
EU EMISSION TRADING SCHEME

Hungarian AAU revenues pledged to GIS funding

After complaints of the international community including IETA and several NGOs, Hungary's new government is taking a precise stand in how the AAU revenues will be spent; the money from the 86 million AAUs already sold to Spain and Belgium and the other potential sales will be earmarked to "carbon dioxide reduction-related projects". Green group complain that most of the projects that will receive funding are already existing one, but their additionally, according to the government, lays in the fact that the financial crisis has severely modified the country's investment capabilities.

EU Parliament changes rule for amendments

The EU Parliament has modified the rule according to which committees could not propose amendments to major legislations, which would fall out of the scope of the directive and therefore in the Commission's hands. Such a modification follows two unsuccessful attempts to pass an Emission Performance Standard on power station's carbon dioxide output.

NEWS FROM THE WORLD

UN publishes position document

After receiving countries' submissions, the UNFCCC has published a document summarizing the main negotiating positions before the June 1-12 meeting in Bonn. The document presents the different ranges of reductions that appear in the submissions, which are extremely diverse, with developing countries calling for reductions up to 40 percent from 1990 levels for developed countries, including specifically the USA. The UNFCCC has also released another document presenting other options for a Kyoto successor, such as emission trading and other market-based instruments. Both documents are available on the UNFCCC website.

Synthesis of Waxman-Markey bill released

On Friday, Senator Waxman presented a summary on how allowances will be distributed under the bill he is going to present to the US Parliament. Under the W-M bill US emissions will have to be reduced by 17 percent in 2020 compared to 2005 levels, with the system starting in 2012 with utilities and progressively including other sectors. Utilities should receive free allocation up to 90

percent, with historic emissions and retail sales guiding the process of distribution among utilities. Such free allocation should be phased out by 2030 starting in 2026. Annual auctioning should cover 15 percent of total emissions, with revenues going to low- and moderate income households. Manufacturing should be brought into the system in 2014 and will receive 15 percent free allowances, being considered an exposed sector, completely phased out by 2025. Differently from the original draft released in March, the new version of the W-M bill values international offsets as much as emission allowances; similarly to the original version, such an equivalence would hold only the first period 2012-2017, with offset worth 20 percent less than allowances afterwards.

Financial resources needed to fight climate change

According to a report released on Thursday by the International Commission on Climate Change and Development about 1-2 billions are needed to help developing countries effectively adapt to climate change effects. The report has been submitted to UN Secretary General Ban Ki-moon and underlines the importance of mobilizing adaptation money in excess of current development assistance. A press release is available at http://www.ccdcommission.org/Files/report/CCDC_press_release_14_May.pdf

THE CARBON MARKET

After a good start on Monday that saw prices up €0.28 at €15.78, carbon hit a bearish trend that characterized the most part of the week and brought it down to €14.02 on Friday. The bearish trend was mainly caused by depressed energy prices, especially on Wednesday, by rapid sell-off of speculative traders and by industrial output data that showed an 18.8 percent reduction compared to March 2008 in European industrial output in March 2009. On the secondary CER markets prices followed the EUA prices very much, going from Monday's €12.75 to Friday's €11.55. More than average number of allowances traded over all platforms this week, with 138 millions trading in the market. This week Société Générale revised its carbon price estimate for 2020 from €78 to €38, mainly due to the economic downturn, that is going to make it easier for countries to meet emission reduction targets.

SOURCES TO THIS ISSUE

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