

Climate Policy News

April 26- May 2, 2010

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EU Emission Trading Scheme

France stands against auctioning opt-out

On April 7, the European Commission published a draft proposal regarding the set up of a central auctioning platform for the third phase of the EU ETS, which includes a provision allowing countries to opt-out of the central platform and continue running their national auctioning platforms until 2016. This week, France has publicly stated that it will oppose this measure as it "could incite countries to split up the primary ETS market", according to official sources. Although other six countries had initially taken the same stance on the issue, the unlikelihood of such an opposition to ever be successful against the EC's view might reduce the support for a revision of the opt-out procedure. In fact, Austria, Denmark, Ireland, Italy, Latvia and the Netherlands might decide to avoid a direct opposition to the EC and work to ensure that any opt-out platform is well aligned to the central auctioning one.

EU's transport emissions rise

On Tuesday, the European Environmental Agency (EEA) published the tenth version of the Transport and Environment Reporting Mechanism Report (TERM report). The report shows that GHG emissions from transport in Europe grew by 28% between 1990 and 2007 in the 32 European countries, despite an increase in fuel efficiency. The EEA concludes that the European Union needs to extend its objectives not only to improving mobility, but in understanding why people travel, in order to reduce travelling times and congestions. The EEA suggests putting in place a policy package that includes further development of electric cars, investment in passenger transport to offer improved services. The report can be found at

<http://www.eea.europa.eu/themes/transport/term/publications>

News from the World

Australia postpones ETS

On Tuesday, Australian Prime Minister Kevin Rudd announced that the Labor government has decided to postpone the introduction of a cap-and-trade scheme from mid-2011 to a not specified future date, but an Australian newspaper quoted an unknown source saying that the scheme could be pushed forward until

2013. The Carbon Pollution Reduction Scheme (CPRS) has already been rejected by the Senate three times and as elections draw closer it seems that even the current opposition, originally in favour of the scheme, wishes to keep it out of the campaign.

New Zealand, on the other hand has decided not to follow the Australian lead, and keeps up its plans to bring new sectors into its emission trading scheme, which currently covers only the forestry sector and that is scheduled to be enlarged to the energy, industry and transport sectors on July 1 of this year.

The Petersberg dialogue

On Sunday, another one of the meetings that will pave the way for the next Conference of Parties in Cancun, Mexico later this year, kicked off in Petersberg. The meeting, which will last until Tuesday is not supposed to adopt any formal regulation, but it is an informal meeting in which representatives of 45 countries, representing all major groups involved in the climate negotiations, will discuss six "hot" topics: mitigation, adaptation, carbon market, financing, technology transfers and Redd (reducing emissions from deforestation and degradation). The next formal meeting under the UN Framework Convention on Climate Change will be held in Bonn from May 31 to June 11.

Obama: immigration bill not a priority

Last week Senator Graham was reported withdrawing from working on the draft climate bill he co-authored with Senators Lieberman and Kerry last week (the KGL bill), lamenting the supposed priority that the immigration bill had taken over the climate one in the list of the US government priorities. This week, US President Obama declared to reporters that it is unlikely that Congress will pass an immigration bill this year, as it must deal with the climate and energy reform first. The Senate Majority leader Henry Reid had already confirmed that the KGL bill was a priority over an immigration bill, but this had not convinced Graham to get back and work on the bill, which is currently being analysed by the EPA for economic modelling.

The Carbon Market

As US growth data for the first quarter showed an expected +3.2 percent on Friday, carbon hit an 11-month high, when the EUA2010 finished only cents away from €16, closing the week at €15.87 after reaching €15.98 during the day. Despite the bearish signal caused by the Greek financial situation, carbon had another bullish week, characterized by increased volatility compared to average daily volumes. Tuesday saw more than 43 million allowances exchange hands, and the rest of the week did shortly lower than that, with a daily average of 30 million allowances exchanged. A similar trend was observed on the secondary CER market and on the German power market, who both saw marked increases from the previous week levels: the CER2010 closed the week at €14.09, while German power prices gained 4.2 percent over last week.

SOURCES TO THIS ISSUE

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