Climate Policy News

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EU Emission Trading Scheme

EC adopts biofuel sustainability criteria

On May 10, the European Commission adopted a comprehensive package (two Communications and one Decision) regarding criteria for biofuel production in the Union, calling for industry and governments to start voluntary certification procedures to ensure that biofuels produced or imported do not harm the environment. Among the sustainability criteria required to meet the certification are the origin of land in which biofuels can be produced (restricted to avoid natural forest, protected areas, wetlands, peatlands and highly biodiverse areas), and the minimum level of GHG emission reductions achieved through the use of biofuels (minimum 35%). Failure to abide to these requirements implies that the biofuel production would not count towards the 20% goal set in the Union by 2020. The document includes standards to be met in both EU and third countries and the features of the mandatory "reliable and fraud-resistant" auditing process overseeing the production chain. Green groups criticized the failure to address the implication of the expansion of agricultural land into environmentally sensitive areas when food production is displaced by fuel crops. More information can be found at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/711&format=HTML&aged=0&language=EN&guiLanguage=en

Energy tax for non-EU ETS sectors?

According to a paper leaked this week, the debate about the reform of energy taxation in the Union starting next week could include an energy tax in the transport and housing sectors, in line with the assessment of the measures to achieve a 30% emission reduction in the EU prepared by the Commissions a few weeks ago. In fact, the report included, among other ways to help member states reach the more ambitious target, a €30 tax on sectors currently not covered by the EU ETS. In the leaked paper, the tax would be proportional to the carbon content of the fuel and levied on fuels used for transport and for heating purposes as well as small power generators that are excluded from the ETS.

News from the World

UN climate talks in Bonn

The two weeks of talks among the 194 countries belonging to the UNFCC concluded on Friday without much progress, although a more constructing mood was felt by many delegates. In one of the last official occasions as head of the UNFCCC, Yvo De Boer called attention on the need to deliver some progress at the next conference of Parties in Cancun, leaving the process in the hand of his successor Costarican Christiana Figueres. She stressed the need to rely on new scientific findings to set the new targets for a binding commitment, centering the Cancun summit on delivering emissions cuts and finance for developing countries to adapt to climate change. The now familiar rich-developing divide played a part in this meeting as well, as calls from developing countries to proceed with a review of the new scientific findings to identify scientific gaps and possible loopholes in the current agreement, were opposed by a group of oil-producing countries. Saudi Arabia and other OPEC countries blocked the review claiming that not enough peer-reviewed literature exists so far to clearly identify scientific gaps. Moreover, a Bolivian report showed that developed countries could even increase emissions using creative carbon accounting, while technically remaining true to their stated reduction commitment, which further reduced the likelihood of agreeing to the switch to a binding support for halting temperature increases at 1.5°. Land use and land use change and forestry (LULUCF) were also on the spotlight during this meeting, as some rich countries want to forecast future emissions increases and then measure reductions against this higher level, while developing countries are worried this may lead to an overestimate of the impact of these activities and would rather use a historical baseline.

Brazil formalizes cuts in agricultural sector

In its 2010-2011 agriculture and livestock plan, Brazil formalized for the first time the magnitude of the emission reductions it aims to achieve in this sector: a 4.9-6.1% reduction by 2020, financed through the Low-carbon agriculture programme that will cost $544 millions. This money will be targeted to integrated farming with livestock, fertilisation, forest management, soil conservation and restoration of forest reserves to reduce forest clearing.

The Carbon Market

After a very static week in which carbon barely moved from the levels reached at the end of May, this last week saw traders' confidence increase as macroeconomic concerns started subsiding. Carbon prices moved slightly upward and the benchmark contract for 2010 closed the week at €15.56. After a bullish start, the energy complex closed the week on a bearish note, leaving carbon prices in the green. Secondary CER prices went also up during this last week, with CER2010 closing at €12.94. Volumes were in line with daily averages this year.

SOURCES TO THIS ISSUE

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

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