as, because of the recession, there are fewer global emissions to offset. The price of carbon credits has also fallen, while plans to introduce national trading schemes, particularly in the US and Australia, remain uncertain.

Two sources said that Australian bank Westpac had scaled back plans to increase its carbon desk in London. A bank spokeswoman denied there were plans to recruit more staff in London, adding: "We have always said that we would look to grow this business organically as carbon markets develop and that remains the case."

Carbon markets were central to the Kyoto Protocol, which expires in 2012 and obliged developed countries that exceed their targets to purchase credits from clean energy projects in the developing world. Policymakers will meet again in Mexico in November in an attempt to revive the climate change talks.

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