
EU EMISSION TRADING SCHEME

AAU may cost as much as a minister's job

Slovakia's environment minister was fired following his involvement in the sale of 10 million AAUs to a US-based company at a price of €6.03, well below the current trading price of €10. Recently, Slovakia has been at the centre of the debate regarding AAU sales for the lack of guarantees that the revenues collected through the sales would finance a green investment scheme.

EU Parliament passes Stimulus Package

On May 6 the European Parliament voted in favour of the Stimulus package that finances gas and power infrastructures, including CCS and offshore wind with €3.98 billions, €1.05 of which spent on CCS and €565 millions to offshore wind projects.

NEWS FROM THE WORLD

Update on negotiation positions

In its submission to the UNFCCC for the June Bonn meeting, in light of the next Conference of Parties in Copenhagen, Australia said it is willing to reduce emissions by 25 percent compared to 2000 levels if all countries agree to keep the concentration of GHGs in the atmosphere at 450 parts per million (ppm) by 2020. If such an agreement fails to take place, Australia would take up a milder target - 5-15 percent reduction- while in any case, due to the economic crisis it will postpone by about a year the start of its ETS to mid 2011. Among all the submission to the UN, Norway is the country that has proposed the toughest cuts, 30 percent from 1990 levels by 2020, even if it allows for flexibility mechanisms funded through revenues from North Sea oil sales. So far the US have put on the table a more modest target -1990 emission levels by 2020, about a 7 percent cut from 2007 level by 2020- saying that "the 25 to 40 percent range is far out of reach for 2020 ". In a document submitted Tuesday, the US suggest also that developing countries should take up nationally appropriate mitigation actions (NAMAs) by 2020 that should be "consistent with the level of ambition needed to contribute to meeting the objective of the convention." For what concerns developing countries, submissions show that they are

not willing to take up reduction targets, but expect developed countries to do so. China has proposed to leave developing countries set their own NAMA, while developed countries should take up a 40 percent reduction target compared to 1990 levels by 2020. **India** agrees on the NAMA but has not put forward any reduction percentage for developed countries yet, although agreeing on setting to 1990 the reference year. **Brazil** includes forestry projects in its proposal for voluntary NAMA for developing countries and has not made any specific reference to the role of developed countries so far. The EU has reaffirmed its willingness to bring up to 30 percent its reduction commitment in case of a global agreement. Interestingly, in all the submissions to the UNFCCC most countries make reference to new institutions (with Japan explicitly calling for a New protocol), which supports the idea that in Copenhagen a new rather than an amended Kyoto Protocol could be passed. US, Japan, Canada and Australia had showed their support for a New Protocol already at the previous Bonn meeting.

US federal budget calls for adaptation financing

The State Department, the US Agency for International Development and the Treasury Department requested \$1.2 billion for fiscal year 2010 to help vulnerable countries adapt to climate change.

THE CARBON MARKET

A surge in oil and German power prices on Monday helped carbon prices earn 2.5 percent over the previous week's close, with the EUA2009 closing at €14.74. Similar gains were recorded in the secondary CER market with CER2009 closing at €11.85. On a heavily-traded Tuesday carbon lost €0.56, despite small changes in the energy complex; small losses were recorded also on the secondary CER market, where CER209 shed €0.14. On Wednesday a bullish trend starting in the energy complex supported carbon for the rest of the week, creating a bearish streak that hit the highest carbon price since January 6 at the end of the week. Thanks in particular to oil and German power prices rallying the EUA2008 closed on Friday at €15.50. Secondary CERs hit the highest level since January 31 already on Wednesday and closed the week at €12.55, a good result not as good as that of EUAs, which widened the EUA/CER spread to € 2.75. Only about 100 million allowances were traded this week, compared to this year's average of 127 millions.

SOURCES TO THIS ISSUE

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