

Climate Policy News

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EU Emission Trading Scheme

Leaked documents hint at centralised auction platform for phase III

This week, two documents regarding the details of the auctioning procedure of the third phase of the EU ETS and leaked to the press have shown convergence towards a centralised auction platform in the Union after 2012. Despite the opposition of the UK, Germany, Spain and Poland, which are trying to push for national auctioning platforms, a first provisional central structure could be in place to auction 2012 and 2013 allowances, with another permanent structure developed in time for the remaining vintages. In the third phase of the European scheme auctioning of allowances will become the major form of acquiring allowances for many sectors. The drafts describe the new auctioning structure as a "uniform, single round, sealed bid" auction, held at least weekly and mainly limited to ETS participants and regulated financial institutions. The documents indicate that auctions might be cancelled if the price were too low, although no active price management would take place.

Certified allowances surplus in phase II

Data released this week by climate NGO Sandbag have shown that the free-allocation set up that has characterized the EU Emission Trading Scheme so far is likely to lead to major profits for ten major steel and cement companies covered by the scheme in the 2008-2012 trading period. Simply cashing in surplus allowances might bring into their accounts up to €3.2 billion.

News from the World

US-Brazil partnership

This week in Brasilia a Memorandum of Understanding (MOU) was signed between the Brazilian Foreign minister and the US Secretary of State setting a climate change policy dialogue to discuss several issues, including how to implement the Copenhagen Accord, reduce emission, collaborate on clean

energy technology research and development and enact adaptation and capacity-building activities. Increasing cooperation on REDD activities is also part of the plan.

Japan PM supports nuclear power

On Saturday, Japanese Prime Minister Hatoyama told reporters about the crucial role nuclear energy can play in fighting climate change. The support for nuclear may not seem surprising, as Japan is currently the third largest generator after the US and France, but the Social Democratic coalition government has called to the PM to avoid including nuclear energy in the climate bill it is striving to get passed in this parliamentary session, which lasts until June. The draft bill has faced many difficulties due to the opposition by several ministries and private business to the introduction of a mandatory emissions trading scheme with absolute emission limits.

India's climate team renewed

The Indian cabinet is set to decide whether to remove two influential members of its climate negotiating team with current Environment minister Jairam Ramesh. The composition of the Indian team is no minor issue, as this reshuffling could lead to new ideas to shape the Indian position in international negotiations, especially as Ramesh has shown less rigid views on historical responsibilities.

UN climate panel members nominated

The high-level panel on climate finance created last month by UN Secretary General Ban Ki-Moon and chaired by UK PM Brown and Ethiopian PM Zenawi was completed this week with the nomination of its 19 members, which include Billionaire philanthropist George Soros and British academic Nicholas Stern, President Bharrat Jagdeo of Guyana, Prime Minister Jens Stoltenberg of Norway, and several high-level officials, such as Mexican Finance Minister Ernesto Cordero Arroyo and Jean-Pierre Landau, the second deputy governor of the Bank of France.

The Carbon Market

Carbon prices underwent a quite bullish week with three consecutive days of gains from Monday to Wednesday. Despite the fact that carbon prices in 2010 were only mildly affected by the performances of utilities, with carbon gaining 2% since the beginning of the year compared to substantial losses in the coal and electricity prices. A drop in German power prices drove a slightly bearish trend on Thursday. Carbon prices recovered by the end of the week thanks to a bullish Friday afternoon that brought the EUA2010 up to €13.34. Volumes were slightly below last week's, with 15 millions exchanged daily. Secondary CER for 2010 closed the week at €11.93.

SOURCES TO THIS ISSUE

Pointcarbon, Reuters interactive, Climate Ark, Euractiv, Carbon Finance website.
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