

# Climate Policy News

April 6-11, 2010

## IN BRIEF

- o Auctioning procedures for third trading phase released;
- o France seeks US support for carbon tariff;
- o Outcome of the Bonn talks;
- o Asean meeting;
- o The carbon market this week.

## EU Emission Trading Scheme

### EC: draft for centralised auctioning platform presented but...

Returning from the Easter break, the European Commission released the draft proposal regarding the auctioning procedures for the third trading period of the EU ETS on Tuesday. The regulation introduces a single auctioning platform from 2013, but differently from the previous stands taken by the EC, allows member states to opt out of it and auction their allowances at national level until 2016. The Commission had previously built its position regarding the need to establish a centralised platform for auctioning allowances on an impact report that clearly stated the cost reductions implied by this choice, alongside the increased simplicity of the scheme and the possibility to link it more easily to other cap-and-trade systems elsewhere in the world. Nevertheless, a minority of member states had put a lot of pressure on the EC to avoid the centralised solution and despite the majority of member states were in favour, the voice of the largest emitters against it seemed to have had its way –at least until 2016.

### France seeks US support for carbon tariff

Speaking to the European affairs committee of the French Parliament, French Environment Minister Borloo announced a meeting with the US President Barack Obama to discuss and come up with a solution regarding the possibility to introduce a carbon tariff – a further tax levied on goods imported from countries with less stringent climate policies. Currently, the European Commission does not support the idea of a carbon tariff, fearing retaliation from major trading partner China and worrying about the possibility that such a measure is a violation of current WTO rules, as a recent report regarding innovative financial options details. On the other hand, Borloo showed optimism regarding the possibility to introduce such a tariff with the support of the US, whose recent climate legislation includes “border measures”. Moreover, citing the document released this summer by the WTO itself in which it opens for “properly constructed” border tariffs and the change of heart of some

member states (Denmark and the Netherlands) which were previously against the tax, Borloo concluded that a carbon tariff is not as unfeasible as it once was.

## News from the World

### Bonn talks agree to... more talks

The two-day meeting of the parties to the United Nations Framework Convention on Climate Change held in Bonn last week managed to agree on a busier meeting schedule for the parties before the annual Conference of Parties (COP) in Cancun later this year. Two more meetings, besides a second Bonn meeting in May-June and the December meeting will be organised in order to jump start negotiations well before December. The talks were focused on the ways to include the outcome of the Copenhagen conference (the Copenhagen Accord) into a UN draft climate text, but divergences remain and pessimism after the outcome of the Copenhagen meeting still looms. The role of the UN in leading negotiations in the future was remarked as essential by a group of poor countries, as well as representatives from European States, with all stressing the need to regain trust in the validity of the UN process in building an international climate agreement.

### Asean meeting

During a meeting of the 10 major Asian countries held last week on Friday, the leaders of the Association of South-East Asian Nations (Asean) called for developing countries to commit to binding emission cuts, making ambitious commitments and providing financial help and technology transfer to developing countries. Regarding the latter, Asean reaffirmed that they should be involved only on a voluntary basis keeping into account the “different national circumstances”.

## The Carbon Market

Carbon continued on the bullish strike that has seen prices going up during each daily sessions since March 30 and closed the week on a series of four gaining days with the EUA2010 at €13.68, shortly below the highest level since January 19 reached during Friday's trading - €13.75. This lucky strike was mainly imputed to a very good performance of German power prices, on a similar bullish trend during the week, and on a renewed enthusiasm in the market after the complete release of verified emission data, according to some traders who believe that the market might be on its way to reach a new support level at €13.50. Secondary CER closed also on the positive side with the contract for 2010 closing at €12.08. Due to the Easter vacation the trading week had only four days, but two of them managed to become the most traded of the year, with Wednesday and Thursday seeing 33 and 31 million allowances exchanging hands – a dramatic increase from the weekly average seen so far of 19 millions.

#### SOURCES TO THIS ISSUE

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