

EU EMISSION TRADING SCHEME

European Commission prefers spot auctioning

Despite the fact that the Revised Directive of the EU ETS foresees that auctioning for the third phase should start as early as 2011, the European Commission is likely leaning towards avoiding future auctioning and preferring to start spot-auctioning only in 2013. The industry association of the electricity sector, responsible for 60% of the Union's emissions and subject to full auctioning from the beginning of phase III, sent a letter to the expert revising the auctioning procedure lamenting the possibility that postponing the auctions would disrupt both the carbon and the electricity market and induce additional costs.

New study shows EU could go down to -40

A new study released on Wednesday by the Stockholm Environment Institute shows how the European Union could achieve a 40% emission reduction by 2020 from 1990 levels. Increasing energy efficiency and phasing out fossil fuels to bring renewable energy to 22% of total energy use are the main element of the scenario. The study can be downloaded from http://www.foeeurope.org/climate/FoEE_SEI_40_study_summary_Dec09.pdf

NEWS FROM THE WORLD

Brazil supports Redd credits

In a proposal that it will bring to the negotiating table at the Copenhagen conference, Brazil will introduce the possibility for developed country to earn credits for reducing emissions from deforestation and degradation (Redd) activities up to a 10% of their individual reduction target. Activities like adopting sustainable environment management programmes or plant new trees will produce credits for developing countries that could be sold on the market. Brazil has previously opposed the possibility to earn credits from such activities, underlying the role of increased domestic action by developed countries. This major change of heart in the Brazilian position comes after five rounds of negotiations with the governors of the Amazon region. Among the many issues that will be debated in Copenhagen, an agreement on Redd was already deemed likely before the Brazilian announcement and seems now even more so.

Obama postpones arrival in Copenhagen

After criticism for the scheduled arrival date of President Obama at the Conference of Parties, starting on Monday in

Copenhagen, the US President has decided to move it from December 9 to December 18, closing day of the negotiations.

As all other heads of state are expected to join the Conference during the second week, President Obama decided that his arrival would be more productive towards the end of the Conference, testifying his "commitment to doing all that he can to pursue a positive outcome".

US Senator Kerry presents climate funding bill

Just a few days before the start of the Copenhagen conference, Senator Kerry presented to the Foreign Relation Committee of the US Senate the International Climate Change Investment Act, which details the financial commitment of the US in international finance to cope with climate change. Among the provisions included in the Bill, there is a pledge to invest in activities under the Bali Action Plan, such as **Reducing emissions from deforestation and degradation** (Redd) financing avoided deforestation in developing countries and helping them to participate in international carbon markets or establishing a **clean energy deployment plan** in developing countries. Moreover, the bill includes the creation of a "Strategic Interagency Board on International Climate Investment" to monitor multi-agency contributions to international climate finance. The Bill is co-sponsored several senators in the Foreign Relation Committee, one of the 12 committees dealing with climate change issues and aims at being an addition to the Kerry bill already under debate.

THE CARBON MARKET

Carbon had a very bullish week, as anticipation over the Copenhagen meeting gave a boost to carbon prices, with the EUA2009 closing over €1.00 above last week at €14.09. Carbon did not follow fundamentals like German power prices, which lost over 4% this week. Market confidence was lifted also by the news that the European Commission is going to appeal the Court decision that obliges it to reconsider the Polish and Estonian allocation. Moreover traders start to feel the urge to avoid finishing short of December 2009 allowances as the end of the year approaches. Secondary CER followed a similar bullish trend and CER2009 ended the week at €13.13.

SOURCES TO THIS ISSUE

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