

Climate Policy News

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EU Emission Trading Scheme

EC approves Polish NAP

After rejecting the first two drafts of the Polish National Allocation Plan for the second trading period of the EU ETS, the European Commission finally approved a revised version on Monday. A first draft was rejected in 2007 on the grounds that Poland allocated too many allowances to its industries (285 Mton per year); the EC requested to reduce the total cap by 26.7 percent. A second draft was resubmitted after receiving the support of the European Court of First Instances in 2009, which deemed illegal the EC request to Poland to reduce its cap, but was also rejected because it violated criteria set in the Directive. The final approved draft features a total cap that corresponds to the requests of the EC (208.5 Mton per year) and fulfils the requirements of the Directive. The happy ending between the EC and Poland reduces the uncertainty regarding the total supply of permits in the current trading phase of the EU ETS, but is only one small step in this direction as seven other Eastern European States have brought their complaints regarding EC decisions to court. In particular, Czech Republic, Latvia and Lithuania have lost no time in declaring that they will continue pursuing more allowances, counter to the EC decisions regarding their plans and to the fact that Poland eventually received none more than the EC wanted it to in the first place.

Prada and the French solution(s)

After consultations with several European DG, a group led by former president of French securities regulator AMF Michel Prada and commissioned by the French Economic Minister Lagarde, has presented a report on new solutions for the regulation of the European carbon market. The recent VAT frauds and the recycled-allowance scandal spurred a lot of debate about the need to upgrade the structure of the world's largest carbon market, and the Prada report summarizes 28 possible solutions grouped into six main themes. Main objectives throughout the report are the definition of a clear legal status for European quotas and the creation of a European system of regulation and monitoring, either at central or at decentralised level, besides the improvement of the quality of information flow within the Union.

News from the World

KLG bill faces unexpected hurdles

The much-anticipated press conference scheduled for next Monday in which US Senators Kerry, Graham and Lieberman were supposed to present the details of their climate bill has been called off at the last minute on Saturday evening. Senator Kerry told the press that the bill release will suffer a delay following the decision of Republican Senator Lindsey Graham to stop working on the bill as long as the American government keeps immigration a priority over energy. As the electoral campaign for the fall elections in the US gears up, the Obama administration is pushing for the approval of an immigration bill, which was supposed to be drafted by Graham and Democratic Senator Chuck Schumer. But the KLG bill does not face problems only from the inside: on the eve of this announcement, Greenpeace had declared to the press that the KLG bill was likely to strip federal and state regulators of the power to regulate GHGs

Japan ETS in progress

On Friday, the Japanese Ministry of Environment (ME) held the first meeting of the panel supposed to define a proposal to the mandatory cap-and-trade scheme that the country's government has proposed to introduce before the end of this year's Parliamentary works in mid-June. Another Ministry, the Economy, Trade and Justice Ministry (METI) is also going to work on a proposal, setting its own panel on it no later than next month. The two Ministries have been engaged in a long dispute about the nature of the mandatory scheme, which so far has been approved along only very broad lines that mask the sources of disagreement. In fact, the approved bill speaks of approving the necessary legislative measures to put a mandatory cap-and-trade into effect, but is not precise whether absolute (supported by ME) or efficiency-based volume (called for by METI) caps will be chosen. Government sources said that the official position is to consider both options, seeking to introduce absolute caps but with an open attitude on the matter.

The Carbon Market

Another bullish week for carbon was characterised by another two consecutive intraday 4-month highs for the EUA2010 on Thursday (€14.89) and Friday (€14.99). Despite remaining below the €15 threshold, carbon gained over 5% over last week's levels favoured by a bullish trend in utilities, with German power up about 1.5 percent over the previous week and both coal and oil prices up, although to a smaller degree. The EUA contract for December 2010 closed the week at €14.92, with secondary CER moving along even more bullish lines and closing at €13.30, an increase of about 6 percent compared to the previous week. Volumes were particularly strong this week, with an average of around 29 million per day.

SOURCES TO THIS ISSUE

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