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## EU EMISSION TRADING SCHEME

### **Late installations face penalties**

Official data on verified emissions have shown a 2.6 million gap between verified and surrendered allowances, which may trigger the sanctioning mechanisms that the Directive foresees for those installations belonging to the EU ETS that fail to surrender allowances by the April 30 deadline. About 41 installations mainly located in France, Spain and Italy risk a €100-penalty for each allowance not surrendered in time. France has started the sanctioning procedure, which regards 410,000 allowances, while regional governments in Spain will be responsible for dealing with the 20,408 allowances that were not surrendered. It is still unclear how Italy will proceed.

### **More AAU deals for Austria**

After purchasing 2 million Assigned Amount Units (AAU) from Latvia no later than a month ago, Austria is planning to buy further 4.75 million allowances by the end of the year. Country officials declared that Austria is looking for credits with a well-specified environmental benefits, such as those explicitly targeted to finance Green Investment Schemes.

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## NEWS FROM THE WORLD

### **UNFCCC releases negotiation draft text before Bonn**

After publishing the first two documents on the submissions by some countries over the future of international climate agreements last week, on Wednesday the United Nation Framework Convention on Climate Change (UNFCCC) presented the negotiating draft that will be discussed at the next UN meeting in Bonn in June, which includes all parties to the UNFCCC. Despite the lack of specific individual commitments, the document presents some guidelines over the main features of a possible Kyoto successor. Options for developed countries' targets include ranges from 25 to 45 percent and above below 1990 levels by 2020, reaching 95 percent by 2050. Options for developing countries include reductions in the 15-30 percent range from baseline by 2020. The document presents also some financial mechanisms to help developing countries deal with climate change: the option to donate from 0.5-2 percent of GDP, putting a \$2 levy per tonne, taxing aviation or

increasing the levy on CDM credits are just some of the options presented.

### **Waxman-Markey bill moves a step forward in Congress**

On Thursday, the House energy committee gave the green light to the Waxman-Markey energy and cap-and-trade bill with 33 votes in favour and 25 against. The Bill is now moving forward to the House Ways and means committee, to be voted by whole House this summer. The bill includes a national ETS targeted to a 17 percent reduction in GHG emissions compared to 2005 by 2020, with generous allowances to energy-intensive sectors and the possibility to use up to 2 billion offset for yearly compliance. Moreover, the bill includes a renewable energy target that sets at 15 percent the share of electricity produced from renewables by 2020.

### **US delegation headed to China**

Nancy Pelosi, US House of representatives speakers will lead a delegation to China to discuss future international climate agreement possibilities. In its position paper submitted to the UNFCCC released on Thursday, China stresses the role of developed countries in fighting back climate change, underlining that developing countries cannot be expected to take on binding targets. It proposes a reduction target of at least 40 percent below 1990 levels by 2020 for developed countries and demands that credits from deforestation and forest degradation are recognised in a Kyoto successor, but not used to offset developed countries' emissions.

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## THE CARBON MARKET

Carbon prices started the week in a bullish trend, initiated by strong energy prices: the EUA2009 gained €0.028 closing at €14.50, while CER2009 managed a €0.15 increase closing at €11.70, even if volumes were particularly thin. Prices rallied on Tuesday and Wednesday mainly due to increasing oil and power prices, that boosted demand for permits, as well as trading volumes, with 33 million allowances exchanged only on Wednesday. The EUA2009 hit €15.15 on Wednesday, and after small adjustments on Thursday managed to close the week at €15.23, its highest level since May 8, with an overall gain throughout the week of more than 8 percent on last week's close. Secondary CER followed the same trend closing on Friday at €12.60, a 3 percent gain over last week's closing level.

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## SOURCES TO THIS ISSUE

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