

RECENT GLOBAL CARBON POLITICS

Europe's carbon market saw 817.9 million EU allowances change hands in 2006, more than three times the 2005 volume, according to Point Carbon data. In 2005, the first year of the EU emissions trading system (ETS), 262.5 million allowances traded across all platforms. That figure more than tripled in 2006, as 583.6 million traded in the brokered market and an additional 234.2 million allowances changed hands on the exchanges.

The **European Commission** (EC) last week set a goal in its Strategic Energy Review to reduce emissions of greenhouse gases by 20 per cent below 1990 levels by 2020. Officials said they would set a more ambitious target of 30 per cent if a satisfactory global agreement on climate change is reached. The EC document, in which the goal was laid down, also called for the EU's trading scheme to become the pillar upon which a global carbon trading network is based, and for the Kyoto Protocol's clean development mechanism to be expanded after 2012.

The head of the UN climate convention (**UNFCCC**) and the UN's new secretary-general declared the post-2012 process for the Kyoto Protocol too slow, and want to involve heads of state.

Russia submitted its greenhouse gas inventory to the UNFCCC. Compared to the national communication submitted in October, its baseline emissions are estimated 576 million tonnes of carbon dioxide equivalent (mtCO₂e) higher in the new inventory. The previous estimate places the country's 1990 emissions figure at 2.83 billion tonnes, while the new one revises it to 3.406 billion tonnes. As Russia is one of five countries that have yet to submit initial reports to the UN applying for

an assigned emissions amount under Kyoto, its specific reduction target has yet to be set.

Uzbekistan has officially implemented the clean development mechanism (CDM), and has established a designated national authority to start approving emissions reduction projects. Around 10 projects have been developed in the country so far, despite the lack of a domestic framework.

Transactions of European Union Allowances (EUAs) in the **German** registry are on a strong rise, with volume more than doubling in 2006 compared to 2005. According to the German federal environment agency, the figure reached 210 million, up from 90 million a year earlier. One hundred and thirty million EUAs were involved in cross-border deals. The total number of transactions amounted to 3,121.

The growth in **renewable energy** in Germany also saved the country 10 million tonnes of CO₂ emissions in 2006, according to an analysis by the German federal renewable energy association BEE. The share of renewables in the German energy supply increased to 7.7 per cent in 2006, up from 6.8 the year before.

The EC has been threatened with **lawsuits** from several countries over the cuts it made to their proposed national allocation plans for the second phase of the EU ETS.

Germany disputes the decision that it may only allocate 453.1 million allowances annually to its ETS installations over the 2008 to 2012 period, against the 465 million its government wanted to hand out.

Slovakia disputes the EC's cut in of its proposed 41.3 million allowances to 30.9 million, and the **Swedish** government has protested against

the EC's decision to reduce its second-phase ETS cap by 2.4 million tonnes, saying high hydro power production in 2005 pulled down emissions for the 2008-2012 period.

Norway, which is not a member of the EU, announced it will join the EU ETS starting 1 January 2008 by linking its existing emissions trading scheme through the Agreement on the European Economic Area (EEA), under which Iceland and Lichtenstein are also discussing adopting the Emissions Trading Directive this year.

Lithuania has emptied its new entrants' reserve by handing out virtually all of the allowances to new installations in phase one of the EU ETS, according to ministry officials. Any further installations that come online in Lithuania during 2007 will have to purchase all needed allowances in the market.

Spain's electricity generation sector cut its CO₂ emissions by 8 million tonnes in 2006 compared to 2005, down to 99 million tonnes, according to the Spanish electricity industry association UNESA.

Poland's greenhouse gas emissions grew by 1.5 per cent in 2004, according to the country's report to the UN on its progress to meet its obligations under the Kyoto Protocol. Poland's 2004 emissions amounted to 388 mtCO₂e. Emissions in 2004 were still 31.7 per cent below the country's 1988 baseline for the Kyoto Protocol.

France's emissions decreased in 2005, with 554.1 mtCO₂e emitted in that year - a reduction of 0.5 per cent from the previous year that puts the country at 1.8 per cent below its Kyoto Protocol target.