

Climate Policy News

May 3-9, 2010

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EU Emission Trading Scheme

EC under pressure over auctioning details

The European Commission's draft proposal regarding auctioning in the third phase of the EU ETS received further criticism during a business-governments debate trying to finalize its details this week. In particular, the lack of rules and market oversight in the draft, which establishes a central auctioning platform but allows for opt-outs by member until 2016, were central themes among the critics of the proposal. The debate sees two main blocks of countries: on one side the UK and Germany, alongside Poland and Spain, have lobbied for the opt-out provisions, to preserve their current well-functioning auctioning platforms. On the other side, France and the rest of the EU members, which oppose the provision, call for rules to be defined, to oversee the working of the national platforms and sanctions those that do not conform to the rules of the central one. Pressure on the EC to finalise the draft comes also from the market, with utilities demanding to set auctioning details (dates and volumes) as soon as possible in order to provide certainty to traders.

News from the World

Canada closer to implementing climate bill after House vote

On Wednesday, the Canadian House of Commons –the lower chamber of the Canadian Parliament– approved the Climate Change Accountability Act (CCAA) in a narrow vote. The bill, which has the support of the Democratic government, now needs to move on to the Senate and obtain at least 53 votes to pass. The CCAA upgrades the current commitment of the country under the Copenhagen Accord from a 17-percent reduction below 2005 levels by 2020 to a 25-percent reduction below 1990 levels by the same year. The same bill did not survive a Senate vote two years ago, but proposers are now more optimistic as the bill now has also the support of some opposition Senators. A Senate vote over the bill is not expected before early fall later this year.

KLG bill ready to go public

Despite the fact that one of its authors will not be present and serious concerns still surround the possibility of it having the sufficient backup in the US Senate, Senators Lieberman and Kerry have announced that the bipartisan climate bill they have co-authored with Republican Senator Graham will be presented to the public on Wednesday. Sixty votes are necessary for it to pass and the Senators are optimistic about the possibility of securing all of them by the end of the year, thanks to "a growing and unprecedented bipartisan coalition from the business, national security, faith and environmental communities" working to build support for the KLG bill. In the meantime three government agencies (CBO, EPA and EIA) are evaluating the economic feasibility of the bill, which would introduce a cap-and-trade scheme in 2013 with the aim of reducing US emissions by 17 percent from 2005 levels by 2020.

Brazil evaluates domestic ETS proposal

An official statement from the government has not been released yet, but according to a Brazilian newspaper the country is joining the list of major developing countries evaluating the possibility to introduce a domestic emission reduction scheme alongside South Korea, Costa Rica and Mexico. According to the newspaper coverage, the Brazilian Finance Ministry commissioned a report investigating the role of a national carbon market in its key economic sectors (agriculture, energy, industry and power sectors and might set up an environmental agency in charge of defining sectoral caps. Brazil has already undertaken a voluntary emission target that aims at reducing the country's emissions between 36.1 and 38.9 per cent by 2020, with the bulk of these reductions coming from an 80 percent reduction in deforestation by the same year. This target was introduced by law in December 2009 and included a list of possible ways to implement it, including a domestic ETS.

The Carbon Market

Macroeconomic signals shaped the carbon market this week: a 12-month high was recorded intraday on Tuesday, when the EUA2010 hit €16.73, but uncertainties coming from the Greek debt crisis pushed the market down on the following day, only to have the release of German economic data (showing that the country is coming out of recession) on Thursday to bring it up again. Concerns regarding the possibility of a second credit crunch following the spreading of the Greek debt crisis dampened first equity and then commodity markets, with crude oil shedding almost 2 percent day-on-day on Friday and taking carbon prices with it. The benchmark contract closed the week at €15.56, while larger losses were recorded in the secondary CER market, with CER2010 closing the week at €13.50. This was due to the diffusion of a leaked report by the EC implying the introduction of a multiplier in the use of CER credits that would imply that two CERs are needed per each tonne of carbon.

SOURCES TO THIS ISSUE

Pointcarbon, Reuters interactive, Climate Ark, Euractiv, Carbon Finance website.
News and updates selected and edited by Caterina Cruciani, Fondazione Eni Enrico Mattei.

For questions and comments please contact: caterina.cruciani@feem.it

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