

EU EMISSION TRADING SCHEME

Polish AAU bill approved

On Monday, the Polish Parliament approved a Bill necessary to sell Assigned Amount Units (AAUs) that includes the establishment of an official body to forecast emission trends and manage the projected AAU surplus, currently estimated at about 700 million in the 2008-2012 time span. The bill, which still has to be signed by the Polish president, includes also principles of a green investment scheme that guarantees that the proceeds from the AAU sales will be spent on cutting emissions. Poland could conclude its first AAU deal by the end of the year, with one or more of the countries that are already queueing up to buy Polish AAUs, among which Austria, Japan, Portugal, Spain, and the World Bank have already known to be.

Aviation cap deadline officially postponed

The aviation sector, which will be included in the EU ETS starting in 2012, will not see its cap defined on August 2, as it was originally planned by the European Commission. The official news of the delay comes after the aviation industry presented a long series of questions to the EC regarding the details of the implementation of the Directive. Alongside the cap, the EC is planning to produce a list of all airlines that will be included into the scheme and that will start monitoring emissions from 2010. The delay in the definition of the cap should not induce any postponing in the implementation of the Directive according to official sources.

Recession and climate change

The financial crisis is affecting international economies also as far as climate is concerned. If the economic downturn is causing industrial production to shrink, this will likely entail less emissions thereby requiring a lesser effort from countries participating to the EU ETS. Recession is turning the Netherlands and Spain from buyers to potential sellers of the Certified Emission Reductions they bought to cover up in advance their position in this phase of the scheme. Both countries now hold more CERs than they are likely to be able to cash into the scheme, which allows a 2.5 percent limit on the annual cap and they could be selling them, or use them to achieve more ambitious reductions beyond the EU ETS. Moreover, the financial crisis's effect on energy

commodities, and in particular on UK gas, is likely to help cut emissions up to 10 billion tonnes in the EU this coming winter, due to much lower gas prices compared to last year. In fact, lower gas prices induce switching from coal to the less-polluting gas to produce electricity.

New chair confirms EU commitment

The newly-elected chair of the European Parliament environment committee German Social Democrat MEP Jo Leinen confirmed that, even if Copenhagen is not a success, the European Union will stick to the commitments undertaken in its Climate package.

NEWS FROM THE WORLD

"A good beginning"

In an interview released to the BBC on Thursday, Yvo de Boer declared that a \$10 billion promise of cash to help developing countries cut emissions and adapt to climate change would be "a good beginning" for developed countries. A Copenhagen deal could not be deemed a success unless it achieves this one and two more commitments according to the UN's climate change chief: developed countries must agree to significant emission cuts and developing countries to non-binding emission reduction plans. Green groups welcomed de Boer's statement about financing climate change in developing countries although consider it only a "down payment" compared to what is needed, echoing the requests from developing countries, which have asked up to 0.5 percent of the rich nations' GDP per year to finance transition to a low carbon economy in developing countries. So far financing has proven a very difficult subject, with financial ministers of the EU, front runner in climate commitment, postponing any decisions to a later date.

THE CARBON MARKET

Mixed signals from the energy complex and thin trading characterized the week for carbon, which recorded minor changes and finished the week at €14.32, after nine days of trading steadily above €14. The 10 percent increase in oil prices did not affect carbon, neither did much the 1.2 percent drop in German power prices. Secondary CER closed the week slightly lower than last week at €12.83, and only 86 million allowances were traded over all platforms, compared to the 108 millions registered last week.

SOURCES TO THIS ISSUE

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

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