

The Latest ETN Tracks Carbon Emission Trade

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It could be an inspired way to battle global warming. Then again, it could be a shrewd way to capitalize on other people's guilt.

"It" is the first exchange traded note that tracks the global carbon emission market. Barclays launched the highly anticipated fund Thursday. iPath Global Carbon ETN trades on NYSE Arca as GRN.

The fund tracks the performance of Barclays Capital Global Carbon Index Total Return. The fund has a 0.75% annual fee.

But it could pay off if attention to carbon emission credits continues. Oil and coal are the primary fuels of industry worldwide, and burning them releases carbon pollutants. Under the Kyoto Protocol, companies that pollute beyond a certain amount must buy carbon credits to "pay" for their damage.

Who Are The Players?

The carbon credits are issued through the world's major carbon trading schemes. They trade among firms that surpass pollution allowances and need extra credits and those that don't and have credits to spare.

So far, the fund is the only one to tap into the estimated \$50 billion carbon emission market. As of Tuesday, the notes were trading just under 54, up 6% from their launch.

The fund's backers believe growing concern over global warming means a hot market. But some analysts aren't so sure.

"It's a nice idea," said J. Mark Spallanzani, managing partner of Alcott Capital Management and publisher of ETFWatch.com. "But it's a little dodgy. I'm really not sure what kind of following it'll get."

Other Considerations

While it might appeal to the environmentally conscious and those who want to make money off them, the fund is an ETN. That means it goes up and down with Barclays credit rating, which isn't stellar right now. The financial house already had to raise \$4.5 billion in capital this year and might need more.

Also, with an ETN your principal investment isn't protected, and there are no interest or dividend payments.

Though there's concern over how long the IRS will offer tax breaks for ETNs, they're still available. Capital gains are still only applied when you sell, not when the index changes. The notes also offer U.S. investors hard-to-get exposure to areas such as carbon emissions, platinum and cocoa.

Investors who worry about global warming could find the fund a positive move. Skeptics will likely have no interest — unless the fund shows a rapid uptick.

Also, the carbon market is volatile, Spallanzani notes. That could make the ETN risky for conservative investors.

"But maybe it's a good play for Angelina Jolie and all the movie stars to balance all their jet-setting," he said. "And you can send all the proceeds to Al Gore."