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## EU EMISSION TRADING SCHEME

### *Allocations of the week*

On Thursday, Romania issued its 2009 permits to installation, bringing to 1.157 billion the total amount of EUAs allocated so far in 2009, more than 50 percent of the permits that member states will have to hand out to companies under the EU emission trading scheme in 2009. So far only Austria, Belgium, the Czech Republic, Estonia, Finland, Germany, Latvia, Luxembourg, the Netherlands, Romania, Slovakia, Slovenia, Sweden, and the UK have issued 2009 allowances, despite the deadline set by the European Commission, February 28. Bulgaria, Cyprus, Hungary, Malta, and Poland still need to issue allowances for 2008, as the EU commission has not approved their national allocation plans. In particular the Polish allocation is eagerly awaited, since the country holds a significant share of EU allowances (about 10 percent) and is going to allocate 2008 and 2009 simultaneously. Moreover, according to government sources, some Polish companies are likely to try and cash permit in the market as soon as they receive them, in order to cover the budget deficit caused by the financial crisis.

### *Financial crisis called in to shun commitment*

Hungary and Poland have declared that they are not willing to contribute to an EU Adaptation Fund using taxpayers' money from national budgets and that this position, although not official is not likely to change due to the effects of the financial crisis on the national accounts of these two countries. Observers believe the adaptation fund would be essential to get agreement from developing countries to sign a global climate deal by the end of the year, but Hungary and Poland have already proved their determinedness when successfully bargaining for key concessions over the Energy and Climate package. Moreover, Hungarian Environment Minister has announced that €67 million revenues from sales of Assigned Amount Units will be used to ease the country's budget deficit instead of spending funds on insulating homes and other initiatives that cut greenhouse gas emissions. According to the government "the emission reductions (we promised to make) will remain, any delay will only be only for a couple of months" since all the revenues should be received by October this year and the government would then spend it on green initiatives starting in January 2010. Sharp criticisms on this decision have come from WWF.

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## NEWS FROM THE WORLD

### *Australia to publish ETS rules*

The Australian government has announced that draft legislation on its Emission Trading Scheme will be published on March, 10 and will remain open for public consultation until April 14. The draft legislation should translate into a Bill, the Carbon Pollution Reduction Scheme, that the government hopes will be passed by June 2009 and that was anticipated by both a Green and a White paper during 2008. Industry groups have been lobbying to get the government to allow more companies to earn free permits under the scheme as compensation for added costs, and on March 10 it will be clear if they were successful. Speculations are high as to whether the government will backtrack on the surprise announcement included in the December White Paper, in which the government allowed for unlimited access to UN-regulated carbon credits for compliance purposes. Now that UN-credit prices are well below €10, the impact of unlimited access to such source for compliance purposes might reduce markedly the auction revenues that the government was planning to spend on investments in clean technologies.

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## THE CARBON MARKET

This week started off on a bearish trend that characterised carbon prices on Monday and Tuesday, on the back of anxieties over the economic situation and the fate of the Polish allowances, which represent 10 percent of total EU allowances and remain to be issued. On Wednesday, despite falls in energy commodity prices, carbon jumped on a bullish ride that took the EUA2009 up 4.5 percent from Tuesday's close of €9.35 to €9.77, with even greater gains on the CER compartment, with the CER2009 up 6.1 percent for Tuesday at €8.68. The bullish trend carried over to Thursday, boosted by a surge in energy prices that helped carbon up to €10.50, up €0.73 from the previous day, with CER2009 up €0.77 at €9.45. Softer energy prices and depressed economic data from the US reversed the trend, with the EUA2009 shedding €0.53 closing at €9.53 and CER2009 closing at €9.05.

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## SOURCES TO THIS ISSUE

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