
EU EMISSION TRADING SCHEME

A European green new deal

The cohesion policy's objective to deliver sustainable growth, jobs and competitiveness received a major boost on Monday, as the European Commission announced it will back job creation by investing an unprecedented €105 billion in green projects under the EU's cohesion policy. Representing about 30 percent of the regional policy budget, these funds will be spent on helping member states to comply with EU environmental legislation, with €48 billion going towards achieving Europe's climate objectives, including €23 billion for railways, €6 billion for clean urban transport, €4.8 billion for renewable energies and €4.2 billion for energy efficiency. Small and medium enterprises will receive €3 billions to finance research and innovation for environmentally-friendly products and processes. On the very same day, the MEPs voted in favour of extending to all member states the possibility to use funds from the European Regional Development Fund (ERDF) for energy efficiency and renewable energy measures such as solar panels, a possibility so far limited to the poorest Member States. MEPs justified this vote by saying that the financial crisis can be eased by creating jobs in the building sector, while slowing down climate change by reducing energy consumption.

Finance ministers pass on climate change financing

The economic and finance ministers meeting taking place in Brussels this week did not do any better than last week's Environment ministers meeting when it came to setting specific figures for financing climate change. To the disbelief of more than 300 Greenpeace activists -later arrested for blocking the entrances to the building- the ministers passed on the financing issue to next week's European summit. In line with the Environment Council, finance ministers advocated improving the Clean Development Mechanism (CDM) and other market-based instruments, such as emissions trading schemes, but dismissed the urgency to develop new financial mechanisms and strongly emphasized the role of public financing. The current financial crisis has been causing a new west-east divide within the European Union, with countries like Poland and Hungary already declaring that they will not fund mitigation and adaptation in poor countries, despite the UN estimates of €23-54 billion a year by 2030 needed to help the developing world adapt to the effects of climate change.

MEPs in favour of forestry credits

On Thursday, the members of the European Parliament voted in favour of including forestry credits into the EU ETS, joining the crowd of institutions, including many NGOs and EU States to find ways to let carbon credits generated from forestry projects count towards emission caps. So far the European Commission has been against it.

NEWS FROM THE WORLD

Obama faces business over cap and trade

On Thursday, Barack Obama met a delegation of business representatives to answer to the concerns raised over his climate agenda. The US President address the issue of 100 percent auctioning, which currently does not have much support from business and even some key Democratic senators like Bingaman, saying that the administration will find "the right balance" between sending the right pricing signal for CO2 and understanding the difficulties that business will have to face to comply with the new legislation. Obama reassured the business crowd by saying that a full-auction system is not scheduled to become reality before 2012, starting now with a \$15 billion yearly investment to develop clean energy technologies and set the stage for cap and trade. Obama also defended the economic appeal of cap and trade with respect to a carbon tax.

THE CARBON MARKET

German power prices were the main driver for carbon prices this week, supporting the EUA2009 through an extremely traded week, The bullish trend in German power pushed the EUA2009 at €11.65 on Monday, on a 7.6 increase from the previous week, followed by a 2.8 percent increase on Tuesday with the contract at €11.97, a 5 percent increase on Thursday and to an impressive €12.25 at Friday's closing. Wednesday was the only day in which carbon price shed some of its value, due to a softening in German power prices. As it has been the case in the last few weeks, secondary CERS followed the same bearish trend as the European allowances, closing the week at €11.10 for the 209 vintage. Overall this week about 111 million allowances were exchanged over all platforms.

SOURCES TO THIS ISSUE

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