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## EU EMISSION TRADING SCHEME

### *Compromise reached at European Council*

On Friday the EU bloc found an agreement on the contentious climate and energy package, right in time to finalise the proposal into law before the end of the year. EU leaders at the European Council confirmed the 20 percent emissions reduction target by 2020, and their intention to engage in even tougher limitations in case of an international agreement, but the support of all states did not come for free. According to the Council conclusions, several states will be allowed some derogation in the number of free allocations or the share of international offsets allowed. In particular, here are the main conclusions of the Council:

→ Industries would be eligible for free allowances if their costs caused by the participation to the scheme (from permits and electricity from utilities passing through their allowance payments) increases by at least 30 percent.

→ Industrial sectors covered by the EU ETS, but not deemed to be vulnerable to carbon leakage, will receive 80 per cent of their allowances for free in 2013, gradually decreasing to 30 percent by 2020. Full auctioning will be reached in 2025.

→ 11 member states (Austria, Finland, Denmark, Italy, Spain, Luxembourg, Portugal, Ireland, Slovenia, Cyprus and Sweden) will be allowed to use UN credits worth 3 percent of 2005 emissions to meet annual targets from 2013 to 2020 in the effort-sharing of the non-traded sectors

→ 300 millions EUAs will be auctioned to finance Carbon Capture and Storage development

→ At the European Council of March 2010 a detailed analysis of the outcome of the Copenhagen Conference will be presented to assess competitiveness effects of the revised package and the possibility to move to a 30 percent reduction target.

Green MEPs and NGOs did not approve on the derogations allowed, which might watered down the ambitious EU commitment against climate change, whereas the French presidency and countries like Italy -which had threatened to veto the package- welcomed it as a success.

On December 13, the trilogue between the European Commission, Council and Parliament concluded, finalising the draft that the Parliament will vote in a plenary vote on December 17.

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## NEWS FROM THE WORLD

### *Developing countries steal spotlight at COP13*

At COP13 in Poznan, developing countries managed to shatter all prejudices about their willing to act against climate change, showing an impressive leadership, just while the EU bloc found a compromise on a watereddown agreement. Mexico announced a plan to cut 2002 GHG emission levels in half by 2050, via voluntary and non-binding commitments to improve energy efficiency in heavy industry and called for financial support to deploy solar power, wind and other clean technologies. Brazil pledged to cut its annual deforestation rate by 70 percent by 2017, a rate that could reduce the country's greenhouse gas emissions by 30-45 percent over the next decade. South Korea said it would announce an emissions cap next year, while South Africa approved a plan for the stabilisation of GHG emissions between 2020 and 2025, followed by the reduction of GHG emissions between 2030 and 2035. India outlined a national plan that would boost solar power production. Angola, Pakistan and Nigeria are reportedly developing their own mitigation actions.

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## THE CARBON MARKET

On Monday, a stronger energy complex supported carbon, which gained 6.7 percent over Friday's close. The EUA2008 closed at €14.42, up €0.90, amid increasing oil, gas, coal and German power prices. In the secondary CER market, the contract for 2008 closed up €0.50 from Friday's close at €13.20. Tuesday saw a decrease in all EUA vintages. In general the signals were bullish for carbon, with German power prices up €0.42 and the gas/coal switching level in favour of this last one; nevertheless the contract for 2008 lost €0.23, mainly due to a decrease in the price of Brent crude. Trading was again more active in the spot compartment. Carbon prices increased on Wednesday, thanks mainly to a rally in energy prices, due to colder weather and unexpected stoppages of some UK plants. The EUA2008 gained €0.31, closing at €14.50 while in the CER compartment the contract 2008 closed at €13.20, up €0.23 over the previous day. Gains in the energy complex drove the carbon market on Thursday with the EUA2008 closing at €14.78. On Friday, a weaker day for oil and German power did not affect carbon, which closed higher in all contract and vintages. The EUA2008 closed up €0.12 at €14.90, while the CER2008 closed at €13.30.

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## SOURCES TO THIS ISSUE

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