

Climate Policy News

February 22-28, 2010

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EU Emission Trading Scheme

Think tanks: green finance reform needed

A report presented this week at the European Parliament has reopened the debate on how to match climate planned actions with budget resources in the Union. The Centre for European Policy Studies (CEPS) proposed to review the budget allocation for the Common Agricultural Policy, designed fifty years ago, to move 1% of the current EU budget towards climate policy and use this funding to leverage further financial actions from governments, the European Investment Bank and privates. This report echoes the findings of another recently released report by Green Alliance, a UK-based think tank, which stressed the role of budget financing to attract further funding towards low-carbon technologies. These reports can be found at www.ceps.be (For a Future Sustainable, Competitive and Greener EU Budget: Integrating the Climate Change Objectives) www.green-alliance.org.uk/ (Unlocking a low-carbon Europe)

EC: no guidelines for biomass

This week the European Commission decided to avoid setting mandatory standards regarding biomass use in electricity, heating and cooling in the Union and opted for a set of voluntary measures. Although some Member States called for mandatory standards to ensure the environmental integrity of biomass energy production, the EC preferred to avoid them, in light of the "low environmental risk" of domestic biomass energy production and the complexity of determining harmonized rules for such a varied group of biomass feedstock. The suggested measures feature a common methodology for calculating the greenhouse gas performance of different biomass feedstock (excluding waste) to ensure that their use delivers at least 35% greenhouse gas savings, rising to 50% in 2017 and 60% in 2018 for new installations, the recommendation that biomass should not be sourced from high-biodiversity areas or carbon sinks and the suggestion to provide details on biomass origin to monitor vulnerable areas. The full report can be found at http://ec.europa.eu/energy/renewables/transparency_platform/doc/2010_report/com_2010_0011_3_report.pdf

News from the World

China: intensity target binding

According to the China Daily newspaper, the Chinese intensity target submitted to the Copenhagen accord is likely to become part of the 12th and 13th five-year plans (2011-2015 and 2016-2020). Given the importance of these plans, which alongside specific policy measures set precise goals for the Provinces and region of the country, such announcement represents good news, especially as the timetable of future international negotiation leading to Mexico 2011 are being defined.

China's commitment under the Copenhagen Accord includes a cut in emissions per unit of GDP by 40-45 per cent by 2020 from the 2005 level.

Oceania: changes in ETS and censure

The **New Zealand** Ministry of Agriculture and Forestry proposed two modifications to its current emission trading scheme, which has included foresters since January 2008 and will see energy producers and industrials join the scheme from July 1, 2010. The first modification regards the definition of pre-1990 forest land, which determines whether the owner receives 39 or 60 credits in the NZ ETS; the second exempts from the scheme landowners where tree weeds are present. New Zealand's neighbours in the Rudd government in **Australia** are facing a harder time, while the Green party guides the opposition forward in the first censure motion against climate change policy ever made to this government. This motion expresses disapproval for the "careless mismanagement of climate policy" and the "gross and systematic failure" in managing its climate change policies. Currently, the Australian Renewable credit scheme's integrity is undermined thanks to a significant flow of credits from solar hot water and rooftop solar panels that the government introduced into the scheme and which are not helping towards the achievement of Australia's renewable target (20 percent by 2020). Meanwhile, the government is still struggling to pass a law implementing the proposed Carbon Pollution reduction Scheme, currently at its third attempt at the Senate.

The Carbon Market

Carbon prices were slightly bearish this week, following the issuance of allowances by two of the biggest European emitters – the UK and Germany.

Volumes were nevertheless brisk with a daily average of 20 million allowances and prices did not collapse as a result of the bearish signal sent by these allocations, with the EUA 2010 closing at €12.97 and secondary CER 2010 at €11.56. Overall, EUA prices ranged around this year average (€13.11) during the week.

SOURCES TO THIS ISSUE

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www.icccgov.org/policy-0.htm

www.cmcc.it/publications-meetings/publications/

