

Climate Policy News

June 14-20, 2010

IN BRIEF

- o Bulgaria renounces to legal suits against EC;
- o Spain likely to exceed renewable target;
- o EC joins EIB on climate finance initiative;
- o IEA-CSLF report show slow CCS progress;
- o The carbon market this week.

EU Emission Trading Scheme

Bulgaria renounces to legal suit against EC

The European Court of First Instances announced on June 17 that Bulgaria had officially decided to withdraw its legal suit against the European Commission (EC) regarding its National Allocation Plan (NAP) for the second phase of the EU ETS. After slashing the NAPs of several Eastern European countries, the EC has been involved in eight court cases, but despite a ruling in favour of one of them -Poland- last September, it has managed to leave unchanged the total amount of allowances allowed to be allocated in the 2008-2012 phase. Supposedly, the fact the Poland did not receive any extra allowance after the ruling has motivated the Bulgarian government to drop the lawsuit against the EC.

Spain likely to exceed renewable target

According to a publication of the Spanish industry ministry released this week, the renewable energy target set by the EC for all European Member States is likely to be achieved, with the country satisfying 22.7 percent of the national energy demand through renewable energy by 2020. Besides exceeding the 20 percent renewable target, this levels represents a massive increase from the share of energy demand from renewables in 2009 – 12.3 percent - which will imply 40 percent of the energy mix to become renewable, causing a reduction in greenhouse gases of 449 million tonnes by 2020.

EC joins EIB on climate finance initiative

On June 14, the European Commission and the European Investment Bank announced that they will combine efforts in a joint climate financing initiative aimed at mobilizing the financial resources that the European Union and other developed countries committed to developing nations in the Copenhagen Accord. According to that agreement these countries should mobilize €30 billion for fast-track initiatives to then provide €100 billion a year by 2020. This joint EC-EIB effort will translate into combining grants from the Commission and the European Member States with loans from the Bank, which is already planning to increase its overseas lending by €2 billion between 2011 and 2013. The EIB will also play a role in mobilizing resources from the EU ETS, by selling the 300 million

allowances set aside in the new entrants reserve and using the proceeds to finance carbon capture and storage initiatives in the Union.

News from the World

IEA-CSLF report shows slow CCS progress

In a report prepared for the forthcoming G8 meeting in Muskova, Canada next week, the International Energy Agency, the Carbon Sequestration Leadership Forum and the Global CCS Institute evaluate the progress made since the recommendation made at the G8 in Hokkaido in 2008 that 20 Carbon Capture and Storage (CCS) demonstration projects should be launched by 2010. Despite a notable financial commitment from all over the world that led to \$26 billion to be committed to the development of such projects, only five large-scale projects are in operation and were all commissioned before the 2008 commitment. Increased attention to the carbon capture and storage has spurred the development of about 80 projects, that are now at different stages and it is likely that between 19 and 43 CCS demonstration projects will be up and running by 2020. The lack of certainty regarding an international post-2010 climate commitment does not provide the price certainty necessary to spur further the development of CCS, but an IEA report has shown that about 100 CCS plants would be necessary in 2020 to avoid dangerous temperature increases. The report analyses in detail the progress made in each one of the eight CCS recommendations launched at the G8 Gleneagles Summit in 2005, identifying the next steps that are necessary to facilitate the deployment of 100 demonstration plants by 2020, including greater and better co-financing between the public and the private sector, possible inclusion of CCS in the Kyoto flexible mechanisms and greater involvement of developing countries.

The report **Carbon Capture and Storage: Progress and Next Steps** can be downloaded from

http://www.cslforum.org/pressroom/publications/ccs_g8_report.pdf

The Carbon Market

The forthcoming revision of the rules regarding CDM eligibility of certain refrigerant plants caused the carbon market to fear a decrease in CER generation after 2012. Currently, plants producing the refrigerant HFC22 supply over 50 percent of these credits destroying HFC 23, the polluting by-product of this production. If the revision causes these plants to be not any more eligible for CDM projects, the majority of these credits would not be available. These fears dampened enthusiasm in the carbon market, causing the benchmark contract to trade in a narrow range slightly above the previous week's levels, with the EUA2010 closing at €15.70, while the secondary CER market saw its benchmark contract close at €13.28.

SOURCES TO THIS ISSUE

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