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## EU EMISSION TRADING SCHEME

### *Environment ministers fail to achieve an agreement on climate change financing*

On Monday, the European Environment ministers met in Brussels to start shaping the EU position for the upcoming global climate talks, but failed to find an agreement over funding mechanisms, leaving the issue to finance ministers meeting next week. Two different funding options were discussed, revenue raised through the auctioning of emission permits and an annual financial commitment to allocate money according to country-based emissions and economic strength assessments. Countries, including climate frontrunners such as Sweden and the UK were not keen to undertake any commitment in terms of precise figures, even if the Environmental council endorsed the IPCC evaluation that total investment in climate change will have to reach €175 billion a year by 2020, excluding adaptation measures, if global warming is to be halted before its impact becomes irreversible. Among the other decisions, ministers backed an OECD-wide carbon market by 2015, expanding to include all big emitters by 2020 and fully endorsed a call by the European Commission for developing countries to reduce greenhouse gas emissions by 15-30% from their expected 2020 levels by the same date, with industrialised nations to cut emissions 25-40 per cent under 1990 levels over the same period, compared to the 30% originally proposed by the EC. Disappointment arose for the lack of any agreement on the funding mechanisms, with Environment Commissioner Dimas and several NGOs stressing that the financing of emission cuts in developing countries is likely to be the deal-breaker at Copenhagen. Decisions on the financing mechanisms the EU intends to approve are not likely to be taken before the EU summit on March 19,20.

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## NEWS FROM THE WORLD

### *UN registers second forestry project*

This week the UN CDM program registered its second reforestation project, the Moldova soil conservation project, which will sequester about three million tonnes of carbon dioxide between 2002 and 2022; the only

other forestry project registered so far was in China. In the current legislation only afforestation and deforestation are eligible for CDM, with avoided deforestation still lacking approved methodology.

### *Climate Change plan wins Brazil \$1.3 billions from WB*

On Thursday, the World Bank issued Brazil its first Programmatic Development Policy Loan for Sustainable Environmental Management, aimed at helping the country implement the ambitious climate change policy agenda outlined in its National Climate Change plan. Released at the end of 2008, just before the UN negotiations in Poznan, the Brazilian plan aims at reducing deforestation in the Amazon forest by 70 percent by 2017. Deforestation accounts for about 75 percent of Brazilian emissions, but the use of natural resources makes up a big part of the nation's economy, thereby posing major challenges to the implementation of the plan. Brazil will spend the WB funds to improve the sustainable management of agricultural land and forests, as well as to promote the value of standing forests and promote renewable energy use.

### *New Zealand calls for harmonisation with Australia*

The country's Climate Change Minister called this week for the harmonisation of allocation rules in New Zealand and Australian ETS, in order to avoid the potential loss of jobs that different levels of free allocation could create. The Climate Change ministers of the two countries are meeting at the end of the month to discuss climate change policy and emissions trading schemes.

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## THE CARBON MARKET

After a lukewarm start on Monday morning, a bullish trend kicked off which characterised the carbon market until mid-week. The EUA2009 reached €11.40 on Wednesday, supported by increasing energy commodity prices and thinning volumes. This trend was reversed on Thursday, when declining energy prices caused the EUA2009 to shed €0.15, closing at €11.25. The carbon market closed the week on the downside with the EUA2009 back below €11.00, closing down €0.42 at €10.83. On the secondary CER market a similar trend was followed, with CER2009 up throughout the week, peaking at €10.40 on Wednesday, but losing ground on Thursday and closing the week under €10.00 at €9.95, in line with the behaviour of the European allowances. Overall this week about 100 million allowances were exchanged over all platforms.

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## SOURCES TO THIS ISSUE

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