

# Climate Policy News

July 5-11, 2010

## IN BRIEF

- o EC sets phase II cap;
- o Share of renewable energy increased in 2009;
- o China to host meeting before Cancun;
- o Australian PM says climate plans have not changed;
- o US Climate bills evaluated;
- o The carbon market this week.

## EU Emission Trading Scheme

### EC set phase III cap

On Friday the European Commission announced that the cap for the initial year of the third phase of the EU ETS will be set below 1.927 billion allowances. The third phase of the scheme runs from 2013 to 2020 and the above level for 2013 will be progressively lowered by 1.74 percent annually. The current cap might be further revised before entering into force, as some of the sectors that will be included after 2012 are not included in the evaluations that determined it. Moreover, the cap incorporates the commitment to reduce by 20 percent the European emissions by 2020 (which implies a 21 percent reduction from 2005 levels in the EU ETS-covered sectors by 2020), and could be further revised if the Union decided to go for the more stringent 30 percent target. More revisions might be in order if the Kyoto flexible mechanisms does not produce enough credits, or if new entrants join the ETS, thus making it unlikely that final figures be available much before 2013.

### Share of renewable energy increased in 2009

On Monday, the European Union Joint research Center Institute for energy (JRC IE) published a new report, "Renewable Energy Snapshots" in which it evaluates the role of renewable energy in the energy mix of the Union in 2009. The report shows that renewable sources in new electricity-generation installed capacity in 2009 grew by 62 percent from 2008 levels, compared to an increase by 57 percent in 2008 compared to the previous year. Overall 27.5 GW of renewable energy are produced in the Union ( 19.9 percent of the energy consumed), 38 percent of which (10.2 GW) are represented by wind energy, which plays the lion's share for the second year running.

The report can be downloaded from

[http://re.jrc.ec.europa.eu/refsys/pdf/Snapshots\\_EUR\\_2010i.pdf](http://re.jrc.ec.europa.eu/refsys/pdf/Snapshots_EUR_2010i.pdf)

## News from the World

### China to host meeting before Cancun

This week, speaking to Chinese newspaper China Daily, Achim Steiner, a UN under-secretary general and director of the UN Environment Programme (UNEP) confirmed that China will host another round of negotiations of the United Nations Framework Convention on Climate Change in October. The UNFCCC has already scheduled a further round of talks in Bonn in August before the Conference of Parties actually kicks off at the end of November. The official dates for the meeting in China, which will be held in Tianjin, have not been made public yet, but it is certain that the meeting will take place in October.

### Australian PM says climate plans have not changed

After she replaced Kevin Rudd as Australian Prime Minister a month ago, Julia Gillard had said that she might reconsider the Australian plan to introduce a cap-and-trade system after 2012 and start working on it after the elections, which will be held later this year. In a recent interview she confirmed that the Australian climate plans have not changed, and that the introduction of a carbon permit scheme will be considered after 2012 and after commitments by other countries have been made public.

### US climate bills evaluated

After last month the EPA released its own evaluation of the impact of the two climate bills currently under discussion in the US Senate – the American Power Act, by Senators Kerry and Lieberman (K-L bill) and the Waxman-Markey bill, which should be merged with the KL bill – the Congressional Budget Office (CBO) released its own estimates. CBO found that allowances in the KL bill will worth \$14 a tonne in 2013, while the EPA forecasted a higher price (between \$16-17). Despite the fact that both bills aim to reduce by 17 percent by 2020 US emissions compared to 2005 levels, the price forecasted for the W-M bill by CBO is higher (\$28 in 2020). Besides the fact that allowances will be less expensive in the K-L bill, this bill would also help reduce the US public deficit, as a part of the auction revenues could be used for this purpose, for a reduction that could reach \$19 billion in 10 years.

## The Carbon Market

In a bearish week for carbon prices, the EUA lost more than 4 percent compared to last week and hit the lowest level in the last three months; in fact, the EUA2010 closed on Friday at €14.15, the lowest close since April, 15. Weaker than usual energy prices and technical selling to due to an increase in the supply of permits thanks to an English auction on Thursday were the main culprits for this bearish week. Brent crude oil closed the week 1.7 percent down from the previous week, while natural gas recorded even heavier losses, with a 3.5-percent price decrease. Once again the secondary CER market was in line with the EUA: CER2010 lost 3 percent compared to last week closing levels.

#### SOURCES TO THIS ISSUE

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

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