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## EU EMISSION TRADING SCHEME

### ***New AAU deal concluded***

On Tuesday 28, Austria concluded a deal with Latvia to buy 2 million AAUs from the Eastern European country; this deal is part of the €100 million multilateral deal that Latvia has concluded with other Kyoto parties to collect enough resources to launch its green investment scheme (GIS). Latvia has already sold 3 million AAUs to the Netherlands and is contracting a 5-million AAU sale to Japan.

### ***Free allocation likely to include most EU industries***

After the approval of the amended Directive regarding, among others, the details over the third phase of the EU ETS, the European Commission has been collecting data to define fully harmonised rules for free allocation of CO2 allowances based also on a thorough assessment of the risk of carbon leakage. Such data collection should lead to the definition of benchmarks and of sectors more exposed to international competition that will be ensured a 100 percent free allocation of permits in the third phase. Data collected so far showed steel and cement producers, as well as oil refiners vulnerable to foreign competition, meaning that at least 95 per cent of non-power sector installations covered by the scheme could get allowances for free from 2013. NGOs are worried that such an extensive list could induce companies so far excluded to strive to get onto the list, despite the environmental consequences. The final list of vulnerable sectors is expected to be established by the European commission by the end of June after the remaining data is collected. The list will be passed for final approval by the EU parliament and member states in the autumn before it can be adopted by the end of the year.

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## NEWS FROM THE WORLD

### ***IETA calls for land-use offsets in Kyoto successor***

In a statement released on Monday, the International Emission Trading Association (IETA) called for emission reductions from land use to play a important role in the post-Kyoto climate agreement, promoting the possibility that also agriculture and other land use qualify for offsets besides deforestation. Such an extension could lower by at least 5 percent world emissions, contributing also to reducing compliance costs.

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## ***Major economies forum: nothing more than improved atmosphere?***

This week was marked by the first Major Economies Forum, organized by the United States in Washington DC to bring together the world's 17 biggest emitters before Copenhagen. Mixed reactions followed the meeting, with Todd Stern praising the renewed atmosphere of dialogue and discussion, while both developing countries and representatives from the EU complained about the continued lack of quantifiable US commitment. The meeting covered many topic, including emission caps, technology development and research, but it did not cover a much awaited topic -financing mechanisms for developing countries- because of lack of time as the discussion on mitigation was prolonged. The discussion on targets centred on mid-term one, with developing countries generally insisting that industrialised countries should commit to cuts of at least 40% below 1990 levels by 2020, before any discussion on long-term targets can start. So far only the European Union has provided precise figures for mid-term reduction targets (20% cut from 1990 levels by 2020). As far as the US are concerned even the most ambitious reduction figures currently discussed would not translate in more than a stabilization of emissions at 1990 levels by 2020, which so far has not pleased the requests of developing countries.

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## THE CARBON MARKET

Carbon prices closely followed the energy complex and oil in particular this week: due to a weakening of the energy commodity prices carbon prices started the week on a bearish sentiment, which was reverted on Wednesday, when a strong energy complex set the pace for increases in the carbon market as well. Carbon prices for 2009 went from €13.46 to €13.70 on Wednesday, reaching a two-week high on Thursday mainly due to increasing oil prices, with EUA2009 at €14.13. Friday saw much fewer trades as many exchanges were closed for a public holiday; nevertheless the EUA 2009 gained 0.25 over the day and 6.2 percent over last week's close. On the secondary CER market the trend was less strong with CER2009 closing the day at €11.50 and the week up only 1.2 percent over the previous week's closing level. This week more than 127 million allowances traded over all platforms.

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## SOURCES TO THIS ISSUE

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