

EU EMISSION TRADING SCHEME

EU environment ministers express disappointment over COP outcome

During a meeting held in Brussels on Tuesday December 22, the European Union environment ministers, convened to discuss the outcome of the Copenhagen climate talks, expressed their disappointment at the Copenhagen Accord. Swedish Environment Minister Andreas Carlgren, representing the EU rotating Presidency, commented that the outcome of COP 15 is below the EU expectations, and that the political responsibility for the lack of political momentum lies mainly on the shoulders of the US and China, which "didn't want more than we achieved in Copenhagen". Besides the disappointment, Carlgren confirmed that the EU intends to see a legally-binding agreement enforced by 2013 and that it should be built on the Kyoto Protocol framework, using the Copenhagen Accord as a first step. EU environment ministers will meet again in Seville in mid-January, when Spain takes over the rotating EU presidency.

Bulgaria submits NAP to the Commission

After two years of submissions and revisions, on December 23, Bulgarian officials have announced that the country is about to submit what it is considered as the final draft National Allocation Plan. The NAP covers 132 installations for an overall annual cap equal to 42.3 million tonnes of CO₂, roughly 2 percent of the Union's emissions. Bulgaria is the only country of the Union which has not yet issued any emission allowances so far in the 2008-2012 period.

NEWS FROM THE WORLD

The Copenhagen COP ends in disappointment

The 15th Conference of Parties to the UNFCCC ended last Saturday without any substantial binding agreement over emission reductions. The main outcome of the two-week negotiations is the Copenhagen Accord, negotiated Friday among the US and other 28 countries, which has been "taken note of" by the Conference on Saturday, the closing day of the COP. The Copenhagen accord seeks to limit increases in global temperatures to 2°C and sets by January 31 the deadline for rich countries to pledge emission cuts

and poor countries to pledge actions to clean up their economies. No specific details on the fate of the carbon market after 2012 are contained in the report, although the agreement says various incentives, including market mechanisms, should be put in place to stimulate emissions cuts. The Accord was not signed and will be discussed during next year with the aim to conclude a formal agreement at the next COP in Mexico. In particular the CDM fate will be the subject of negotiations during 2010. The issue of Reducing Emission from Deforestation and Degradation (REDD) has also been discussed during the COP with a recognition of the need to kick-start a process of REDD funding and the adoption of UN guidelines on methodologies to account for the drivers of deforestation. Some countries also made financial pledges towards REDD activities, but most of the text is still in brackets, meaning that it will have to be renegotiated during 2010. Green groups have stated their strong disappointment at the outcome of the Copenhagen talks, while a moderate optimism about the political commitment of the Copenhagen Accord characterized business groups reactions.

New year's (target) resolutions announced

Fulfilling the prescription of the Copenhagen Accord, some countries have already started to announced the reduction targets they are bound to set by January, 31. Japan has presented its conditional target, an ambitious 25 percent reduction under 1990 emissions by 2020, if all other major emitters commit to similarly ambitious targets. South Korea also confirmed it will present its targets by the deadline set by the Copenhagen Accord, but it is still unconfirmed whether the target announced before COP 15, a 30 percent reduction below business as usual by 2020, equivalent to a 4 per cent under 2005 levels., will be submitted or modified.

THE CARBON MARKET

If negative news and rumours coming from Copenhagen had already caused a five percent decrease in carbon prices during last week, the conclusion of the UNFCCC summit gave the last blow. Only on Monday 21, carbon prices of the EUA2010 lost €1.21 from Friday's close, crashing down to €12.32. Losses were slightly more limited on the secondary CER market, with CER2010 losing "only" €0.80. Steady energy markets and thin trading helped carbon recover, with the EUA2010 closing at €12.99 on December 23.

SOURCES TO THIS ISSUE

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