

Climate Policy News

April 12-18, 2010

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EU Emission Trading Scheme

EU countries stop recycled CER trade

After last month the news that surrendered CERs were being resold in a European exchange caused turmoil in the market and led to the imposition of a ban on surrendering carbon instruments into the EU's central registry, the representatives of the 27 European Member States agreed to a provision to end trading in such recycled CER. These credits had been sold by Hungary on the international market on the condition that they would not find their way back on the European markets, which was not the case. As the ban will be temporarily lifted on Monday, surrendered CER will from now on have to be transferred to a retirement account, in order to avoid possible reselling.

Italy joins France on carbon tariff

In a joint letter to European Commission President José Manuel Barroso, Italian PM Silvio Berlusconi and French President Nicolas Sarkozy called to the European Commission for the introduction of a carbon tax levied on goods imported from countries with less stringent climate policies. Despite the opposition of the EC and the scepticisms of some big member states like Germany, France, which is the frontrunner of a European carbon tariff, is working hard to get new countries in on the idea, underlining the risk of carbon leakage that the stringent European reduction target for 2020 would entail.

News from the World

Kerry reignites debate on US climate bill

Returning from the two-week Easter break, Senator Kerry, one of the proposers of the US climate bill that President Obama wishes to introduce and that would curb US emissions by 17 percent by 2020 on 2005 levels, declared to the press that the Kerry-Graham-Lieberman bill will not only reduce emissions but will create incentives for increased investments in the clean energy sector and increase GDP. Kerry said that as many as 1.9 million new jobs could be created increasing GDP by \$111 million by 2010.

Observers say that the US government is facing a few of the most promising weeks to pass its carbon bill, as Midterm election in the fall are usually in favour of the minority party -now the Republicans- which would make even harder for the bill to be passed, given some refusals to support the bill already announced among the Democrats.

UNDP: China should get ready for carbon trading

In a report by the United Nations Development Programme (UNDP) presented last week in Beijing, China, the country is urged to get ready for carbon trading in order to avoid cancelling out all the progress it has made in the last few years for what regards greenhouse gas emissions. China is currently the largest supplier of CER credits to the world carbon market, but has not started a national carbon trading scheme. The report suggests that China should develop industry-based intensity targets "in order to improve the verifiability of carbon emissions reductions and provide a solid foundation for future emission trading". So more environmental measures will be included in the next five-year plan starting in 2011, but it is unlikely that domestic ETS will be one of them, despite the support of the leaders of China's three environmental exchanges, who spoke in its favour during a business conference.

Developing countries' monitoring issues

The capacity to monitor report and verify GHG emissions required by the Copenhagen Accord might not be within reach of all developing countries, Mexican Adrian Fernandez, president of Mexico's National Institute of Ecology said this week. Helping these countries develop such capacities is a crucial step in the path towards achieving a global climate agreement. According to Fernandez, even Mexico, which will host the next conference of parties of the UNFCCC, might not be able to report its GHG emissions according to the Copenhagen accord schedule.

The Carbon Market

The bullish strike in carbon prices culminated this week with two consecutive intraday 4-month highs starting from Wednesday, when the EUA2010 hit €14.22 and continuing on Thursday when the 2010 vintage hit €14.77, before closing slightly below that level at €14.13. The EUA2010 closed the week at €14.44, confirming the bullish strike that has characterized this market in the last few weeks and that carried over to the secondary CER market, with the CER2010 closing the week at €12.71.

Volumes were on average around 20 million per day, with the exception of Friday when the allowance exchanges hit 25 millions, making it one of the most traded days of 2010. Analysts regards this bullish trend as an effect of the improved conditions of the European economy, especially since carbon is not following the trends of any of the energy commodities -not even German power prices, which lost some ground over this week.

SOURCES TO THIS ISSUE

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