

#### EU EMISSION TRADING SCHEME

France and Germany side with Denmark "to make Copenhagen a success"

Meeting before a summit to appoint an EU president and foreign affairs chief with Danish Prime Minister Rasmussen, Angela Merkel and Nicolas Sarkozy reiterated their strong willingness to intensify diplomatic activity over the next two weeks to convince all partners to convene on 17-18 December in Copenhagen, during the high-level part of the UN conference. After the China-US Summit last week crushed the possibilities of a US support of a binding international agreement, pessimism is mounting around the potential outcome of the Copenhagen meeting. The Union's environment ministers will meet next Monday to discuss the features of a successful outcome of the Copenhagen meeting.

#### Russia-EU Summit ends with new targets

During the Russia-EU Summit held in Stockholm on November 18, Russian President Medvedev presented the new reduction pledged by the country, which goes further than the previously announced- a 10-15 percent reduction on 1990 levels by 2020. Russia's new target for 2020 has been brought up to a 20-25 percent reduction compared to 1990 levels. Considering that Russia's emissions in 2007 were already 34 percent below 1990 levels, such emission target represents a business-as-usual reduction, but still reduces the amount of "hot air" that the country could sell to the market after 2012. Confusions still characterises the fate of unused government credits after 2012 and the possibility that they could be banked to the following international agreement. So far Russia has taken a strong position on the issue, refusing to discuss the fate of its unused AAUs before a Kyoto-successor is agreed upon.

#### NEWS FROM THE WORLD

##### New type of credit needed to kick-start CCS

In a report released this week, the Carbon Capture and Storage Association (CCSA) proposed to put in place a double-crediting system after 2012 to help kick-start this new technology. This system would have one type of credit for abatement activities and another for storage activities. This would help the integration with the current carbon market, keeping it separate from the need to provide proof of safe storage. Recent McKinsey estimates show that CCS requires a €90 price for carbon to become

commercially viable, but price projections for the next years are much lower. In order to give a chance to this technology, the report stresses the need for public finance to overcome the initial start-up costs and to help support CCS alongside market forces.

##### De Boer: rich nations should pledge \$10-billion financing

UN Climate Change Secretary Yvo De Boer reaffirmed in a news conference on Thursday the three goals that the Copenhagen meeting should pursue. Alongside the submission of emission targets for 2020 by rich countries and of planned actions by developing countries, De Boer called for a clear financial pledge by rich countries regarding adaptation resources to help developing countries cope with climate change, both in the short and long run. De Boer called specifically for a \$10-billion-a-year pledge and said that each rich country should provide both details on the level of financing and on the details of how it plan to find out resources over time, in order to avoid renegotiating the pledge every year.

##### Keidanren achieves 2008 target

Japanese business lobby Keidanren, representing 34 industries from the manufacturing and energy sectors and accounting for about 44 per cent of Japan's total CO<sub>2</sub> emissions in 1990, committed in 1997 to a voluntary reduction plan that requires to reduce average annual CO<sub>2</sub> emissions between fiscal 2008 and 2012 below 1990 levels. Data released this week showed that the target was achieved for the fiscal year 2008, in which only 454.18 million tonnes of CO<sub>2</sub> were emitted – a 10.5 percent reduction from 1990 levels.

#### THE CARBON MARKET

After managing to shake off the bearish trend that had characterised the carbon market in the last few weeks, carbon prices hit the lowest level in 7 weeks at the end of the week, when the EUA2009 closed at €13.06, a 2.5 percent drop on Thursday's level. Secondary CER prices lost some ground too but resisted better to the lack of direction currently characterising the market. CER2009 closed the week at €12.19. Volumes had slightly picked but throughout the week, but went back to 15.5 million allowances per day at the end of the week.

#### SOURCES TO THIS ISSUE

Pointcarbon, Reuters interactive, Climate Ark, Euractiv, Carbon Finance website  
News and updates selected and edited by Caterina Cruciani, Fondazione Eni Enrico Mattei.  
For questions and comments please contact: [caterina.cruciani@feem.it](mailto:caterina.cruciani@feem.it)