

EU EMISSION TRADING SCHEME

EC negotiate with Estonia and Poland over allocation

After having its rejection of the Estonian and Polish NAPs overturned by the Court of First Instances, the European Commission is trying to negotiate a new cap with these two countries, while preparing the appeal. On Friday, the EC requested Estonia and Poland to propose a new cap based on 2008 data, when the verified emissions of both countries were below the cap. Several bilateral meetings have been held between the two countries and the EC, but Estonia and Poland seem more likely to present a higher cap than the one that would come out using 2008 data.

EU officially commits to climate finance

During last week's EU leaders meeting in Brussels to discuss the Union's financial contribution to climate change in light of the participation to the Copenhagen Conference of Parties, several financial pledges to help developing countries cope with climate change were made official by both the Union and some European countries. Earlier during the week, France and the UK committed to a € 400 million annual financing each, while Sweden put forward a €1.2 billion contribution. On Friday, during a EU presidency press conference the financial pledge of the Union was announced, a €2.4 billion annual financing over the next three years.

NEWS FROM THE WORLD

The Copenhagen conference of Parties -week one

The 15th Conference of Parties (COP) under the United Nations Framework Convention on Climate Change started last Monday in Copenhagen amid uncertainties as to the possibility of a new international agreement being signed. A **leaked draft** prepared by **Denmark** fuelled the antagonisms between developed and developing countries already on the second day of the meeting; in fact, the text presents a departure from the Kyoto setting, imposing emission cuts both on developed and developing countries. The draft text, which allows poor countries to emit no more than 1.44 tonnes of carbon per person by 2050, while allowing rich countries to emit 2.67 tonnes, caused the reaction of the G77 plus China group, which represents most developing countries. Moreover, disbelief over the proposal to give the World Bank control of the financial resources for developing countries, characterised the reaction of developing countries and environmental groups.

Another negotiating text called the **Copenhagen Protocol** was tabled by the Association of Small Island States (Aosis) during the week and contains the provision for a second commitment period for the Kyoto protocol ending in 2017. The proposal, which calls for a global emission reduction of 85 per cent by 2050, requires developed countries to cut their emissions by at least 45 per cent below 1990 levels by 2020, while developing countries must put their mitigation actions into a global registry. Under the Copenhagen Protocol 2% of all issued assigned amount units would be sold and funds used to help the most vulnerable countries adapt to climate change. Another two negotiating drafts have been tabled on Friday: the first one, called **Kyoto draft** proposes emission reductions for developed countries between 30 and 45 % on 1990 levels and lists a series of decisions to be taken regarding the inclusion of carbon capture and storage nuclear, standardised baselines and discount factors in the clean development mechanism, and the option of whether to limit the banking of government emission rights from the first commitment period ending in 2012 into a second period. Although not taking a formal stance, the Kyoto draft suggests to apply a 0.5-8% levy also on AAUs and not only on CDMs. The draft presented by the UN track that includes the US, the **LCA draft**, includes emission reductions for developed countries between 25 and % below 1990 levels by 2020 and developing ones keeping theirs 15-30% below the business as usual. The LCA text does not set a mandate to negotiate a legally binding treaty and suggests targets pledged by countries with goals under the Kyoto text will be enshrined in this draft, while all decisions on market mechanisms and measures to cut emissions on shipping and aviation have still to be elaborated on.

THE CARBON MARKET

Carbon had another bullish week with the EUA2009 closing at €14.53 and hitting a seven-week intra-day high. As the expiring date of the EUA2009 (December 14) loomed closer, traders became more active in rolling forward their positions. Secondary CER prices lost some ground during the week, but recovered on Friday, with CER2009 closing at € 13.00. An average of 20 million allowances traded everyday on all platforms this week.

SOURCES TO THIS ISSUE

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