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EU Emission Trading Scheme

EU agrees on auction details for EU ETS III

After months of disagreement and newspaper headlines, the details of the auctioning procedure for the third phase of the EU ETS have finally been agreed upon. On Wednesday, the European governments unanimously agreed to allow for the creation of a common auctioning platform with an opt-out procedure that will guarantee the existence of national platforms, provided that they meet certain criteria. Although the European Commission pushed for a unique common platform, the opposition of a group of member states made the opt-out provision a reality after no other solution was found. These new rules imply that electronic exchanges and clearing houses will soon start their battle to win the central or national auctioning contracts, even if auction dates and volumes have not been set yet. The rules agreed - which also include the requirement for the new-entrant aviation sector to buy through auctions at least 15 percent of its allowances- have now been sent to the European Parliament and Council for a three-month scrutiny.

Renewable energy use grows in 2008

According to a news released by Eurostat this week, the share of renewable energy in the European energy consumption has grown in 2008, confirming an increasing trend recorded since 2007. Looking at total energy consumption, Sweden leads the ranking, with 44 percent of renewables sources in the energy consumed in 2008, followed by Finland (30.5 percent) and Latvia (29.9 percent.) Austria, which ranks fourth on the total energy consumption ranking, comes first when it comes to renewable share in gross electricity consumption (65.1 percent), followed by Sweden (53.6) and Latvia (38.7.)

News from the World

New report shows increase in clean energy investment in 2010

This week a joint report by the United Nation Environment Programme and New Energy Finance regarding clean energy investment was released. After the effects of the economic recession had dampened investment in this sector, reducing clean energy investment by 7 percent in 2009 compared to the

previous year (from \$173 billion to \$162 billions) the data for the first half of 2010 show some reassuring progress, with a 22 percent increase compared to the same levels of the previous year. This year and the next are also likely to be characterised by the injection of the remaining financing of the Green stimulus (\$188 billion) approved on the aftermath of the Lehmann Brothers crash in September 2008, only \$7 billion of which have actually been spent so far. Regarding the 2009 data, China saw the largest increase in investment in clean energy technology (53.8 percent increase from the financing in 2008), while Europe saw a 10 percent contraction, and for the first time Asia and Oceania contributed more than the Americas (\$40.8 compared to \$32.3 billions.) Moreover, a 40% increase in clean energy share prices in 2009 compensated about a third of the losses recorded in 2008. Further information can be found at http://sefi.unep.org/fileadmin/media/sefi/docs/publications/key_findings.pdf

Japan: compromise on climate bill after poor election results

If the fate of the Japanese climate bill was set just a week ago, after last weekend's elections, the room for acceptable compromise between the government and the opposition party seems to have widened due to a poor performance of the government. Environment minister Sakihito Ozawa has confirmed this week that the key features (25 percent reduction target by 2020 from 1990 levels and the introduction of an emission trading scheme) will be maintained, but that other features, such as the nature of the mandatory scheme, will be open for discussion with the opposition, in order to ensure that the bill is passed later this year. So far the 2020 target has met fierce resistance from the opposition parties and the debate on the nature of the scheme has seen the Ministry of Trade oppose absolute caps for all sectors.

The Carbon Market

After a disastrous week, prices of European carbon allowances managed to recover some ground just before closing time on Friday. After losing more than 4 percent over last week's level on Thursday, the EUA2010 pulled off a bullish turn on Friday and closed at €14.36. Energy commodities were not to thank for this shift though, as they remained basically unchanged on Friday, with a slight increase in German power prices and a minor loss in Brent crude oil prices. Traders interpreted the upturn on carbon prices as a rebound from too low levels reached during the week. Friday was the least traded day of the week, with only 18 million allowances exchanged, below the weekly average (22 millions) and the July monthly average (23 millions.) After managing to cut losses over the week, secondary CER prices also went up on the last trading day, but less so than EUA's, bringing the EUA/CER spread back to €2.17 for this year vintage, after it went a s low as €2.09 during the week.

SOURCES TO THIS ISSUE

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