

Climate Policy News

June 28-July 4, 2010

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EU Emission Trading Scheme

EU member states miss renewable action plan deadline

Only the Netherlands and Denmark managed to submit by the June 30 deadline the National Renewable Energy Action plan (NREAP), said official sources at the European Commission. The national plans detail how each member state plans to achieve the individual targets set in the Renewable Energy directive, which introduced the commitment to raise to 20% by 2020 the share of renewable energy in the Union's energy mix.

Auctioning rules for EU ETS phase 3

On June 30, the European Commission has sent to all Member States (MS) a new version of the draft regarding the auctioning rules for the third phase of the EU ETS. Despite strong opposition by large MS such as Germany and the UK to the central platform, the new draft contains only minor technical modifications. The draft will be voted upon by all MS for approval in a fortnight, when hopefully a deal will be reached. Concluding an agreement on the auctioning rules is vital, both to provide certainty to the markets and to make sure that the new platform is up and running by 2013.

News from the World

New sectors join the New Zealand scheme

On July 1, the New Zealand carbon trading scheme has been enlarged to cover some stationary energy and industrial processes, besides the forestry sector, which so far was the only sector covered by the scheme. The first compliance date by which permits will have to be surrendered is May 31, 2011, when industries will have to account for the emissions of the second half of 2010. The NZU, the permits used in the scheme, will be handed to trade-exposed energy-intensive industries by the government up to 60-90% of their needs, while energy producers will have to surrender permits to cover all the emissions. Fisheries and other small energy-intensive industries not covered by the scheme will

also be given some NZU to compensate for the increased cost of transport from the scheme, but the list has not been finalized yet.

Major Economies Forum meets in Rome

This week the Major Economies Forum, a group created by the United States last year to help foster an agreement on climate change action, met in Rome for a two-day meeting to discuss the progress made in the road to Cancun and how the major developing countries will meet their reduction commitment. The discussion focussed on the monitoring, reporting and verification (MRV) of these commitments, suggesting that these procedures be dealt with by domestic agencies in developing countries, while all mitigation measures funded with international funds should be developed in line with an international regime. Representatives of developing countries present at the meeting complained that the discussion on MVR should focus also on targets, time frames and technology transfers from developed to developing countries. Besides the 17 countries that normally attend the MEF meeting, five more developing countries, including Bangladesh and Ethiopia, were invited to the Rome meeting.

New climate bill presented in Congress

The introduction in the United States of a Climate and Energy bill that includes a cap and trade had already been formally criticized last week, when Republican Senator Lugar had presented in Congress a cap-and-trade free climate bill. Moreover, President Obama has met Republican senators this week to try and draft a compromise energy bill. This week another bill has made its way in Congress by the hands of Senators Burr and Chambliss. The bill, labeled Next Generation Energy Security Act, is aimed at the expansion of clean domestic energy sources through the combination of several measures (mainly tax credits) regarding natural gas, nuclear energy, renewable energy and electric vehicles. In particular, the bill proposes to extend the income tax credit for the purchase of vehicles that run on alternative fuels, extends solar, fuel-cell, microturbine, combined heat-and-power and small-wind investment tax credits through 2019 and increases loan guarantee for nuclear energy.

The Carbon Market

Carbon prices traded in a narrow range this week, amongst mixed signals from energy prices; the benchmark contract of the EU ETS lost some ground from the previous week's closing level, managing to gain some on Friday, when the EUA 2010 closed at € 15.32, €0.03 below the level reached at the end of last week.

Secondary CER market prices followed a similar trend, but finished the week below the last week's close at €13.04, mainly driven by the news that the CDM executive board will need more time to decide about the new rules regarding HFC23-related CDM activities. About 20 million permits traded everyday on global carbon markets, except on Friday, which saw lower volumes.

SOURCES TO THIS ISSUE

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