
EU EMISSION TRADING SCHEME

AAU sales continue

Japan is evaluating the possibility to extend the existing AAU deal with Ukraine to increase the total number of credits it plans to buy from the Eastern European country, which under Kyoto has a target to freeze emissions at 1990 levels from 2008 through 2012. After buying 30 million AAUs last month, Japan is opening negotiations to buy another 14 millions to meet its target under Kyoto, which require a 6 percent reduction over 1990 levels. On April 16 a deal between Austria and Latvia for the sale of 2 million Latvian AAUs has been announced, with the deal completed by the end of April. Austria also concluded significant UN-credit purchases, which, including the planned AAUs, bring to 45 million tonnes of carbon equivalent, the emissions the country will cover with such credits. On April 17, during an event held at the Hungarian Parliament it was announced that the country had concluded a 2-million AAUs deal with Belgium and a 6-million one with Spain. So far almost 93 million AAUs are reported to have been bought and sold by countries with Kyoto targets, 75 million of which has changed hands this year.

CCS funding closer to become reality

An agreement over the allocation of the unspent money from the economic Stimulus plan might have been reached on April 17, in an informal compromise between MEPs and the council presidency. Overall the European Commission proposed to spend €3.5 billion in gas and power infrastructure, offshore wind and carbon capture and storage (CCS), with the latter receiving €1.05 billion. MEPs in the parliament's industry committee and the council presidency, held by the Czech Republic, agreed that the commission will monitor the implementation of the programme and publish a report each year together with its proposal for the budget of the following year. On May 4-7 the full European Parliament is expected to vote on this proposal.

EU Environment ministers offer "co-leadership" on climate

During an informal meeting held in Prague on April 14, 15, the bloc's environment ministers offered the United States and other developed nations "co-leadership" in the fight against global warming if they were to match the aviation CO₂ emissions through a global sectoral agreement, with global target set for the aviation sector and facilitate through an emission trading scheme. Any revenue generated from auctioning CO₂ allowances should be used for adaptation and mitigation activities in developing countries and research on cleaner aviation technology.

New Zealand from deficit to surplus

Lower emissions from the agriculture sector coupled with increased storage from carbon dioxide emissions in forests managed to turn the projected deficit reported in May 2008 of 21.7 million tonnes of carbon dioxide equivalent into a 9.6 million tonnes surplus, with translates into an AAU surplus worth about € 150 million. Under Kyoto the country was supposed to freeze emissions at 1990 levels.

Mexico to host climate meeting

On Thursday 16, Mexican President Felipe Calderon and US President Barack Obama announced that Mexico would host the second of a series of major meetings on energy and climate organized by President Obama in the lead up to the UN climate change negotiations in Copenhagen. The second Major Economies Forum on Energy and Climate will be held in Mexico before a meeting of G8 heads of state in July. Big EU members, Australia, Canada, Japan, Russia and large developing countries such as Brazil, China, India, Indonesia, South Africa and South Korea have been invited to the meetings. During his visit to Mexico, President Obama also agreed to start a bilateral framework on energy and environment, focusing on renewable energy, energy efficiency, adaptation, market mechanisms, forestry and land use, green jobs, low carbon energy technology development and capacity building. Moreover, the US presidency has announced its support for Mexico's bid to host the next UNFCCC meeting after Copenhagen. Under Calderon's presidency, Mexico has undertaken serious commitments against climate change, voluntarily setting the goal to reduce by half its emissions below 2000 levels by 2050. In the coming weeks, Mexico's environment ministry is set to release its Special Programme on Climate Change (Pecc), which will detail how Mexico can achieve such an ambitious target.

Australia launches CCS initiative

On April 16 Australia launched a global initiative to help spur the commercialization of Carbon Capture and Storage technology; the Global Carbon Capture and EU's ambitious emissions reduction goals later this year.

The Czech minister chairing the meeting confirmed the wait-and-see approach that the Union has been lately accused of, calling for the US administration, as well as other developed economy, to present their position in order to continue negotiations. A meeting to discuss an agreement on financing developing countries transition to a low-carbon economy between EU deputy ministers for environment and finance and corresponding directors general has been announced by the Czech presidency for mid May. On the first day of the meeting ministers discussed the recently published White paper on adaptation, stressing the need for better cross-border coordination to respond to climate change. Ministers also agreed to step up the pressure on the European Commission to prepare a proposal on burden sharing among EU countries ahead of a June Environment Council.

NEWS FROM THE WORLD

Bonn talks close without substantial improvements

On Wednesday the UNFCCC official talks before the COP 15 at Copenhagen closed without any progress on the draft of the text which is going to be the Kyoto Protocol successor. According to Yvo de Boer "solid progress" was made on what the new agreement should include, even if the numbers discussed for emissions targets for industrialised countries were "well short" of the 25-40% below 1990 levels by 2020 proposed by the International Panel on Climate Change (IPCC). Developing countries manifested their discontent about the lack of firmer commitments to a common target for emissions reductions and funding for climate action in poor countries, echoed by green groups that pointed out that without any financial commitment the new agreement could fall short of what is really needed to fight climate change. Besides the two already scheduled meetings before Copenhagen in Bonn (in June) and Bangkok (October), the participants to the talk agreed to two new meetings: an informal gathering taking place in Bonn on August 10-14, and a formal one to be held on November 2-6 in a location yet to be disclosed. During the talks, a group of international airline companies, including the NGO The Climate group, presented a proposal for a global cap and trade including the **aviation sector**. The proposal addresses international Storage Institute (GCCSI) has support from 16 governments, including China and the US, and more than 40 major companies, such as BHP Billiton, The Dow Chemical Company and Shell International Petroleum. In total 85 bodies are supporting the GCCSI and more members are expected to join by 1 July 2009 when the institute will become a separate legal entity. According to the Australian government the GCCSI could help the G8 group reach its goal of broad deployment of CCS technology by 2020.

THE CARBON MARKET

After the release of verified emission reductions for 2008, carbon market received a significant boost, as data showed a larger shortage than expected. Carbon peaked on Thursday April 9 with the EUA2009 at €13.32, 11.6 percent over the previous week's close, while milder increases were recorded in the CER compartment CER2009 up only 3.4 percent, closing on Thursday at €10.70. Verified emission data were the main driver for carbon, with gas prices substantially unchanged and only small gains in German power prices. About 117 million allowances exchanged hands during the week preceding Easter, slightly less than the previous week, when exchanges had hit 126 millions. Carbon hit a four-month high on April 14, with EUA2009 closing at €14.25; profit taking stopped the bullish trend, with carbon stabilizing at €13.76, a 3.5 percent increase over the closing level of the previous week. On the secondary CER market, prices climbed only 1.4 percent over the previous week, with CER2009 at €10.91. As EUAs outperformed CERs for the second week running, the EUA/CER widened to €2.93. Even if the trading week lasted only three days due to the Easter break, about 96 million allowances exchanged hands over all platforms.

Leaving the European Union, in the United States members of the Regional Greenhouse Gas Initiative (RGGI) announced the start of the bidding process for the auctioning of 30.9 million allowances for the 2009 allocation year and 2.17 million allowances of the 2012 vintage. Its fourth auction will take place on June 17. The reserve price, or minimum bid price for allowances, remains \$1.86, as in previous auctions.

SOURCES TO THIS ISSUE

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