

# Climate Policy News

June 21-27, 2010

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## EU Emission Trading Scheme

### EU carbon tax "benched"

Taxation is a sensitive issue in all countries, but it appears it is particularly so in the European Union, where any revision of the Taxation Directive requires anonymity among Member States. The fate of a European carbon tax as proposed by France and a few other member states is more uncertain than ever, after the proposal to introduce a €20 tax per tonne of CO<sub>2</sub> contained in fuel as been pushed back for need of an updated impact assessment. Taxation and Customs Union Commissioner Algirdas Šemeta has proposed this level for the tax at the June 23 meeting of the EU 27 Commissioners, to have it benched until an undetermined time, since no specific deadline for the submission of the updated assessment report has been set.

## News from the World

### Canada makes financial commitments

The international spotlight this week was all on Canada, host of both the G8 and the G20 meetings and sometimes seen as one of the laggards in fighting climate change. In fact, Canada is one of the countries that support moving the reference year for the emission reductions of the Copenhagen Accord away from 1990, since its emissions have increased dramatically since that year. Currently, the federal government of Canada has undertaken a 17 percent reduction in GHG by 2020 from 2005. Before the beginning of the G8 meeting the Canadian government announced it will invest \$384 millions in 2010 for fast-track financing in developing countries, contributing its share of the commitment developed countries undertook in Copenhagen. Moreover, the Canadian government announced new standards for coal-generated electricity production that correspond to the emission performance levels of high-efficiency natural gas generation.

### China bans loans to high polluters

This week the Chinese Banking Regulatory Committee has forbidden commercial banks to approve loans to high polluting industries; the power to approve new loans will now rest on the Central Bank of China, which will not approve liquidity loans to

industries that put at risk the achievement of the Chinese energy-saving target – improve energy intensity by 20 percent from 2005 by 2020. The Chinese government has already committed \$500 million of its own resources to achieve this target, and has also received a further \$100-million loan by the World Bank this week for this purpose.

### G8 and G20 in Canada

This week, both the group of eight most developed countries (G8) and enlarged group of the 20 largest world economies (G20) took place in Canada. Although little mention of climate change issues has been made during the latter, which simply welcomed the ministerial-level work to prepare for the fossil-fuel phasing out, the G8 participating countries addressed the issue and called for a greater involvement of developing countries. In the Muskoka declaration released on Saturday the G8 countries did not undertake any new pledge regarding climate change, but reiterated previous one ( 80 percent reduction in GHGs by 2050 from 1990 levels), calling for "a comprehensive, ambitious, fair, effective, binding, post-2012 agreement involving all countries, and including the respective responsibilities of all major economies to reduce greenhouse gas emissions." The involvement of major developing countries has been a novel focus of the G8 countries, which asked them to undertake "quantifiable" emission reduction targets "by a specific year." So far, the main developing countries (Brazil, India, China and South Africa) have undertaken a series of voluntary reduction commitments but refused to accept mandatory ones. In the section Environmental sustainability and Green recovery of the Muskoka declaration, the G8 countries touched on a variety of subjects, from the commitment to ensure climate resiliency of the different countries of the world, the need for further research, and an acceleration in carbon capture and storage technology, in order to achieve the implementation of demonstration plants by 2015. The role of nuclear energy in addressing climate change and ensuring energy security has been also recognized alongside the role of bioenergy for the sustainability of nations.

The text of the Muskoka declaration can be read at

<http://g8.gc.ca/g8-summit/summit-documents/g8-muskoka-declaration-recovery-and-new-beginnings/>

## The Carbon Market

Carbon prices lost some ground this week, but limited their losses compared to energy commodities. As German power prices lost about 7 percent from the previous week and coal prices managed just slightly better, the EUA2010 hit €15.22 on Thursday, but closed the week higher at €15.35 on the back of rising oil prices. On the secondary CER market, prices followed the EUA on the downward trend but with lower losses until Thursday, to close the week on the green at €13.12.

## SOURCES TO THIS ISSUE

Pointcarbon, Reuters interactive, Climate Ark, Euractiv, Carbon Finance website.  
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[www.iccgov.org/policy-0.htm](http://www.iccgov.org/policy-0.htm)

[www.cmcc.it/publications-meetings/publications/](http://www.cmcc.it/publications-meetings/publications/)

