

CCFE closure to have "zero impact" on RGGI trading

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The planned closure of the Chicago Climate and Futures Exchange (CCFE) next year is a "non-event" for the northeastern U.S. carbon market, just a shift to another platform, traders said Monday.

The CCFE's parent company, the Intercontinental Exchange (ICE), [announced on Friday it would close](#) the environmental commodities exchange in light of thin volumes and dim prospects for the passage of federal cap-and-trade legislation in Congress.

But for traders of Regional Greenhouse Gas Initiative (RGGI) permits, the closure will mean little disruption in their day-to-day activity since ICE said it will simply roll existing contracts onto the ICE OTC platform, with which many emissions traders are already familiar.

"It'll have zero impact," one trader said Monday. "It will literally make no difference – they're probably just saving some money by having the separate CCFE entity closed."

A spokesman for a major brokerage agreed.

"We don't see much impact on the secondary RGGI market resulting from the planned closure of CCFE in Q1 2012," he said Monday.

"Liquidity, such as it was, has been concentrated in the Dec 2011 contract. There is only around 700 contracts of open interest in the Dec 2012 contract, so the impact of a rollover to the OTC market is likely to be negligible," he said.

Traders and brokers said a bigger concern is whether RGGI will tighten its emissions cap when it comes up for review.

The cap is widely seen as not stringent enough to create a carbon price meaningful enough to encourage power plants in the northeast to generate cleaner electricity.

Business in the region have also [called on RGGI](#) to tighten its cap when it comes up for review next year.

BUYERS' REMORSE

Another trader said the move is a clear indication that ICE is “not too happy with its investment in the CCFE.”

“Sounds like they have a little buyer’s remorse,” he said.

ICE bought the CCFE’s parent company, Climate Exchange PLC, for about \$600 million last year.

While announcing the closure of CCFE on Friday, officials also said ICE would launch forward contracts for California offsets and allowances on August 29 on the ICE OTC platform, with options to follow on September 19, a development many interpreted as bullish for the coming California carbon market.

“We are focused and heavily invested in this market, and we welcome additional entities to participate,” said John Melby, managing director of the Green Exchange, the only other exchange to announce contracts for the California carbon market.

California, which on its own is the eighth largest economy in the world, will launch an economy-wide emissions trading system in 2013 with an expected volume of 166 million metric tonnes in 2013 and 400 million tonnes in 2016.

RGGI, an electric sector trading scheme for 10 northeastern U.S. states, currently covers 188 million short tons, or 167 million metric tonnes.

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