

## EU EMISSION TRADING SCHEME

### *Poland stalls agreement on climate change funding*

On Tuesday during a meeting of finance ministers of the European Union, the decision over funding climate change mitigation and adaptation in developing countries by the EU Member States came to a stall due to opposition from Poland and a group nine Eastern European countries. These countries are not willing to agree on any figures for funding before an internal burden sharing agreement is negotiated among Member States, in fear they might have to pay too much compared to their wealth. A decision on climate change funding is therefore postponed to the meeting of the European Summit in the following week.

### *Environment ministers propose targets for aviation*

In a meeting of the European Union's environment ministers on Wednesday a negotiating ground for the inclusion of the aviation and maritime sectors in a Kyoto protocol successor was laid out in light of this week's European Summit. Environment ministers declared that the new international agreement on climate change must address these two very important sectors and proposed to start negotiating from a 10 percent reduction in the aviation sector emissions by 2020 compared to 2005 levels and a 20 percent reduction in the maritime sector emissions in the same time frame. The reduction would be achieved through an international market-based instrument dealt with by the relevant international institutions, the International Civil Aviation Organisation (ICAO) and the International Maritime Organisation (IMO). The proposal was welcomed by environmentalist, who nevertheless pointed out that aviation and the maritime sectors are receiving a much better treatment than other sectors already included in the EU ETS with proposed reductions targets for emissions more than one third above 1990 levels compared to 30% below for all other sectors.

## NEWS FROM THE WORLD

### *Data show increase in rich countries' emissions in 2007*

UN data released last week have shown an increase in the emissions of 40 industrialized countries comparing data from 2006 and 2007. The data that include figures for EU

member states, Russia and the US showed a total of 18.1 billion tonnes of carbon dioxide emission in 2007, a 1 percent increase from 2006. Although former Soviet Union countries saw their emissions drop by 3.9 percent from 1990 levels, emissions from these very countries have increased by 3.1 in the period 2000-2007. Despite this increase in emissions, the AAU market remains long according to the same data, which show that 19 out of the 36 states that reported verified emission are perfectly on track to meet the Kyoto targets, leaving an overall AAU surplus equal to 1.5 billions per year under current emission levels.

### *Aviation included in Norwegian ETS*

After including the aviation sector in its ETS and setting rules that assign allowances according to how much each company will fly in 2010, Norway will be allowing its companies to join the EU ETS to obtain further allowances for their aviation emissions starting from 2012. Norwegian companies in the aviation sector will have to report emissions starting in 2010.

### *Japan offers climate loan to Indonesia*

After calling to his Indian counterpart to be part of an international commitment to fight climate change, Japanese Prime Minister Hatoyama put in place another measure of its ambitious Hatoyama plan to improve Japan's position as fourth largest polluter in the world, offering \$400 million yen-denominated loan on Sunday to Indonesia, the world's third-largest air polluter. In the Hatoyama plan, Tokyo will provide financial and technical assistance to developing countries to help address the problem of climate change, but details on this loan to Indonesia have not been formalized yet and might not even be ready in time for the Copenhagen negotiations.

## THE CARBON MARKET

A rise in power prices caused a bullish trend in allowances prices this week with the EUA2009 closing at €14.36, about €0.20 above last week's close. Similar gains were recorded in the secondary CER market, with CER2009 at €13.56. About 95 million allowances were traded across all markets this week compared to the 106 millions traded last week.

## SOURCES TO THIS ISSUE

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

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