
EU EMISSION TRADING SCHEME

Estonia about to submit new NAP

After the court ruling that rejected the European Commission's cut to the Estonian National Allocation Plan back in September, the plan has been cancelled last month and needs to be resubmitted. Estonian officials declared this week that the proposed cap is going to be slightly higher for the power sector than the one originally proposed (and slashed by the EC) and that the new entrants' reserve is likely to undergo a few changes. The EC has so far declared that it will not accept a higher cap, to protect the integrity of the carbon market.

What's next after Copenhagen?

After the disappointing outcome of the Copenhagen Conference of Parties the European Union is getting geared up to deliberate on the next steps forward, and according to Euractiv news, the French-supported good old border tax adjustment could be part of the deal. The European Commission should prepare and submit to the next environment ministers' meeting an analysis of the outcome of the Danish meeting, but it is not certain that the report will be ready by the start of the meeting, on January 15th. As a response to the lack of binding commitments from developed and especially developing countries, preoccupation over international competition could lead negotiators to discuss the introduction in Europe of **border tax adjustments** over goods produced in countries that do not respect specific environmental standards, but experts fear that such measure -which is so far supported only by French president Sarkozy and German Chancellor Merkel- could damage more than it can protect. Another hot topic will be the definition and submissions of **medium-term targets**, due to the UNFCCC by the end of this month according to the Copenhagen Accord. Some EU countries are likely to push to undertake the 30-percent reduction by 2020 despite the lack of similar commitments by other developed countries, which was a condition to upgrade the originally-proposed 20-percent reduction.

NEWS FROM THE WORLD

Copenhagen Accord invitations: sent!

Last week the Danish Prime Minister sent to all UNFCCC parties

a formal invitation to become part of the Copenhagen Accord, the informal agreement to limit increases in global temperatures to 2°C, which also sets by January 31 the deadline for rich countries to pledge emission cuts and poor countries to pledge actions to clean up their economies. The Accord has already been backed by countries like the US, Brazil, China, India and the EU and rejected by others like Bolivia, Cuba, Nicaragua, Tuvalu, Sudan and Venezuela. This week, following the invitation Canada, Australia, Papua New Guinea and the Maldives brought to 49 out of 130 the total numbers of signatories, while Cuba declined the invite to join. More responses are awaited for in the upcoming weeks before the January 31st deadline.

Indonesia targets forestry emissions

As the third largest greenhouse gas emitter if deforestation is included, Indonesia has pledged to protect and rehabilitate 21,135,000 hectares of land over the next 10 years, cutting emissions up to 30 percent by 2020 protecting and planting trees. A timetable for the developing of sound Redd (reducing emissions from deforestation and degradation) methodologies has also been set to achieve the project-implementation stage already in 2013.

THE CARBON MARKET

The new year opened with a slightly bullish week for carbon, with EUA2010 closing about €0.46 over the closing day of 2009, at €12.99. Similar gains were recorded in the CER compartment, with CER2010 closing at €11.32. Data for 2009 showed a 68 percent increase in the number of permits exchanged over all carbon markets. Nevertheless, the lower prices due to the economic crisis meant that, despite this marked percentage increase in volumes, the value of the overall 2009 exchanges is worth only €2 billion more than in 2008, when it netted €92 billions. The CDM market shrunk slightly (-1 percent compared to 2008 volumes and -28 percent compared to 2008 value) compared to the JI market, which suffered a -38 percent decrease in volumes and a -45 percent decrease in value from 2008. On the other hand, the AAU market went through a three-fold increase during 2009 (from €330 million to €1.38 billion) and the RGGI managed to increase by a factor ten the volumes traded, for a nine-fold increase in value compared to 2008 (from \$178 millions to \$1.8 billion).

SOURCES TO THIS ISSUE

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