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## NEWS FROM THE WORLD

### *COP 14 kicks off*

On December 1, delegates of 186 states officially started the 14th Conference of Parties to the UNFCCC in Poznan, Poland. The conference will last until December 12, hopefully accomplishing to produce a text, accompanied by a detailed work programme, that can provide the basis for detailed negotiations to prepare for a global deal during the December 2009 conference in Copenhagen. The final day of COP14 overlaps the December 11-12 European Council, which should wrap up the discussion on the future of climate and energy package. Moreover, the high-level meetings between heads of states are reserved for the last two to three days of the conference and will thus be held in parallel to the EU summit. How the recent debate and the lingering over a final commitment by the European countries will affect negotiations in Poznan remains to be seen. In the first days of the conference, delegates, Commission officials, MEPs and NGOs will meet in a series of workshops and working group meetings to resolve technical and other issues related to the structure of a future climate change deal, including the transfer of clean technologies and adaptation funds to developing countries and the prevention of deforestation. FEEM will also be present at COP 14 with a side event to be held on December 6, entitled "The Future of REDD: the Bali Action Plan, the EU-ETS and the Coming US Carbon Market"

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## EUROPEAN NEWS AND POLICY

### *Sarkozy to save climate deal...over lunch*

In a renewed attempt to reach a deal on the climate package, the French presidency will meet the prime ministers of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania and Slovakia on Saturday December 6 in Gdansk, Poland, over what he wishes will become the compromise lunch that ended the row between Eastern European countries and the EC. After proposing to Poland free permits to coal-dependent industries until the revised EU ETS kicks in 2013, no later than last week, it is still unsure what President Sarkozy will offer in order to secure a productive outcome to the next European Council, and avoid passing the rotating presidency to the Czech Republic with the issue unresolved. In the meantime, the European Parliament has rejected the French proposal to increase

the limit of flexible mechanism credits to 70 percent. Finnish MEP Satu Hassi confirmed that "The red line in parliament is drawn at a 50 per cent limit."

### *New report caused row at environmental council*

A recent report released on December 3 by Climate Strategies stating that "For most chemicals, the impact of having to buy carbon emission rights will be small, as the EU Emissions Trading scheme is toughened from 2013 onwards," caused a row during the environmental council of the European Parliament on December 4. Unlike the report, Germany and the European Chemical Industry Council have been advocating concessions to be made to energy-intensive sectors such as chemicals, steel and cement, in light of their exposure to carbon leakage. On December 3, the Italian PM Berlusconi prevented a deal on the bloc's plans to ensure 20 per cent of its energy was from renewables sources by 2020, demanding to review the law in 2014 prevented.

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## THE CARBON MARKET

The carbon price for 2008 went through an extremely volatile day on Monday, when the EUA2008 closed €15.43, after trading between €15.10 and €16.15 during the day. The news that one of the major verifiers in the CDM sector had been banned from auditing projects led to an increase in CER prices, which gained €0.20 over Friday's close. On Tuesday, as Brent crude hit its lowest level since February 2005 at 46.02\$/bb and UK gas prices fell sharply, carbon prices fell by 0.8 percent to €15.30. The secondary CER market barely budged, registering a €0.10 decrease in the 2008 vintage. A softening in the energy complex caused carbon to lose further €0.10 on Wednesday, with the EUA2008 closing at €15.20 in a day characterised by fewer trades. On Thursday, Brent crude hit its lowest level in the last four years, at 42.787bb, causing severe losses to the EUA. The contract for 2008 lost €0.30 over the previous day and similar losses were recorded in all vintages. Trades were particularly thin and also in the secondary CER market significant losses were recorded, with the CER2008 shedding €0.30. Carbon prices finished the week with a bang, crashing down 9.4 percent, after a drop in oil prices to below 40\$/bb. All EUA vintages lost about €1.30, but volumes were not below average. On the secondary CER market, which suffered losses of around €1 in all vintages, the curve flattened further: currently just €0.40 divide the CER2008 and 2012. The EUA/CER spread for 2008 came down to the low level of €0.82.

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## SOURCES TO THIS ISSUE

*Pointcarbon, Reuters interactive, Climate Ark, Euractiv website*

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