

# Climate Policy News

March 22- April 1, 2010

## IN BRIEF

- o EU ETS emissions fall in 2009;
- o France puts off introduction of carbon tax;
- o EU biofuel target borderline sustainable;
- o Obama's plan to win Republican support;
- o The carbon market this week.

## EU Emission Trading Scheme

### EU ETS emissions fall in 2009

Data released today (April 1) have shown that emissions from installations covered by the EU ETS have fallen by 11.2% in 2009 compared to 2008. Emissions have decreased by 214 million tonnes in 2009, leading to aggregate emissions equal to 1.61 billions; the same installations have been allocated 1.75 billion allowances. These data are not complete as over 1400 installations have not yet reported verified emission data; 1200 of these emitted about 212 million tonnes in 2008, while the rest failed to report emission also in 2008. Only one country reported an emission increase, Luxembourg, while German data have shown the largest decrease in emissions in 2009, with an almost 40-million tonnes reduction. Estonia is the country with the largest percentage decline in emissions (23.77%), while Italian emissions declined by over 16%. Further information can be found at [http://ec.europa.eu/environment/climat/emission/citl\\_en\\_phase\\_ii.htm#reports](http://ec.europa.eu/environment/climat/emission/citl_en_phase_ii.htm#reports)

### France puts off introduction of carbon tax

In the aftermath of the regional elections in France, which saw President Sarkozy's party heavily defeated, French Prime Minister Fillon has declared that the national carbon tax devised by the government and supposed to be introduced this July, will be put off until a broader agreement on this issue is found at European level. Fillon motivated the government's decision by referring to the need to avoid to put French industry at competitive disadvantage with the unilateral introduction of the carbon tax, especially with respect to neighbouring Germany. The French PM told reporters that France will be pushing the European Commission for a rapid harmonization of environmental taxes across the Union, but the decision to avoid introducing the national carbon tax has raised concerns about the environmental commitment of the French government in both NGOs and parts of the environment ministry. Naturally, the decision to postpone indefinitely the introduction of the carbon tax has been welcomed by French industry groups.

## EU biofuel target borderline sustainable

A new report, compiled for the European Commission by the International Food Policy Research Institute (IFPRI) and released on March 25, shows that going beyond a 5.6% biofuels target in fuel production could have negative effects on the environment. The Renewable energy Directive currently mandates that biofuels reach 10% of transport fuels by 2020, but only 5.6% is estimated to come from first-generation biofuels, thus making the European target "borderline sustainable" according to the report. Some experts have expressed worries about the evaluation of the extent first-generation biofuels will be needed, as second-generation ones such as fuel from waste and electric cars are not likely to be available on a large scale any time soon. The report, which is the first in a series of four reports aimed at evaluating the indirect land-use change effects induced by the Union's greenhouse gas policies, can be downloaded from [http://trade.ec.europa.eu/doclib/docs/2010/march/tradoc\\_145954.pdf](http://trade.ec.europa.eu/doclib/docs/2010/march/tradoc_145954.pdf)

## News from the World

### Obama's plan to win Republican support

This week the US President Barack Obama unveiled plans to extend offshore oil and gas drilling in an attempt to ease the way of the climate bill through Congress. The plan specifies which areas are to be eligible for drilling, leaving the North-east and Western coasts off limits to oil and gas companies. Although Obama has made energy security and reduced reliance on foreign oil part of its policies, the expansion of the drilling opportunities is a response to the important role this measures had played among Republicans in the presidential race. Nevertheless, some Republicans lamented the exclusions of the most promising areas (Alaska and the South of the Gulf of Mexico). Environmental groups were disappointed by the move, as offshore drilling raises several environmental concerns, and criticized the choice to continue to rely on fossil fuels, while many other countries are racing to clean their energy mix.

## The Carbon Market

Starting off on a bearish trend last week, carbon prices managed to recover some ground on Friday, recovering from the one-month low hit during Thursday's close and ending the week at €12.89, barely unchanged from the previous week's close. The beginning of this week has seen few movements in the EUA compartment, with the CER prices crashing in response to the suspension of two auditors, bringing the EUA/CER price difference for the 2012 vintage at the five-month high level of €3.01. On Wednesday, secondary CER for the 2010 vintage managed to close at €11.29, while the EUA2010 closed at €12.89. Volumes were in line with the average, with about 18 million allowances exchanging hands.

## SOURCES TO THIS ISSUE

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