
EU EMISSION TRADING SCHEME

White paper on adaptation published

On Wednesday, the European Commission published its White paper on adaptation, which follows the June 2007 Green paper on the same topic. The construction of a shared knowledge base on current research and the main tools to forecast and deal with adaptation needs is only one of the main goals set forth in the WP; moreover, the importance of including adaptation into EU climate policies is stressed, as well as the need to assess in greater details the costs and benefit of adaptation. A range of public and private ways of financing adaptation is identified, including the use of resources from the European Economic Recovery Plan, insurance and other financial products and direct revenues from the EU ETS.

Polish NAP's approval shakes the market

On Thursday the European Commission approved the installation-level NAP of Poland, thereby allowing the country to issue 417 million EU allowances its companies. In the meantime, verified emission data showed that 491 Polish companies had a surplus of 7.5 million allowances in 2008-allowances that are likely to get to the market.

CCS funding under MEP scrutiny

Under the Economic Recovery Plan proposed by the European Commission in January a total of €3.5 billion, later elevated to €3.98 billion, would be devoted to clean energy projects; the list of the projects includes Carbon Capture and Storage demonstration plants, but MEP voting on the proposal on Tuesday called for redirecting all funds not committed before 1 September 2010 to energy efficiency and renewable, arguing that projects such as CCS are unlikely to reach a stage of maturity whereby they could absorb all the investment by that time. An advisor to Energy Commissioner Piebalgs, defended the European package in its current form, saying that the Commission should avoid reallocating funds not committed in time, as the commitment process is determinant in sending the right stimulus to the economy and create jobs.

NEWS FROM THE WORLD

Bonn talks kick off

Last Sunday one of three scheduled meetings before COP15 in Copenhagen kicked off in Bonn, to last until

April 8. The meeting is expected to pave the way for a draft document to emerge at the next round of UN-led climate talks in June, identifying clear paths that developed and developing countries will take to cut emissions after the Kyoto protocol expires at the end of 2012. Speaking on the side of the UN climate talks, Greenpeace presented its latest report, in which it warned about the dire effects that an inclusion of the forestry sector could have on carbon prices. The NGO said carbon prices would crash by up to 75 percent by 2020, falling from €16.05 per tonne of carbon to €3.9, under current reduction targets, if "relatively abundant" forest offset credits are included in the carbon markets, with losses only partially reduced to 60 percent even if the number of credits were more limited. The report suggest that especially in developing countries the lack of a strong carbon price signal could stall investment in clean and renewable technologies.

THE CARBON MARKET

Despite a lower energy complex, carbon prices rose on Monday, with EUA2009 up €0.24 on Friday's close closing at €11.34. Secondary CER prices for 2009 gained 2 percent on Friday, closing at €10.20. The bullish trend carried over to Tuesday, when the EUA2009 gained 3.6 percent, closing at €11.75. On Wednesday the release of verified emission data for 2008 spurred brisk trading over all platforms, with more than 28 million EUA traded. Carbon prices for all vintages recorded average increases of €0.20 as the verified emissions were basically in line with expectations, and did not surprised the market: some 1.981 billion tonnes of carbon dioxide were reported emitted in 2008, although this covered only 85 per cent installations in the EU's cap-and-trade market. Carbon suffered some losses on Thursday, despite a strong energy complex, mainly due to the news that Poland will finally issue its 417 million EUAs. The December2009 contract ended the day at €11.90. Thursday's losses were amply recovered on Friday, when carbon gained about 5 percent in the cleared brokered market, at €12.51, mainly supported by a strong energy complex. Similar gains were recorded also on the secondary CER market, with CER2009 up 3.9 percent at €10.75.

Around 126 million allowances traded this week over all platforms, slightly less than last week's 135 millions.

SOURCES TO THIS ISSUE

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