

EU EMISSION TRADING SCHEME

EC proposes anti-fraud measure on VAT

The European Commission has proposed an harmonized way to combat VAT (value-added tax) frauds over EU ETS permit sales, that ended up in traders not paying VAT to governments after buying carbon credits in one member state without having to pay VAT and then selling them in another country, charging VAT. The EC proposed to apply a "reverse charge mechanism" on fraud-sensitive goods such as cell phones and computer chips, according to which it is the consumer and not the supplier is in charge of tracking VAT. The customer becomes liable for paying the tax, and declares and deducts it at the same time without effecting payment to the treasury. Implementing this EC proposal remains optional for member states and is deemed by the Commission itself as a temporary measure.

Czech Republic signs 20-million AAU deal

After 12 months of negotiations, the Czech Republic closed a deal with the Japanese company Mitsui & Co. regarding 20 million AAUs. The individual sale price was not disclosed by the parties involved.

NEWS FROM THE WORLD

Bangkok meeting kicks off

On Monday, the penultimate international meeting before the Conference of parties in Copenhagen kicked off on Bangkok. The talks will last for two whole weeks and will be targeted to easing some knots in light of the upcoming December negotiations. At the outset of the meeting the US brought forward the idea that the UN Convention should address the issue of common responsibility, a topic that involves both developed and developing countries with both undertaking some mitigation commitment. India, backed by other developing countries commented that there is no scope for common responsibility in the works of the UNFCCC, but the US protested that it would not discuss other issues until common responsibility was addressed and presented on Thursday a list of request underpinning the potential involvement of the country in an international climate change agreement. This list includes, besides developing nations commitment to domestic action, the demand that rules for monitoring, reporting and verification of domestic actions be the same for all countries-developed and developing-and the lack of

interest for joining an international carbon market based on AAUs. China and the group of 77 accused western countries to want to kill off a successor of the Kyoto Protocol with requests such as those of the US, which the group finds unacceptable. Moreover, discussion on financing climate change and the transfer of financial resources to poorer countries is still stalling and is considered vital by developing countries. One of the major tasks this meeting is supposed to perform is to condense the 200-page position document presented so far.

World Bank quantifies adaptation costs

In a report released on Wednesday the World Bank presented a preliminary assessment of adaptation costs in developing nations showing that between \$75-100 billions will be needed annually. Coastal zones will require the more funding, with East Asia and Pacific regions among the most vulnerable countries. Released during the Bangkok negotiations, the report underlines how far current financing commitment is from estimated needs, citing the EU proposal €22-50 billions from developed to developing countries annually, of which the EU alone would contribute €2-15 billions.

Report anticipates change in Brazilian stance on forestry

In a report released by the Task Force on Redd and Climate Change, composed of experts nominated by six state governments in the Brazilian Amazon region, the possibility that rich countries offset their emissions by protecting forestry is put forward. This proposal is in contrast with the traditional Brazilian stance on forestry, for which has so far opposed any REDD activity. Specific rules would guarantee that Redd credits do not undermine the credibility of a Kyoto successor (quotas and additionality requirements).

THE CARBON MARKET

Carbon prices gained some ground earlier this week following increased market confidence that the EC will not over allocate the market after last week's court ruling. Nevertheless, the EUA2009 closed at €13.00, below the previous week's close in a scarcely traded week, with only 82 million allowances traded across all platforms. Secondary CER for 2009 closed also below last week's close at €11.75.

SOURCES TO THIS ISSUE

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

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