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## EU EMISSION TRADING SCHEME

### *Parliament approves compromise Energy and Climate package*

On Wednesday, the EU Parliament approved with 610 votes for and 60 against, the content of the compromise draft negotiated at the European Council (EC) last week. The agreement was regarded as a success by the six rapporteurs responsible for the different packages approved, even if the original proposal is admittedly watered down. In particular, all the derogation presented at the EC were confirmed. The agreed targets for the nontraded sector, which represents around 55-60 per cent of Europe's greenhouse gas emissions, will allow states to use offsets to meet up to around two-thirds of the total reduction between 2013-2020, with an additional 1 percent allowed to Austria, Finland, Denmark, Italy, Spain, Luxembourg, Portugal, Ireland, Slovenia, Cyprus and Sweden. As concerns the third phase of the EU ETS, the derogation that increases the number of free allowances to industrial sectors not vulnerable to carbon leakage (80 per cent of their allowances for free in 2013, gradually decreasing to 30 percent by 2020, with full auctioning reached in 2025) has been confirmed. More industrial companies will be included into the scheme from 2013, with chemical and aluminium sectors added to those already included, such as steel, paper and cement and Europe's aviation sector also included from 2012. Moreover, 300 million allowances from the scheme's pool of permits reserved for new entrants will fund the building of up to 12 carbon capture and storage (CCS) facilities, and 2 per cent of cash from auctioning allowance will be earmarked to eastern EU states on top of the 10 per cent initially tabled by the commission to fund investments to cut emissions among new member states. If officials generally welcomed the approval of the package as a necessary step to achieve the ambitious 20-20-20 EU target, green group lamented the increased role of international offsets and the credibility of the EU commitment. Stavros Dimas, Environment Commissioner, claimed the integrity of the original environmental objectives had been maintained and warned Europeans not to be too critical, as negativity could seriously harm the EU's prospects of getting the new US administration behind an ambitious climate policy. Industrial groups welcomed the watering down of the Commission's climate ambitions, even if some warned about possible costs.

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## NEWS FROM THE WORLD

### *Australia connected to the ITL*

On Monday 22, Australia became the 34th country to be connected to the International Transaction Log, the Kyoto registry. The link will allow Australian project developers to import carbon credits from the clean development mechanism as well as let the government buy emission rights and carbon credits to help it meet its target under the Kyoto protocol. Australia ratified the Kyoto Protocol just 12 months ago and has a target to limit emissions growth to 8 per cent more than 1990 over the 2008-2012 period.

### *Carbon makes 2<sup>nd</sup> place in worst investments of the year*

According to a Pointcarbon analysis released on Monday, the returns of future carbon commodities were the second worst this year, with 33 percent loss on a generic 2009 EUA investment of 100\$. Only investments in 2009 crude Brent futures yielded a worst result.

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## THE CARBON MARKET

On Monday, carbon recovered 4 percent of its value, with the EUA2008 closing at €15.30. The 2008 contract on its last day of trades, was very much exchanged, as many actors were coming to the market to settle this year's positions. On Tuesday, gas and German power prices lost some ground, sending a bearish signal to carbon: the 2009 vintage lost €0.10 and closed at €15.85, while small gains were realised in the spot market. Secondary CER for 2006 gained €0.15 closing at €13.60. Notwithstanding the OPEC decision to cut oil production by 2.2 million barrels per day, the release of weekly oil statistics sent a bearish signal to carbon on Wednesday, when the 2009 contract lost €0.20 and the CER curve flattened with both 2009 and 2010 CER closing at €13.80. Carbon lost ground on Thursday, with the 2009 vintage shedding €0.13 and closing at €15.67; nevertheless trading was very brisk on the exchanges. On Friday, all carbon vintages were basically unchanged, as were UK natural gas, German power and front month Brent crude futures. The only remarkable news was the level on trades on the Bluenext exchange, which hit 6 millions. On Monday 22, on the back of rising German power prices, the EUA209 gained €0.40, as all other vintages firmed as well. Only 750.000 allowances were traded on the Bluenext exchange, while in the CER market the 2009 contract remained unchanged at Friday's level at €13.40.

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## SOURCES TO THIS ISSUE

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