Climate Policy News

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EU Emission Trading Scheme

MEPs backs compromise deal on aviation emissions

The EU Parliament on Thursday (April, 3) approved a compromise deal struck in early March **exempting international airlines** from paying for carbon emissions for the entire length of their flights under the EU ETS **until 2016**. Parties to ICAO at the last triennial meeting agreed 2016 is the date to define a global scheme on aviation emissions to be implemented by 2020. Under the rules adopted on Thursday, **EU ETS would cover only intra-EU flights until the start of 2017 and it would apply to all flights to or from the EU thereafter**. The new rule technically **extends the so called "stop the clock" measure** decided in April 2013 and due to expire this month. In late March the EU Parliament **ENVI Committee rejected the deal** . Nonetheless the full assembly approved by 458 votes to 120 with 24 abstentions, according to official release. MEP Peter Liese (EPP), who promoted the informal agreement, said the deal was **"the best possible compromise"** given international pressure by non-EU airlines and countries threatening trade retaliation. The vote was **criticised by environmental and advocacy groups** as it "delay[s] essential emission reductions in the aviation sector in exchange for a promise that an international agreement will take effect as of 2020". According to new rules, the 28 EU member states will also have to **report on how they spend revenues from ETS allowance auctions**, which should be used to tackle climate change and fund research, including for low-emissions transport.

News from the World

Hubei launches China's sixth pilot carbon market

Hubei province became the **sixth region in China to introduce a local carbon market**, after Beijing, Guangdong, Shanghai, Shenzhen and Tianjin, under the **government's ETS experiment started in June 2013**. Hubei's local authorities on Wednesday formally launched the scheme imposing caps on GHG emissions from **140 energy and industrial emitters**, Reuters reported. Hubei firms can use CERs offset credits to cover for up to 10 percent of their emissions, but are restricted to using credits from projects located in the province. Companies that fail to comply with the scheme will be fined 150,000 Yuan and given fewer free permits the following year, Reuters reports. China has set a non-binding target to **reduce carbon intensity by 40-45 percent below 2005 levels by 2020**. In the 12th Five-Year-Plan the government set a **17 percent reduction target for carbon intensity between 2010 and 2015** and announced intention to implement a nationwide ETS to curb carbon emissions.

Chile plans CO_2 tax on thermal plants

Chile's new government elected in early March on Tuesday unveiled plans to set a carbon tax aimed at reducing CO_2 emissions from thermoelectric power plants. The proposal presented by Chile's President Michelle Bachelet provides for a **$5 per tonne of CO2 tax** to be applied to **thermal power plants with a generation capacity equal or higher than 50 megawatts**, according to Reuters. If approved by the Congress, the measure would be implemented by 2018. Chile is the world's leading country in copper production and several **mines are powered by coal-fired thermoelectric plants**. At UN climate summit in Copenhagen in 2009, Chile set a **voluntary target of 20 percent GHG emission reduction below 2007 levels by 2020**.

Exxon Mobil excludes "stranded assets" risk due to climate change

US oil and gas company Exxon Mobil on Monday (31, March) published online a twofold **report assessing potential impacts of climate change mitigation on its future business prospects**. The first-of-its-kind report was announced earlier in March in exchange for withdrawal of a shareholder resolution. According to the document, the company **excluded its assets are or will be at risk** due to climate change and related global efforts to reduce emissions, and it declared to be "confident that none of [its] hydrocarbon reserves are now or will become stranded". Exxon explained its position **in the view that " all energy sources, including carbon-based fuels, are necessary to meet future global energy demand growth"** driven by growing global population and GDP. Shareholder advocates Arjuna Capital and As You Sow expressed disappointment with aspects of the response, but noted in a press statement that it is an "historic first step forward, providing greater **insight into how Exxon is approaching climate change risk** and representing an end to the company's previous refusal to acknowledge climate change issues". The report is available here.

The Carbon Market

EU carbon prices slightly recovered from recent bearish trend but remained low amid a lack of strong signals from energy markets. EUAs Dec-14 closed on Friday at €4.74, gaining almost 8 percent from previous Friday's finish. The front-year CERs ended flat at €0.16. The CDM Board at its 78th meeting held in Bonn on Friday discussed problems of low demand in CDM market resulting in low CERs prices and considered initiatives intended to increase the mechanism's use by environmentally aware emitters in the private and public sector, according to the meeting report.

SOURCES TO THIS ISSUE

Thomson Reuters, EU Parliament, Exxon Mobil, As You Saw, Arjuna Capital

News and updates selected and edited by Aurora D'Aprile and Marinella Davide, FEEM and CMCC

For questions and comments please contact: marinella.davide@feem.it