

EU EMISSION TRADING SCHEME

MS lawsuit against EC could backfire...or not?

After the news that the Czech government is thinking about withdrawing its lawsuit against the European Commission over its National Allocation Plan for the second phase of the EU ETS, speculations about the overall impact of the court rulings have emerged. If the Court ruled in favour of the Member States, the EC would be forced to recalculate national caps and this could mean receiving less permits, if the new economic projections were taken into account. Nevertheless, Member States could enforce their draft national allocation plans by suing the EC over a technicality: the commission is supposed to give a ruling over the NAPs within three months, which it did not do in some cases. Overall the amount of permits in the EU ETS could be reduced by about 60 millions or increased by about 120 millions. Rulings over these lawsuits are not expected before 2011.

NEWS FROM THE WORLD

Landmark vote: climate bill wins House support

On Friday night, after a day of heated debate, the climate change bill endorsed by Senators Waxman and Markey managed to pass through the US House of Representatives by a very narrow vote: 219 were in favour, including 8 Republicans, and 212 against, including 44 Democrats. The bill, which sets up a national cap and trade from 2012 and mandates a 17 percent reduction in US GHGs compared to 2005 levels by 2020, has been at the centre of delicate negotiations and had received the endorsement of the American President Barack Obama earlier this week. Last minute negotiations translated in the inclusion in the bill of some recognition for voluntary offset programs such as the Chicago Climate Exchange. Moreover, the agriculture and forestry sectors are excluded from the bill's caps and the US Department of Agriculture instead of the US Environment Protection Agency will oversee agricultural offset projects in response to lobbying from house members representing agricultural districts. The Waxman-Markey bill will now face the Senate, with a vote likely to take place in the fall. President Obama declared he hopes to sign the bill into law before the Conference of Parties takes place in Copenhagen this December.

Swiss carbon tax to triple

On Friday, the Swiss department of energy found that energy consumption reached a record high in 2008, increasing by 4.1 per cent compared the year before and breaking the target set for energy consumption at 86.5 percent of 1990 levels. According to a Parliamentary provision regarding the national binding target to cut CO2 emissions 10 per cent under 1990 levels, this over consumption will translate in a tripling of the national carbon tax from 12 to 36 Swiss francs (about €23).

Draft report shows MEF potential commitment

In a draft report presented during talks between Mexico and the US this week, the Major Economies Forum to be held in Italy next month would consider committing to halving global emissions by 2050. The draft, put forward by the US says "We support an aspirational global goal of reducing global emissions by 50 percent by 2050, with developed countries reducing emissions by at least 80 percent by 2050". Since the MEF countries represent about 80 percent of global emissions any agreement among them could definitely help achieving a consensus on a global protocol in December.

Emissions rise in 2008 but less than in 2007

In a report released on Thursday, the Netherlands Environment Assessment agency, shows, using data released by BP, that global emissions in 2008 rose by 1.7 percent compared to 2007 emission, which had increased 3.3 percent compared to 2006 levels. Data shows that developing countries are responsible for 50.3 percent of 2008 emissions, with China featuring a 6 percent increase in emissions. The EU and the US reduced emission respectively by 1.5 and 3 percent, mainly due to spikes in oil prices.

THE CARBON MARKET

In a very bullish week, carbon recovered some of the losses recorded in the last week, with EUAs closing the week with a 4 percent gain and the CER with a 6.7 percent gain over the Monday opening level. The EUA2009 closed on Friday at €13.40 and the CER2009 at €11.74. Carbon prices were up despite bearish signals from the energy complex, including gas prices falling faster than coal prices. Strong demand for CER2009 led to 2009 contract trading at a €0.18 premium with respect to 2010 contracts at Friday closing.

SOURCES TO THIS ISSUE

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

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