

This article appeared in the Houston Chronicle on Wednesday, March 12, 2008:

**UH wants a focus on carbon trading**

Business-law course to train for what's expected to be a growing field

By TOM FOWLER

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It may be several years before Congress passes laws regulating greenhouse gases, but the University of Houston already is planning to train the first wave of lawyers and business people who will put those laws to work.

A joint venture between the C.T. Bauer College of Business and the UH Law Center will offer a course in carbon trading beginning next spring, aimed at preparing the local work force for what many expect will become a huge business with deep Houston ties.

The European carbon market, where companies trade a shrinking allotment of carbon dioxide emission permits, is worth about \$60 billion per year, according to consulting firm Point Carbon.

If the U.S. adopts such a system, as many predict may occur as early as 2009, it could quickly become a business worth \$600 billion to \$1 trillion a year, says Victor Flatt, an environmental law professor at UH.

"Very few colleges or law schools have looked at CO2 trading, and those that have focus just on the European Union system," Flatt said. "We will look at the EU and the systems being developed in California, but also look at the moving target of U.S. legislation toward a federal CO2 market."

The creation of these new markets is part of a broader trend over the past 40 years in which energy, mortgages, agricultural products and even information have become traded commodities, said Richard Sandor, CEO of the Chicago Climate Exchange and a professor at the Kellogg School of Management at Northwestern University in the Chicago area.

"The 21st century will see yet another wealth driver by commoditization, but this time of air and water," Sandor said Tuesday at an energy trading conference sponsored by UH.

"In fact, we will witness, as it should be, those becoming the most precious commodities in the world."

For now, the exchange provides a marketplace for trading of CO2 emissions credits based on voluntary but legally binding emissions reductions. The market would be far larger if greenhouse emissions limits became law.

Houston is already a hub for energy trading, with energy companies and banks employing hundreds of people who trade oil, natural gas, coal, and electric power as well as making related financial transactions used to manage risk.

That business has expanded in recent years, as commodity prices climbed and companies recognized Houston's advantages over historical trading centers New York and Chicago in terms of lower business costs and a deep energy-related talent pool.

It's not clear if Houston will be able to capture the lion's share of the business should a federal carbon market develop, however, since these new markets also will require a large and highly specialized legal community.

Flatt noted that while some Houston law firms have launched climate change practice groups, most of the legal expertise still is in New York and Washington.

The UH carbon trading course will be a joint effort between the law center and the business school's Global Energy Management Institute, or GEMI, and will be team-taught by Flatt and finance professors Craig Pirrong and Praveen Kumar.

"Other schools that have looked at emissions markets have focused on having practitioners from the industry come in and speak, and we'll do that, too," Flatt said. "But we don't think anyone has put the academic resources behind it that we have."

The University of Houston has tried to make the most of its location in one of the world's energy hubs in recent years.

In 2002 it launched GEMI, which is aimed at giving students concentrated studies in energy fields, including finance and trading. BusinessWeek cited the program in its annual rankings of business schools.

Since 2005 the UH Law Center has published the Environmental & Energy Law Policy Journal twice a year, and in October it launched the Center for Environment, Energy and Natural Resources Law.

The following article appeared on the Climate Wire website Thursday, Mar 13, 2008:

### **Houston hopes to become carbon-trading center**

Houston, already a hub for energy trading, may soon be in position take advantage of a future U.S. carbon market, thanks to the University of Houston.

Beginning next spring, the UH Law Center will team with the C.T. Bauer College of Business to offer a course in carbon trading, aimed at preparing the local work force for what many expect will become a huge business with deep Houston ties.

If the United States adopts a carbon market akin to Europe's -- where companies trade a shrinking allotment of carbon dioxide emission permits -- it could quickly become a business worth \$600 billion to \$1 trillion per year, said Victor Flatt, an environmental law professor at UH.

"Very few colleges or law schools have looked at CO2 trading, and those that have focus just on the European Union system," Flatt said. "We will look at the E.U. and the systems being developed in California, but also look at the moving target of U.S. legislation toward a federal CO2 market" (Tom Fowler, [Houston Chronicle](#), March 11). – **JV**

The class was also mentioned in the Friday, March 21 issue of the popular NewEnergyNews blog:

#### TEXANS TRAIN TO TRADE EMISSIONS

*When – not if, when – Congress enacts a mandatory national greenhouse gas emissions cap-and-trade system it is expected to grow into a \$600 billion to \$1 trillion per year market by 2020.*

*Cap-and-trade legislation has already been passed through Senate committees and is expected to be the subject of floor debate in the spring. Insiders say it is unlikely to be passed until after the November presidential election.*

*Richard Sandor, CEO, Chicago Climate Exchange/professor, Kellogg School of Management-Northwestern University: "The 21st century will see yet another wealth driver by commoditization, but this time of air and water...In fact, we will witness, as it should be, those becoming the most precious commodities in the world."*

*Houston, home to the U.S. oil and gas industry, wants to be ready to put its expertise at energy trading to work in the new market.*

*The announcement of this program is another small example of how a change is most assuredly coming.*

[UH wants a focus on carbon trading: Business-law course to train for what's expected to be a growing field](#)

Tom Fowler, March 11, 2008 (Houston Chronicle)

### ***WHO***

C.T. Bauer College of Business Global Energy Management Institute (GEMI), University of Houston (UH) Law Center (Victor Flatt, environmental law professor; finance professors Craig Pirrong and Praveen Kumar)

### ***WHAT***

GEMI and the UH law school will join to offer a course on emissions trading, designed to familiarize the Houston-area energy-trading community with the complexities and opportunities of the new market.

### ***WHEN***

- The new course will be taught in the upcoming spring semester.
- GEMI launched in 2002 for concentrated studies in energy-related finance and trading.
- UH's Center for Environment, Energy and Natural Resources Law launched in October 2007.
- UH Law Center has published the Environmental & Energy Law Policy Journal twice a year since 2005.

### ***WHERE***

- Houston is the trading hub for the fossil fuels and electric power markets.
- The Chicago Climate Exchange (CCX) is presently the biggest U.S. emissions trading market. The NYMEX Green Exchange just opened March 17. Both trade voluntary emissions offsets.

### ***WHY***

- When a cap-and-trade system is enacted, there will be a need for attorneys and business people with knowledge of the details.
  - The EU emissions market value doubled last year to \$60 billion.
- Houston emissions trading offers lower business costs and a deep energy-trading talent pool but NY, D.C. and Chicago have the lawyers and banks.

### ***QUOTES***

- Victor Flatt, environmental law professor, UH: "Very few colleges or law schools have looked at CO2 trading, and those that have focus just on the European Union system...We will look at the EU and the systems being developed in California, but also look at the moving target of U.S. legislation toward a federal CO2 market."
- Flatt: "Other schools that have looked at emissions markets have focused on having practitioners from the industry come in and speak, and we'll do that, too...But we don't think anyone has put the academic resources behind it that we have."

***posted by Herman K. Trabish @ [6:00 AM](#)***