

## EU EMISSION TRADING SCHEME

### *Member States approve carbon leakage data*

Members of the European Union met on Friday to approve European commission's figures for EU ETS phase three, in which the EC identifies industrial sectors vulnerable to international competition. The EU leaders have agreed to reduce emission by 20 percent by 2020 compared to 2005 levels and the EC has found that 77 percent of the emissions from the non-power sectors are produced by industrial sectors at risk. These sectors could now receive up to 100 per cent of their allocated allowances for free up to an efficiency benchmark. The commission evaluation pleased most among member states and industrials, but a strong complaint was put forward by representatives of the ceramics sectors, parts of which have been found not to be at risk.

### *France and Germany to call for border CO<sub>2</sub> tax*

Speaking after the informal meeting of EU leaders in light of the upcoming G-20 meeting in Pittsburgh, the French President Nicolas Sarkozy told reporters that Germany and France are very close to releasing a proposal for the introduction of a border CO<sub>2</sub> tax. France has been debating such a policy for quite some time, but had been so far mostly isolated from other members states. The continuing stalemate in international negotiations for a follow-up to the Kyoto Protocol has apparently gained the interest of Germany for what Sarkozy describes as "not as a protectionist measure," but as a way to "rebalance the conditions of free-trade and competition", especially in the event that neighbouring countries to the EU are not engaged in any binding emission reduction program.

## NEWS FROM THE WORLD

### *US administration announces new vehicles standards*

The Obama administration presented a new vehicle standard program this week that would represent a big step ahead in achieving the 35 miles per gallon target by 2020, requiring the auto industry's fleet of new passenger cars and light trucks to average 35.5 miles per gallon by 2016, reducing its greenhouse gas emissions by 21 per cent. With this program oil consumption should be reduced by 1.8 million barrels by 2016, with a 5 percent increase in vehicle efficiency, according to the EPA. The proposal is open for comments for 60 days.

### *India to set indicative emission reduction targets*

On Friday, the Indian Environment Minister Jairam Ramesh declared that India will set an indicative emission reduction target, drawn from several actions aimed at reducing the country's GHG emissions. India currently ranks fourth in the worst emitters list in aggregate terms and continue to refuse to undertake any form of binding target in an international agreement.

### *OECD slaps government on climate commitment*

In its latest publications ahead of the Copenhagen Conference of Parties, the Organization for the Cooperation and Development (OECD) stated that current emission reduction commitment fall short of what would be needed to effectively cope with climate change. The book "The Economics of Climate Change Mitigation: Policies and Options for Global Action beyond 2012" states that besides broad policy measures such as a global cap-and-trade schemes, other regulations and standards such as increased investments in low-carbon technology and other approaches like eco-labelling should be introduced internationally. The OECD also called for the developed world's financial and technological support to developing countries in dealing with climate change.

### *Brazil sets new deforestation target*

The Brazilian government updated its National Climate Change plan introducing a new deforestation target, which improves on the previous one -to reduce rainforest destruction 70 per cent by 2017, compared to the average from 1996-2005. The new target requires deforestation to be cut by 80 percent by 2020, bringing annual deforestation down to around 4,000 square km by 2020, compared to 12,900 square km in 2007-2008. In presenting the new target, Brazil's environment ministry, Suzanne Kahn added that more updates to the National Climate Change plan are going to be presented later this year.

## THE CARBON MARKET

Carbon prices lost more than 9 percent of their value compared to last week close, with the EUA2009 finishing the week at €13.60 and the CER2009 at €12.37. The market suffered from last week's Barclays Capital report and its December estimate for carbon at below €11 and hit a seven-week low this week. The market was very volatile and attracted a lot of traders, with more than 113 million allowances traded across all platforms this week.

## SOURCES TO THIS ISSUE

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

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