

EU EMISSION TRADING SCHEME

Estonia to become second major seller of AAUs

In an official statement the Estonian government declared that its surplus of 85.19 million AAUs is on sale -bringing potentially the country at number two in the list of major sellers of such permits -with details of the purchases to be finalized directly with interested parties. These AAU deals are likely to be very flexible, including also the possibility for the buyer to decide how the revenues will be spent. Estonia is expecting to be hit by the recession much harder than expected this year: recent projections show a 14 percent decrease in GDP, compared to the 9 percent originally forecast in March.

Poland forbids sales of free allowances

Poland is one of those countries that successfully lobbied against a 100 percent auctioning in the power sector for the third phase of the EU ETS; from 2013 its power companies will receive 70 percent of the allocated allocations for free, but they will be forbidden to resell them on the market according to the position recently taken by the Polish government. In fact, all member states can put in place such a restriction and ban domestic installations to resell allowances received for free.

NEWS FROM THE WORLD

Report says adaptation costs have been underestimated

According to a study published by the International Institute for Environment and Development (IIED) and the Grantham Institute for Climate Change at Imperial College London, the estimates produced for the United Nations by the Intergovernmental Panel on Climate Change (IPCC) do not take into account additional costs that could double or even triple the financial resources needed to adapt to climate change. In the \$40-170 billion IPCC estimate costs like transferring water within nations from areas of surplus to areas of deficit or even climate-related health problems in rich countries have not been taken into considerations and the author of the report call for a detailed study to do so as soon as possible. A few months away from negotiations in Copenhagen, where the debate over financial resources and who should provide them is likely to be fierce, coming up with figures as precise as possible is a matter of extreme importance.

India passes energy efficiency plan

On Monday the Indian government passed the National Mission on Enhanced Energy Efficiency, a comprehensive plan assigning energy efficiency improvement targets to the country's most energy-intensive factories. The plan includes the possibility to trade certificates from over-achieving factories to those who do not respect the assigned limits and include the "expanded use of the carbon market" to buy energy efficient equipment and appliances. The implementation of the plan according to estimates should cost about €500 millions and should have positive effects on the emission trajectory, which is currently leading India amongst the major polluters alongside China, the USA and Japan.

Switzerland proposes carbon targets

In a revision to its CO2 law, the Swiss government has put forward a 20 percent reduction target by 2020 compared to 1990 levels in GHG emissions. Among the measures put forward to help the country achieve that goal there is also the compulsory offset of one quarter of the emissions of fossil fuel importers or producers starting in 2013.

Experts call for water to be part of a Copenhagen deal

After the World Water Week held in Sweden last week, international experts gathered at the summit called for the inclusion of the water issue in a international agreement against climate change. According to the OECD about 47 percent of the world population are currently living in areas of potential water stress, if no adaptation or further measure is taken. The meeting called for more research focused on the vulnerability of water resources to climate change and how to find the necessary funds to protect it.

THE CARBON MARKET

This week carbon prices stayed steadily over €15 throughout the entire week, with the EUA2009 closing at €15.20 on Friday; nevertheless, with many players still out of the market for summer vacations, the bullish trend of this week cannot be considered fully representative of market sentiment. Secondary CERs followed a similar bullish trend, with the CER2009 closing the week at €13.45, on a 9 percent gain from the previous day. Volumes were thinner, with only 59 million allowances exchanged over all platforms.

SOURCES TO THIS ISSUE

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

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