
EU EMISSION TRADING SCHEME

McKinsey report estimates cost of green revolution

On Tuesday, the consulting firm McKinsey published a report entitled Pathways to a low carbon economy, in which it estimates that the overall costs to avoid irreversible damages from climate change could be as low as 0.5% of global GDP, according to the report's most optimistic scenario. The report assesses more than 200 GHG abatement opportunities across 10 major sectors and 21 world regions between now and 2030, finding support for the urge to start reducing emissions, for a "delay of even 10 years would mean missing the 2°C target". The report puts together a global cost curve for greenhouse gas abatement, comparing the options for moving to a low carbon economy at a cost below €60 per tonne of carbon emissions. According to this study €530 billion will need to be invested across the world by 2020, which become €810 billion by 2030, to reduce emissions to 70% below "business as usual" levels. The major sources of emission reductions should come from investment in the transport sector, from innovation in building insulation and new electronic appliances and from the power sector, especially through the use of carbon capture and storage technology.

Commission presents its way to Copenhagen

On Wednesday, the European Commission published a Communication setting out its proposals to build a global agreement on climate change at the next COP in December 2009 in Copenhagen. The communications focuses on the need to mobilise **private and public financing** to help developing countries reduce tropical deforestation and, with the exception of the poorest developing nations, maintain emission levels below 15-30% increased compared to business as usual by 2020. According to independent estimates, the estimated investments needed to reach the 2°C target sum up to around €175 billion per year in 2020, more than half of which needed in **developing countries** through domestic financing and international support. The European Commission reaffirms the willingness to further increase the emission reduction commitment to 30% in case of an international agreement, and confirms the leading role **developed countries** should take on in the fight against climate change. The Commission underlines the role

adaptation will play in the near future, recognising the need for supporting adaptation activities in the Least developed and Island States. On the instrument side, the Commission proposes to develop new sources of international funding based on the polluter-pays principle and the ability to pay, and to start working on the development of an **OECD-wide carbon market** by 2015, in light of the recent cap-and-trade initiatives in Australia and New Zealand and the expectation of an American move in this sense already this year. This Communication was greeted with enthusiasm by the members of the European Parliament, to which it is addressed along with the European Council.

NEWS FROM THE WORLD

Space: last frontier for GHG monitoring

A call to avoid using the current economic crisis as an excuse to delay action against climate change was heard during the World Economic Forum, held in Davos this week. Yvo de Boer, Lord Stern and other NGOs have instead reaffirmed the importance of diverting money away from fiscal stimulus packages towards investment in low-carbon technologies, which can create jobs and reinvigorate the market. This conclusion has been mirrored in the Forum report, which argues that at least \$515 billion will have to be invested in clean energy (in particular in onshore and offshore wind, photovoltaic solar and thermal solar electricity) every year between now and 2030 to keep global warming below unsustainable levels, which is over three times the amount invested last year.

THE CARBON MARKET

Carbon recovered from last week levels on Monday, when the EUA2009 went up 3.9 percent closing at €12.05 supported by firmer energy prices. Secondary CERs hit a 5 percent increase, closing at €10.50. This bullish trend was already reversed on Tuesday, when decreasing oil prices, with crude Brent shedding almost 6 percent, pushed the EUA2009 back to €11.90 and CER2009 down to €10.35. Carbon went through up and downs for the rest of week, losing ground on Wednesday and recovering on Thursday, to end on a bearish day on Friday, with EUA2009 at €11.90 and secondary CER2009 stuck at €10.35.

SOURCES TO THIS ISSUE

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