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EU Emission Trading Scheme

EC approves anti-fraud measures

The European Emission Trading System is better protected against cyber crime after the approval of a new set of rules by the European Commission on Wednesday. After internet hackers managed to steal identification codes of several companies and stole thousands of permits, pressure on a review of the registry system led to the introduction of these rules, which include better transfer of information between national authorities and the EU central authorities and the possibility for the former to deny the opening of accounts and to suspend or block them. These rules are part of the modifications prepared to allow for the introduction of the aviation sector into the EU ETS in 2012, but the anti-fraud measures are supposed to enter into force by this summer.

Looking at the bright side

Like a few other EU countries in the last weeks, Italy has joined the group of emitters that might see their deficits overturned, thanks to the economic crisis. According to the Sustainable Development Foundation (SDF), a Rome based institution, the crisis has caused a massive reduction in greenhouse gas emissions of the country, amounting to a 6.7 percent reduction in 2009 compared to 2008 levels. Given Italy's commitment under the Kyoto Protocol (-6.5 percent by 2012 compared to 1990 levels) Italian average emissions during the compliance period should add up to no more than 483.3 million tonnes. SDF data show that 2009 emissions amounted "only" to 502.3 millions, thus making the extra effort required to comply much less relevant than previously thought. This could affect the plans of the country in the carbon market; in fact, Italy had foreseen to have to buy 85.5 million credits through the carbon markets, which might not all be needed any more.

News from the World

A new era for climate... but not for all

If a new era in climate diplomacy is about to start after the disappointing outcome of the Copenhagen meeting, Yvo de

Boer is unlikely to be a part of it. As he described the need to step up in diplomatic activities to secure the possibility to achieve a global agreement, De Boer also resigned from his position as climate chief for the United Nations, leaving the EU commissioner for climate change Connie Hedegaard to take up his duties and engage in a round of talks that will take her to several international capitals in the next few months. While UN secretary general Ban Ki-Moon decides who is going to substitute De Boer, Hedegaard will try and develop new alliances with Africa, Brazil, China and the United States, to name a few of the major players.

Mexico launches new climate partnership

This week Mexican Environment Minister Juan Rafael Elvira concluded two partnerships with European countries that are going to draw both financial and technical resources to the Central American country to fight climate change. Earlier in the week, a memorandum of Understanding was signed between Elvira and the French Development Agency, with the latter lending Mexico €183 millions to finance improvements in public transport, energy, housing and agricultural sector. Reducing emissions from deforestation and degradation (Redd) was the subject of the agreement between Mexico and Norway, which agreed to cooperate on near-term opportunities to reduce emission from such activities.

Financial commitments not enough

According to a recent analysis by the World Resource Institute the financial resources pledged in the Copenhagen Accord are not matched by stated contributions yet. Apparently, \$ 7 billion are still needed to cover the original pledge for 2012 (\$30 billion), while few resources are been earmarked for the long-term financing of the pledged \$100 billion in 2100. Among developed countries, the UK is the most committed country, with a \$800 million-a-year pledge. Moreover, the Accord called for "new and additional" resources to be collected, but current information does not allow to say how much of the committed resources are actually additional, with some evidence that not all the funds are actually "new" commitments. For instance, only \$9 out of the \$10 billion pledged by Japan correspond to funds not previously committed.

The Carbon Market

Interest was drawn away from carbon markets this week, which underwent a particularly bearish week, with the EUA2010 shedding more than 3 percent over the previous week and closing on Friday at € 12.58. Despite gains in all energy commodities, a lack of enthusiasm failed to carry over this trend to carbon, probably as traders are getting ready for the deadline for the allocation of allowances (February, 28) by EU countries – a factor that might stress the downward trend in prices experienced this week. Similar trends were recorded in the CER market, where CER2010 closed the week at € 11.15.