

## EU EMISSION TRADING SCHEME

### *Timing of auctions debated*

Power utilities are lobbying the EU commission to have auctions of phase-three allowances as early as in 2011 and possibly with up to 1 billion allowances on sale. Given the forward nature of power sales by utilities, the Commission already agrees on the need to have the auctions as early as possible but is being careful about committing to specific volumes, as the risks to oversupply the market or under supply utilities have to be balanced. The EU commission is supposed to produced a document including auction details by December this year.

### *Study says EU climate policy not enough*

According to a study published this week by the Smith School on enterprise and development of the University of Oxford and authored by Professor Dieter Helm, the current EU climate policy is significantly flawed. In fact, the upgrade of the EU commitment to a 30 percent reduction in GHGs is not credible, as the certainty about how many countries will actually participate in a global deal will not be available before 2012, which would leave less than a decade to factor in an additional 10 percent reduction on top of an already significant 20 percent reduction by 2020. The author criticizes also the 2020 goal, saying that such a deadline is not enough to develop new technologies and that eventually the target will have to be met by existing technologies, therefore shifting R&D incentives away from technologies that in the long run could really become crucial in achieving climate goals. The report calls for the introduction of a caps-and-floors system, that improves on the current permit scheme, chosen over a carbon tax more for political than for efficiency reasons, and a border carbon tax, while at the same time investing more in developing Carbon Capture and Storage technology.

### *New EEA estimates show emission decrease in 2008*

Data published on the European Environmental Agency last Monday show that emissions in the EU declined in 2008 for the fourth consecutive year: the annual reduction for EU-15 is 1.3 percent, while for EU-27 is 1.5 percent. These figures bring EU greenhouse gas emissions 6.2 percent below EU-15 Kyoto base-year emissions and 10.7 percent below EU-27 ones. The reductions are mainly due to lower

CO<sub>2</sub> emissions from fossil fuel combustion in the energy, industry and transport sectors, caused in part to the effects of the global economic recessions that reduced industrial output and freight transport. Such reductions are confirmed in the Verified emission data for the EU ETS, that show a 3.9 percent decrease in emissions from 2007 to 2008.

## NEWS FROM THE WORLD

### *California about to pass strictest renewable mandate*

The state of California will be debating in the next weeks whether to increase its Renewable Portfolio Standard (RPS) to 33 percent by 2020; such a target would be the strictest one ever set in the US regarding renewable energy shares. California law AB 32 requires state emission to be brought back to 1990 levels by 2020, a reduction of about 169 million tonnes of carbon dioxide equivalent, and the implementation of the new RPS could achieve a yearly reduction equal to 21.3 million metric tons of CO<sub>2</sub>, more than 12 per cent of the total reductions needed to meet the AB 32 requirement.

### *African countries united in Bali*

The African Union, which brings together 53 African nations, will use its numbers to oppose a global deal that exploits the African continent and does not take into considerations the requirements that developing countries put on the table regarding adaptation needs and their financing by developing countries said Ethiopian Prime Minister Meles Zenawi, who will be leading the African team at this year's annual UN-led climate talks in Copenhagen. In April the African Union submitted a paper to the UN requesting \$267 billion financing from developed countries to help developing ones cope with climate change.

## THE CARBON MARKET

Despite weak energy prices and low trading volumes due to lingering effect of summer vacations, carbon prices gained about 1 percent compared the last week's close. The EUA2009 closed on a slightly bearish note on Friday at €15.23, after reaching during Wednesday's trade a two-week high, while CER2009 closed at €13.45. Overall only around 50 million allowances exchanged hands over all platforms this week.

## SOURCES TO THIS ISSUE

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

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