

EU EMISSION TRADING SCHEME

Latvia becomes second country to finalize GIS

On Tuesday, Latvia became the second country to officially launch a Green Investment Scheme (GIS) to spend revenues raised through sales of Assigned Amount Units. After facing criticisms for the lack of such a scheme despite repeated AAU sales, the country will launch a tender to finance energy efficiency projects in public buildings using the €25 millions raised selling AAUs to the Netherlands and Austria. So far, only the Czech Republic and Hungary (see following news) have finalized GIS details, while Slovakia and Ukraine, which are major AAU sellers, appear very far from doing so.

Hungary finalizes details on AAU money

On Wednesday, the Hungarian government announced the details of its new Green Investment Scheme (GIS) which should be founded using money from sales of Assigned Amount Units (AAU). According to the scheme, Hungary will not use the revenues from the sales already concluded this year to finance projects for the next five months, shifting to 2010 the starting date to spend AAU revenues. Given the difficulties in the Hungarian national budget, critics fear this delay could serve to patch up the holes of the Hungarian economy. The Hungarian GIS is targeted at financing improvements in energy efficiency of Hungarian houses.

Iceland keen on harmonizing with ETS rules

On Monday, Iceland officially started the three-year process of becoming a EU member, but government officials declared that the country will seek for ways to start harmonizing with the climate and energy package of the Union even before it becomes a member. Iceland became the first non-EU country to link to the EU ETS in 2007, but has so far no emission reduction commitments. Cuts will be required starting in 2012, when the country's aviation sector will join the scheme, followed by the aluminium sector in 2013. Iceland already produces most of its energy from hydro power and geothermal sources, making it hard for the country to reduce emissions in the energy sector, improving renewable energy sources like the European package requires. Under the Kyoto Protocol Iceland must limit its growth of greenhouse gas emissions to 10 per cent above 1990 levels of 3.3 million tonnes of carbon dioxide equivalent between 2008-2012. The

Icelandic government launched a working group to examine ways Iceland can cut emissions by 2020, which is due to report in April next year.

UK exempts carbon trading from VAT in fear of frauds

On Thursday, the UK government announced that carbon trading will not face VAT in order to avoid carousel fraud from taking place, after rumours of such a fraud in the UK started spreading. Carousel fraud occurs when imported goods from another EU country are sold domestically with VAT charged to the buyer but not declared to the relevant government.

NEWS FROM THE WORLD

US cap and...lobby!

According to the US Center for Public Integrity, which monitors lobbying activity in the US Congress, in 2009 the number of major oil companies making the top-15 list of lobbyists has doubled from 2008 to 2009, with ExxonMobil, Chevron, ConocoPhillips and BP spending about \$43 million on lobbying since January. It is not certain exactly how much lobbying was targeted against the highly debated cap-and-trade scheme, but ExxonMobil, which is opposed to the proposed US cap-and-trade market, placed second on the list by spending around \$13.6 million. Big energy generators and users also make the top 10 for what concerns the number of hired lobbyists in Congress, continuing the long history of lobbying activity that recorded more than 770 companies and groups hiring some 2,340 lobbyists to work on climate change and spending at least \$90 million lobbying only in 2008.

THE CARBON MARKET

Carbon lost over 4 percent this week, after hitting the lowest level in the last three weeks on Thursday, with the EUA2009 closing the week at €13.78. Trading was slightly more active than last week, with 92 million allowances exchanging hands over all platforms compared to last week's 89 millions. The spread between EUA and CER for 2009 narrowed to €1.45 as secondary CER finished the week at €12.33.

[Emission Trading Monitor comes back on August, 30](#)

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