

IN BRIEF

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EU Emission Trading Scheme

EU companies support 30% reduction target

In a letter to the Financial Times published this week, 27 CEOs of major companies, including some of the biggest EU manufacturers, called for a deepening of the current commitment in terms of GHG reduction by the European Union. Shifting to a 30% target would ensure that the right economic signals are sent to companies in order to shift investment towards low-carbon technologies and products. This letter comes as a response to another article published by the hands of the French, German and British environment ministers and published last week that also called for moving to a 30% reduction target.

News from the World

China to launch national carbon trading

According to China Daily, the Chinese National Development and Reform Commission (NDRC) has confirmed this week that a national carbon trading scheme will be included in the next five-year plan starting in 2011. The details of how the scheme will be implemented are yet to be decided, including whether the cap will be absolute or intensity-based or whether it will cover all sectors and regions or will be somewhat progressive. This week, Chinese government officials also confirmed that the country has managed to complete the closing of 468 outdated, coal-fired power plants two months ahead of the schedule set by Chinese President Wen Jiabao to help meet a 20-percent improvement in energy efficiency from 2005 levels by 2010. According to the Chinese Energy Climate Change expert, only this month China has improved its energy intensity by 53 percent and carbon intensity by 55 percent from 1990 levels.

UNFCCC's plan B

As 2012 draws closer and closer the United Nation Framework Convention on Climate Change (UNFCCC) officially started thinking about a contingency plan, in case no agreement on a Kyoto Protocol successor were struck in time. The document published on the UNFCCC website focuses on the legal implications that a gap between the current international agreement and its possible successor could entail. Under current

rules three quarter of the parties to the UNFCCC (143 of the 190 countries) must accept the agreement to make it binding, and in order to avoid a gap with the current scheme, this acceptance should take place by October 12, 2012. Moreover, even once an international framework had been agreed upon, it would take a long time to ratify at national-parliament level, as the Kyoto Protocol ratification process has shown, which could undermine the continuity with the old scheme. Thus, in order to facilitate the process of ratification, instruments such as tacit acceptance or automatic opt-in after acceptance could be useful as well as other modification of the ratification amendments, or even the possibility to reduce the required majority for approving a new treaty, or the possibility to simply extend current commitments. These modifications would be considered provisional and are currently feasible under international law. The text of the document can be found at <http://unfccc.int/resource/docs/2010/awg13/eng/10.pdf>

US can do it... even without a bill!

This week the World Resource Institute (WRI) released a new report in which it details how the US is likely to achieve significant GHG emission reduction eve if a comprehensive climate bill is not agreed upon. Simply using existing Federal authorities like the EPA and State actions and regional initiatives currently under way, the US could achieve a 14-percent reduction in GHGs by 2020 from 2005 levels, only a few percentage points below the 17-percent target that the new legislation targets. However, passing a comprehensive legislation would put the US on track to meet its Kyoto obligation by 2016.

The full report can be downloaded at http://pdf.wri.org/reducing_ghgs_using_existing_federal_authorities_and_state_action.pdf

This week, Harry Reid, the Senate majority leader in charge of setting the schedule for the Senate, confirmed that the Senate will not vote on the climate bill before mid-September, in order to give time to the proponents to gather the necessary 60 votes.

The Carbon Market

Carbon prices managed to reverse the bearish trend that characterized most of July trading days, pulling off a 2.7 percent increase from the previous week level until Thursday, only to suffer another bearish blow on Friday. After going as high as €14.65 during the week, the EUA2010 closed the week at €14.05, mainly due to bearish signal from energy commodities and German power in particular, which lost 1.1 percent on Friday, day on day. Secondary CER market moved in line with the European allowance market and reduced the gains recorded during the week on the bearish Friday, with CER2010 closing at €11.96. Volumes were slightly below average, with around 20 million allowances exchanged every day, compared to July's average of about 22 millions.

SOURCES TO THIS ISSUE

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