

## EU EMISSION TRADING SCHEME

### *EU Summit ends without progress on funding details*

This week's European Summit ended without the European Union formally committing to any specific **financing proposal** to help provide developing countries with €100 billion a year to fund climate efforts. As during last week's environment ministers' meeting the main reason for stalling negotiations came from the group of nine Eastern European countries led by Poland, which disagreed with the original burden-sharing proposal tabled by the Swedish presidency on the first day of the Summit. According to this proposal internal subdivision of the funding would be determined according to emissions, disregarding gross-national-product (GNP) considerations. The opposition to pay any more than their wealthiest neighbours caused the group of nine to refuse another amended proposal on Thursday, concluding the Summit with no formal agreement. The Summit endorsed the conclusions of last week's meeting – a **85-90% reductions** in the emissions of developed countries by 2050 with respect to 1990 levels-but any decision on EU climate change financing is forwarded to after the Conference of Parties in Copenhagen this coming December. An explicit role in setting the European annual contribution to the €22-50 billions needed annually from international public financing will be played by "comparable commitments" from other countries, as the conclusions stated. No position was taken by the European leaders on **left-over emission allowances** from the Kyoto period and if and how they could be banked to a Kyoto follow-up. The Summit concluded simply that European and non-European countries should be treated in a non discriminatory manner. The pessimism over the possibility to look for support for an international agreement inside the EU has pushed some countries to look **outside the Union**: according to a statement of Nicolas Sarkozy, France and Germany are working on a proposal to present during the Copenhagen negotiations alongside Brazil.

### *Serpec shows free abatement possibilities in the EU*

Serpec, a two-year study led by consultancy Ecofys with the funding of the European Commission and other public EU programs, shows that European emissions could be reduced up to 30 percent below 1990 levels at almost zero cost, simply replacing energy-related equipment at the

end of its normal life across major sectors with available low carbon technologies, without any further taxes or subsidies to spur development in low-carbon technologies. The study models the rate which low-carbon technologies become cheaper over time and includes the financial benefits of energy savings made by using them instead of older technologies. The report can be downloaded at [http://www.ecofys.com/com/publications/reports\\_books.asp](http://www.ecofys.com/com/publications/reports_books.asp)

## NEWS FROM THE WORLD

### *Debate on US climate bill gets to faster pace*

The debate surrounding the Kerry-Boxer climate Bill currently under the scrutiny of the US Senate has stepped up this week, after the release on new details on the allocations process. Drawing on the Waxman-Markey bill approved by the House of Representative last summer, the bill allocates for free 35 percent of the allocations to power utilities, phasing out the share of free allowances over a five-year period from 2026 to 2030. Some measures to help capture swing votes in the Senate include the proposal to use proceeds from the sale of 6.6% of allowances to provide direct rebates in energy prices to consumers from 2026, increasing to 50.8% in 2035. To win the approval of heavy-coal state senators, the bill includes a 1.75% of free allowances from 2014 through 2017 to help utilities cover the costs of installing and operating carbon capture and sequestration (CCS) technologies, increasing to 4.75% in 2018 and 2019, and 5% in subsequent years. President Obama, speaking at the Massachusetts Institute of Technology (MIT) on Friday, commented positively on the work of Senator Kerry in creating a bipartisan consensus over the climate bill in the US Senate. The Senate environment and public works (EPW) committee will start formally considering the Kerry-Boxer on November 3 and went through three days of hearings already this week.

## THE CARBON MARKET

Carbon traded in a low range this week, characterized by low volatility and scarcely affected by lower energy prices. Only the news that the US is going out of recession spurred oil prices upwards on Thursday and moved the carbon market, which closed the week with EUA2009 at €14.60 and CER2009 at €13.65. Only about 70 million allowances were traded this week over all platforms.

## SOURCES TO THIS ISSUE

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

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