

## EU EMISSION TRADING SCHEME

### *New EU rotating presidency gears up for climate talks*

On Wednesday July 1, Sweden took up the rotating presidency of the EU from the Czech Republic, right in time to attend to the forthcoming G8 in Italy and continue the dialogue over an international climate agreement. The Swedish presidency has put forward a challenging agenda that includes scaling up the reduction commitment of the Union to a 30 percent reduction, that should be used to convince other major players to get involved. Moreover, the new presidency has called for an eco-efficient way out of the financial crisis, pushing for environmental technology, renewable energy, energy efficiency and sustainable urban development and contributing to halt biodiversity. Expectations over the Swedish presidency are high: Sweden was holding the presidency when the Kyoto protocol was agreed and has been a front runner in the climate change scene ever since.

### *EC says €12 million funding for CCS and renewables*

The European Commission calculated that about €12 millions could be raised to finance CCS and renewable energy projects, with the latter receiving €5 millions. These funds should be raised through the sale of the 300 million permits that constitute the new entrants reserve of the EU ETS. Criteria on how projects should be funded are starting to emerge, with minimum and maximum requirements for eligible projects likely to be set for the 27 different categories of innovative renewables. A call-back clause, forcing utilities to return funding received were they not able to achieve the reduction goals intended, is finding the support of the Commission, as well as some kind of provision on a date by which projects should be operational. The funding should be distributed through two calls for tender, a proposal that member States support.

## NEWS FROM THE WORLD

### *New Zealand to launch public consultation over climate commitment*

This week the government of New Zealand announced that it will launch a series of public meeting to help shape up the position of the country in reducing national emissions. The country has pledged to contribute halving emissions at 450 ppm, committing to halve emissions by

2050 from 1990 levels, but has not yet come up with a 2020 reduction commitment. The agricultural sector accounts for 50 percent of the country's emissions and the government is going to seek international acceptance that agriculture gets "special treatment" in a future UN climate deal. Currently New Zealand is 13.7 million tonnes above its Kyoto target, but the government has announced that recent emission data show that the country would be able to meet its target and still have a surplus of 9.6 million emission rights.

### *Japan about to vote on climate bill*

This week the Japanese ruling coalition led by Taro Aso agreed to present to the Parliament a climate bill that calls for a 60-80 percent cut in emissions compared to 2005 levels by 2050. The bill, which also calls for the promotion of low-carbon measures, the greening of the tax system and the development of innovative technologies, does not include a starting year. Despite the request of a part of the coalition to take 2013 to the latest as starting year, the agreed bill requires an evaluation of the voluntary GHG emission trading system launched last October before choosing any specific date. The Parliament is expected to vote on the bill during the next week.

### *MEF meeting to increase G8 odds*

A meeting of the Major Economies Forum (MEF) has been called for next Tuesday to try to mull over the differences in the positions of the countries that will participate to the G8 meeting held in L'Aquila from next Wednesday. Among the differences in the countries position the main one is the choice of a base year for reduction commitment, that currently is missing in the draft text that will be discussed during the G8. Naturally developing countries want a base year like the 1990 which would force deeper cuts by developed economies.

## THE CARBON MARKET

This week the European allowances shed about 3 percent of their value compared to the previous week, with the EUA2009 closing at €13.06. Nevertheless, carbon did better than oil, down 3.9 percent and German power down 3.2 percent. Little movement on the CER market shrunk the EUA/CER spread for 2009 to €1.10. Secondary CER closed the week in the green, with CER2009 up to €11.96.

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## SOURCES TO THIS ISSUE

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

News and updates selected and edited by Caterina Cruciani, Fondazione Eni Enrico Mattei. For questions and comments please contact [caterina.cruciani@feem.it](mailto:caterina.cruciani@feem.it)