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COMMENTARY

New Jersey's plans cast cloud over RGGI

The state's governor has vowed to leave the programme by the end of the year, and several others may follow suit

By Roberta Harrington

- Critics have said that the initiative could hamper the attractiveness of doing business in member states
- RGGI has under-performed since its launch
- With investors uncertain about the programme, its survival is now in doubt

There is little doubt now that the US' first carbon trading scheme is facing more hurdles than ever before. The latest carbon auction of the Regional Greenhouse Gas Initiative (RGGI) left more than 66% of the allowances unsold.

Chris Christie, the governor of New Jersey, the second largest member state, recently vowed that his state would be the first to leave the 10-member pact, which covers much of the northeastern US.

Sign of the times

It is perhaps a sign of the times as the country lurches through recession and towards another election where populist politics can dominate.

The New Jersey governor's move follows Republican leaders in the West – including in Arizona and New Mexico – questioning whether their states should stay in the Western Climate Initiative (WCI). And there are still rumblings in other RGGI states about leaving because of the higher thresholds, that critics have claimed firms cause extra expense when doing business within the region.

The initiative

Members of RGGI have agreed to slash emissions from the power sector by 10% by 2018. The first mandatory three-year compliance period will end on December 31, 2011.

Power generators' carbon emissions must total no more than 188 million tonnes per year from 2009 to 2014, and must then be reduced thereafter by 2.5%

per year from 2015 until 2018.

It was perhaps no great surprise that on June 8 a record number of RGGI pollution credits went unsold and the price of carbon dioxide (CO₂) allowances dropped as low as US\$1.89 each, the minimum reserve price for the auction. Credits have been trading at bargain-basement prices for as much as two years.

Only US\$25.5 million was raised in the pact's 12th quarterly auction. That means that proceeds from all RGGI auctions now represent US\$886.4 million in total – not nearly as high as had been hoped when the initiative was launched.

States involved in the RGGI are: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont.



Issues

Credit sales have been lagging increasingly because of lower power consumption owing to the recession, and the temporary death of hopes for a national cap-and-trade system – or any other way of putting a price on carbon – because of recalcitrance in Washington and low natural gas prices.

The RGGI emissions caps are also so loose that New Jersey power plant emissions are 30% below the limit required by the pact.

Demand for permits is down because pollution from power plants has dropped below required levels, Paul Tesoriero, director of environmental trading at Evolution Markets LLC, told Bloomberg. He also noted the “black cloud” over the survival of the programme because of Christie's promise to have his state leave. That means some buyers are holding back in case additional states exit the pact and “this whole thing folds tents,” he added.

Pulling out

Shockwaves went through the US carbon community on May 26 when Christie vowed to pull New Jersey out of RGGI by the end of the compliance period on December 31.

He said the trading group was an effective way to reduce CO₂ emissions, however. “RGGI does nothing more than tax electricity, tax our citizens and tax our businesses, with no discernible or measurable impact upon our environment.” ▶▶

COMMENTARY

Democratic lawmakers in the state are increasingly resisting the exit, which could complicate the planned pullout.

Christie is one of the state leaders to have raided the RGGI's coffers. For the 2011 fiscal year, he took more than US\$65 million of New Jersey's income from RGGI – designated for energy efficiency and renewables, according to the terms of the pact – and put it instead towards the state's US\$10.7 billion budget deficit.

There are rumblings of discontent elsewhere in the Northeast, especially in New Hampshire and Delaware. Most recently, on June 8 – the same day as the most recent RGGI auction – lawmakers in New Hampshire voted to pull out of the group. The governor, John Lynch, has said he will veto the legislation.

Fall out

RGGI, first launched in 2005, could conceivably fall apart. But New York,

surely, is the backbone because of its prominence and size; it is the country's third largest state. And it has not yet made moves to exit.

This is despite the state's governor at the time, David Paterson, attempting to balance the state budget by raiding US\$88 million from funds raised from RGGI in late 2009. Some analysts say the fall-out of New Jersey's upcoming action will in fact be limited. Emilie Mazzacurati, of Thomson Reuters Point Carbon, told the New York Times that New Jersey could encourage opponents of cap-and-trade elsewhere. But "the question is: will other states follow?" she said.

"In our view the direct impact is going to be minimal ... the programme doesn't depend on any given state to function," she added. But still, she said the remaining states needed to decide how to deal with power plants, for example, that had bought emissions allowances from

their counterparts in New Jersey.

In the western US, California has led the way with a trailblazing 2006 law to combat climate change. It had planned to launch cap-and-trade in 2012, but a court ordered state regulators to suspend their activities until the environmental review for the programme could be revised.

According to the new environmental analysis released on June 13, a carbon tax would be politically unfeasible, said analysts with the regulatory Air Resources Board (ARB). "The analysis that led us to conclude that a cap-and-trade programme was the correct alternative choice is fundamentally sound, and I think that this document lays that out quite clearly," ARB Chair Mary Nichols told Reuters.

But whether that is a message that will gain traction again elsewhere in the US – especially in Northeast and specifically in New Jersey – remains to be seen. ■

Stormy waters see carbon markets plunge

Malaise has turned to rout as European carbon prices plunge

By David Flanagan

Carbon prices fell rapidly during Week 25, breaking a long and steady spell of calm conditions in the European carbon market.

The malaise and sluggishness of Week 24 has now turned into quite a severe slide in the prices of European Union Allowances (EUAs) futures.

Furthermore, as we are approaching the traditionally quiet summer period in carbon trading, and indeed as we move closer to August, when many traders take a break from the arduous task of buying and selling EUAs, it is unlikely that we will see the market recover much of this lost ground.

So, the slide that has been seen in Week 25, severe though it has been, may not yet be over.

But why have carbon prices fallen so dramatically in such a short space of time? And what has changed in the last week to upset the previous two or three months of stability?

Malaise

The sell-off of Week 25 was triggered by a general malaise in carbon trading. Volumes have diminished in recent weeks, and the gathering gloom in the Eurozone related to Greece's debt crisis has undermined confidence.

A weakening energy complex and bad news from associated markets such as the US have also affected interest. The last auction by the Regional Greenhouse Gas Initiative (RGGI) in the US was only 30% subscribed. Finally, more interest

has been seen in other trading markets such as oil, where high prices have perhaps diverted interest away from carbon trading.

In addition, technical features are critical to the dynamics of the market now. It has been clear to many that the spread between the EUA and Certified Emissions Reductions (CER) market has widened in recent months.

A more efficient 'pipeline' in the CER issuance process has been observed, but CER issuance rates have still been volatile. But, even allowing for periods of high issuance, the EUA/CER spread has looked too high at over 4 euros (US\$5.7) in recent weeks. ►►

COMMENTARY

It was likely that the spread would narrow, and reduced CER issuance in Week 25 provided just the catalyst.

There is little doubt that this simply meant that the EUA market would fall, and perhaps quite rapidly. CER issuance volatility is not helping the market at large, since it can distort the EUA/CER spread's behaviour and prevent CERs from finding their natural price. This probably introduces greater volatility into EUA prices from time to time. An implied spread from the futures markets of 3.87 euros (US\$5.5) is more realistic, but given the lower CER issuance, this spread may narrow still further.

Lack of support

In short, there was practically nothing bullish in the market to support EUA prices.

With the summer not yet half over, the lull in activity or interest looked like it had arrived rather early in Week 24. But, more seriously, it was superseded in Week 25 by a widespread impression that EUAs were overvalued around the 16.50 euros (US\$23.49) level. The big sell-off we saw this week came at an awkward point for traders, as July and

especially August generally see a tailing-off of activity, and prices tend to soften with it. Nobody will want to be caught in a falling market with a large long position, and if EUA prices continue to fall, this fact alone may stimulate more bearish attitudes. On the other hand, if this week's bears have included utilities and compliance users who have seen a 'sell-and-buy-back' opportunity in the falling market, they may see the bottom of the market quite soon, and move back into EUAs. As stated, summer is often quiet and sleepy in the carbon market. This year, however, we are seeing a contrast. It looks certain to be a very interesting summer period, and perhaps a volatile one too.

On the markets

On the markets, the EUA December 2011 future on the InterContinental Exchange (ICE) fell significantly over the course of Week 25. From a starting point of 16.50 euros (US\$23.49) per tonne on June 15, the market lost value steadily.

Initially, a drop of almost 1 euro (US\$1.42) saw the contract close at 15.65 euros (US\$22.28) per tonne on

June 17.

After the weekend, the downswing continued, and the EUA December 2011 future closed on June 22 at 14.80 euros (US\$21.08). The drop of around 1.70 euros (US\$2.42) represented a fall of over 10%, not seen in such a short space of time for many months. Volumes of deals in the December 2011 EUA contract were also high, and tell their own story. Over 33,000 tonnes were traded, most likely the majority being triggered by 'sell' orders. The 'calendar spread' or differential between EUA vintages has also fallen considerably. A flatter forward curve in EUAs has therefore emerged from the sell-off, since the EUA December 2013 and 2014 contracts fell most heavily.

On Paris-based Bluenext, the spot market also saw a big drop over the week. The EUA contract closed at 14.62 euros (US\$20.83) per tonne, while the CER contract closed at 11.10 euros (US\$15.81) per tonne.

Volumes traded on June 22 of the EUA reached 494,000 tonnes, while volumes traded of the CER reached 60,000 tonnes. No trades in Bluenext's new 'Green CERs' were recorded on the day.

Settlement Prices: European Climate Exchange, June 22, 2011

EUAs:

Vintage	Volume (no. of contracts)	Settlement Price (Euros)
DEC 2011	33009	14.80
DEC 2012	9208	15.41
DEC 2013	5103	16.52
DEC 2014	1174	17.50
DEC 2015	0	18.81

CERs:

Vintage	Volume (no. of contracts)	Settlement Price (Euros)
DEC 2011	1951	10.93
DEC 2012	2519	11.03
MAR 2013	1454	10.87

Source: European Climate Exchange (ECX)

Projections for Week 26, 2011

The big sell-off in Week 25 was triggered by a number of factors, but in a falling gas and power market, which is almost inevitable in the summer, EUAs were likely to face some difficulty holding their value. The EUA/CER spread was also too wide, at over 4 euros (US\$5.7), and regularisation of this has now dragged back the EUA contract. The problem for traders is that the weaker energy complex and traditional summer lull will most likely not go away in Week 26, suggesting more price falls could be on the cards.

But, the market's bears this week could have included 'sell-and-buy-back' opportunists. If so, they may close these positions (buy EUAs) in Week 26, which could make for a bumpy market in the days ahead. But, even if there is a recovery, it looks unlikely to bring the market back to where it was in Week 24. A correction of sorts looked like it was under way in Week 25, even allowing for the impact of speculation. With this in mind, little prospect for a major rebound in prices is evident, and hence prices may remain under pressure.

Price range expectation for benchmark EUA December 2011 contract in Week 26: 14.25-14.75 euros (US\$20.30-21.01). ■

GOVERNMENTS & REGULATORS

ASIA – Japan's CO2 emissions to soar 13.8% by FY2020

Japan's annual energy-related carbon dioxide (CO2) emissions are to surge by 13.8% by the 2020 fiscal year, compared to 1990 levels, if all nuclear power plants (NPPs) are pulled offline, an influential non-profit research institute has warned.

In a report on its revised medium-term economic forecasts last week, Tokyo-based Japan Centre for Economic Research (JCER) cited the anticipated shift from nuclear power generation to thermal power generation.

Unlike thermal power plants (TPPs), which burn such fossil fuels as oil and coal and make significant contributions to global warming, NPPs produce little, if any, CO2.

The Japanese government has set an ambitious target of slashing emissions of CO2 and other greenhouse gases (GHGs) by 25% by 2020 from their 1990 level.

JCER's warning comes amid strong concerns within the government and industries about the growing possibility of Japan's nuclear power generation dropping to zero by the summer of next

year.

According to the JCER report, if all Japanese NPPs are put offline, the nation's annual energy-related CO2 emissions will rise from an estimated 1.072 billion tonnes in the 2010 fiscal year, which ended on March 31, 2011, to 1.201 billion tonnes in the 2015 fiscal year and 1.205 billion tonnes in the 2020 fiscal year.

The estimated 2010, 2015 and 2020 emission volumes are up 1.2%, 13.4% and 13.8% respectively from 1.059 billion tonnes in 1990.

Last week, the Institute of Energy Economics, Japan (IEE Japan), which is affiliated with the Ministry of Economy, Trade and Industry (METI), also made shorter-term forecasts in a report.

IEE Japan warned that Japan's energy-related CO2 emissions could rise sharply in the 2011 and 2012 fiscal year, making it even more difficult to achieve the nation's GHG emission reduction target under the Kyoto protocol, which is to expire in 2012.

At present, Japan has 54 nuclear reactors, but only 19 of them are in operation.

Four NPPs, including Tokyo Electric Power Co.'s (TEPCO) Fukushima No.1 NPP at the centre of the ongoing nuclear crisis, immediately shut down in the wake of the devastating March 11 earthquake and tsunami.

Operations at Chubu Electric Power Co.'s Hamaoka NPP were also suspended completely in May for safety reasons at the government's request.

Electric power firms have also been unable to resume operations at nuclear reactors that were put offline for mandatory periodic inspections, which are required every 13 months, because of strong safety concerns among the local communities hosting the facilities.

As the 19 reactors now in operation also begin to be put offline one after the other this summer for mandatory periodic inspections, Japan's nuclear generation could drop to zero by the summer of next year. ■

EUROPE – EU torn as emissions debate heats up

There have been high hopes about the impact of the EU's proposed new Energy Efficiency Directive (EED) as a means of addressing both energy efficiency and emissions, but dissent between Commissioners is making it clear that there are concerns about its impact on the carbon markets.

In a statement on June 22, as the Commission presented the legislative proposal for the Directive, Guenther Oettinger, European Commissioner for Energy, said that utilities would have to cut 1.5% of their energy sales by volume, through the implementation of efficiency

measures.

Other companies would have to achieve the same results, although this could be through funding programmes or voluntary agreements, depending on Member State implementation. This measure should reduce the EU's energy consumption by 6.4% in 2020, or the equivalent energy consumption of both Poland and Portugal.

From 2014, public bodies will have to renovate 3% of their buildings each year, and the EED leaves open the opportunity for mandatory national efficiency measures from 2014 if the EU is not

sufficiently on target for 20% cuts.

Peter Vis, chief of staff of EU Climate Commissioner Connie Hedegaard, warned at a recent conference that the current draft EED could undermine the EU's carbon trading market. The issue is that new efficiency regulations will apply to industrial sectors, as well as buildings and vehicles. Many companies in these are already regulated under the Emissions Trading Scheme (ETS) and, if effective, the EED could put downward pressure on carbon prices, as members of the scheme are forced to limit their emissions through the EED. ►►

GOVERNMENTS & REGULATORS

Mandated energy efficiency could reduce demand for permits by up to around about 400 million tonnes between 2013 and 2020. Internal EU studies have suggested a range of impacts, from a current price of around 25 euros (US\$35.6) per tonne to either 14 euros (US\$19.94) per tonne or, potentially, close to zero. The danger is that if this

happens, it could have a direct impact on revenues for investment in low-carbon industrial options.

This would then have a knock-on effect on the EU's plans to become a centre for clean technology development. In the UK alone it has been projected that US\$200 billion in investment will be required for the transition to a low-

carbon economy. The challenge is that there will be two different policy approaches with significant overlap.

While Hedegaard has suggested that a number of set-aside permits could be used to address the situation, this fails to tackle the dissonance between the two separate policy approaches. ■

EUROPE – Climate negotiations end with pressure on EU to save Kyoto

While climate negotiations have ended in Bonn with negotiators claiming that progress is being made, deadlock continues over the future of the Kyoto Protocol.

According to United Nations Framework Convention on Climate Change (UNFCCC) executive secretary Christiana Figueres, progress was made on some of the key issues. However, these were in predominantly technical areas. These included the annual US\$100 billion adaptation Green Fund, the measurement, reporting and verification of national emissions, the protection of forests, carbon markets and a technology mechanism aimed at boosting global clean technology co-operation through the creation of a Climate Technology Centre and network for technical co-operation. She went as far as saying that some draft texts had been agreed that could form the basis of the next round of negotiations.

Agreement on emissions cuts, financing and the future of the Protocol must still be reached. The biggest challenge to be overcome appears to be the legal form in which the agreement takes place, and the resolution on what constitutes necessary action under the rule of 'equal but differentiated' responsibilities. Japan, Russia and Canada reiterated their opposition to extending the Protocol into a second commitment period, and reports suggest that developing countries are turning to the EU in the hopes that it can prevent failure in the negotiations.

The EU has said that it will agree to an extended Kyoto Protocol, but it requires not only a number of reforms but also that all large country emitters sign up to binding targets in one form or another. The hope is that if the EU commits it will encourage countries such as Australia and New Zealand, and increase pressure on countries like the US to sign up to

binding targets.

The EU however, has said that it will not take unilateral action and the US will not agree to binding targets unless all major emitters are similarly constrained.

Figueres said that agreement on a second period and mitigation targets must be decided in Durban this year, saying: "Governments are realising that this link needs to be dealt with to get to a global solution and that will require high-level leadership during the year. They can double their efforts and come forward with middle-ground solutions and options which are acceptable to all sides." There are growing concerns, however, that there will be no agreement in Durban. This is of particular concern, given a recent warning by the International Energy Agency (IEA) that despite attempts at mitigation, global energy-related carbon emissions rose to a record high in 2010. ■

TRADING & PRICES

ASIA – Japan eyes new carbon project bidding round

The Japanese government-affiliated New Energy and Industrial Technology

Development Organisation (NEDO) said it plans to launch a new bidding round

for carbon project proposals under a bilateral offset mechanism (BOM). ▶▶

TRADING & PRICES

It will be the second such round to be implemented during the 2011 fiscal year, which started on April 1. The first round was implemented between March 31 and May 9, attracting more than 100 project proposals from private companies.

In the second round, NEDO intends to accept project proposals from domestic private companies for about one month, beginning in early July, NEDO said, without giving a specific starting date.

Soon after launching the second round, NEDO plans to hold briefing sessions for domestic private companies that are interested in submitting project proposals, NEDO said.

After screening, some projects will be chosen and subsidised.

NEDO has unveiled the plan to launch the new round of solicitations for BOM project proposals even before it announces the results of its screening

process for fiscal 2011's first round.

Projects selected in the first round are expected to be revealed later this month.

Japan has been pushing for the BOM as part of efforts to achieve its ambitious target of slashing greenhouse gas (GHG) emissions by 25% by 2020 from their 1990 level.

The new carbon credit mechanism will be different from the existing clean development mechanism (CDM) under the Kyoto protocol. The current CDM requires applicant companies to go through a lengthy screening process controlled by the United Nations.

Under the new carbon credit mechanism envisaged by Japan, such a UN process will be bypassed, as all necessary arrangements are made under bilateral pacts between governments concerned alone.

NEDO is affiliated with the Ministry

of Economy, Trade and Industry (METI).

METI began to solicit pilot BOM project proposals from domestic private companies in fiscal 2010.

METI directly accepted and screened project proposals in the 2010 fiscal year, but it will implement most of the pilot project selection process through NEDO in the 2011 fiscal year and beyond.

METI has earmarked 5.2 billion yen (US\$65.0 million) in its 2011 budget for the promotion of pilot BOM projects.

The figure represents a 6.3-fold increase from 830 million yen (US\$10.4 million) in the ministry's 2010 budget.

Through NEDO, the Japanese government has also been purchasing carbon credits, utilising the so-called Kyoto mechanisms, since the 2006 fiscal year. ■

COMPANIES

EUROPE – Group says exemption will ensure competitiveness

The head of the UK's biggest business lobby group has said that energy-intensive companies should be exempt from paying carbon taxes to avoid putting them at a competitive disadvantage.

Instead, John Cridland, director-general of the CBI, wants the government to introduce a rebate system on the UK's carbon tax, which will be implemented in April 2013, in a bid to incentivise energy efficiency within companies.

"Over the last year, the government has triple-dipped into the industry till because of the need to raise revenue," he told delegates at the organisation's latest energy conference. "We support the carbon floor price in principle, but we have to see exemptions for those industries most at risk – the very industries that are a critical part of our

low-carbon economy," he added.

The UK's March Budget set out a minimum price for carbon of GBP16 (US\$25.8) per tonne from 1 April 2013, which will rise to GBP30 per tonne by 2020.

In the CBI's most detailed energy policy intervention to date, Cridland said that energy-intensive industrial companies, such as Tata Steel and Ineos, should be exempt from paying a carbon tax.

He also hit out at the Treasury's decision to increase the tax on North Sea oil and gas production – a move that had "undermined" the sector's confidence. "We'll see weakened North Sea investment, increased reliance on imported gas and higher prices for business and domestic consumers," he said.

Instead, the government should set in

place a higher 'trigger price' for natural gas, as the new tax rate is linked to the oil price.

Cridland also called for the scrapping of the Carbon Reduction Commitment. "It was meant to be green, aimed at encouraging energy efficiency by recycling financial incentives," he said. "Well, not any more it isn't. It's just a cost and a complex scheme," he added.

Also speaking at the conference, Energy Minister Charles Hendry promised that energy-intensive industries would be protected against legislation. "It would be madness to end up in a situation where big companies in the UK moved overseas and we lost the jobs. We would have to import those products, so there [would be] no climate change benefit and simply an economic loss to Britain," he said. ■

COMPANIES

NORTH AMERICA – Southern begins operating CCS facility

Southern Company has started operations at a 25-MW carbon capture and sequestration (CCS) facility at a coal plant in Alabama. It is the world's largest CCS facility attached to a coal-fired power plant. It will capture roughly 150,000 tonnes of carbon dioxide (CO₂) per year.

"Because coal is a low-cost and abundant natural resource, it is important for Southern Company and the industry to preserve coal as a fuel source," said Southern's chairman, president and CEO, Thomas Fanning.

Southern is deeply involved in producing coal-fired electricity. "This is a significant milestone in our continuing

efforts to research, develop and implement 21st century coal technologies."

The carbon capture technology used an advanced amine solvent and was co-developed by Mitsubishi Heavy Industries and The Kansai Electric Power Co. The CO₂ from the flue gas reacts with the solvent before being captured. It is then compressed, making it ready for pipeline transport. Captured CO₂ will be supplied to the Southeast Regional Carbon Sequestration Partnership and transported some 11 miles (17.7 km) by pipeline before being injected 9,500 feet (2,896 metres) below the Citronelle oilfield, operated by Denbury Resources.

The CO₂ will remain underground, permanently trapped in the saline geologic formation. Southern manages the US Department of Energy's (DoE) National Carbon Capture Centre in Alabama, where it tests new technologies to capture CO₂ emissions. In addition, it is building a commercial-scale, 582-MW generating plant in Mississippi, using local lignite and with 65% carbon capture and re-use.

It is also drilling wells to assess geological suitability for carbon storage at other power plants and is partnering with universities to train CCS engineers and to provide advanced geological testing capabilities. ■

DEALS & INVESTMENTS

GLOBAL – Green bonds to be offered to wealthy investors

The World Bank and Bank of America Merrill Lynch have announced that they will offer "green bonds" to wealthy investors.

The bonds will support the financing of projects that meet specific criteria for low-carbon development, including alternative energy, new technologies that cut greenhouse gas emissions, reforestation, watershed management and flood protection. The triple A-rated bonds will provide comparable returns to other World Bank bonds – paying a first-year coupon of 3.5% and a floating rate after that – and will mature in 2021, says Merrill Lynch, which was taken over by Bank of America in the aftermath of the financial crisis.

"We are committed to delivering innovative capital and investment opportunities, so we are pleased that we

were able to work with the World Bank on these highly rated fixed income products," Alastair Borthwick, co-head of global capital markets at Merrill Lynch, said in the statement.

The Washington-based World Bank has issued 37 green bonds since November 2008, including a US\$2.1 million bond managed by Merrill on May 24. To date, the World Bank has issued more than US\$1.6 billion equivalent of green bonds. The bonds will be available for Merrill Lynch Wealth Management investors "on a periodic basis," according to the investment bank.

"We're delighted to work with BofA Merrill Lynch to make this opportunity to help finance activities that promote low-carbon development in emerging economies available to their clients," said Doris Herrera-Pol, Director and Global

Head of Capital Markets at the World Bank.

Borthwick added: "As a firm, we pride ourselves on being an environmental leader in the financial services sector."

He said: "We are committed to delivering innovative capital and investment opportunities, so we are pleased that we were able to work with the World Bank on these highly rated fixed income products."

This bond issue is part of a strategy by the Bank to encourage environmentally-friendly projects designed to tackle the causes and consequences of climate change in the developing world. In November 2010, for example, it issued World Bank Green Bonds denominated in Australian Dollars for a single Japanese institutional investor, San-in Godo Bank. ■

DEALS & INVESTMENTS

GLOBAL – PCF extended to 2023

The World Bank's Prototype Carbon Fund (PCF), which supports 24 carbon reduction projects worth US\$172 million in offset credits, has been extended to run to 2023 at the latest.

The decision ends speculation that the fund would come to an end in 2014. It will now operate until the last signed emission-reduction purchase agreement, or until 2023 at the latest, according to the annual report of the Bank's carbon finance unit.

"Diverging interests among PCF participants surrounding the extension of the PCF instrument beyond 2014 were overcome to reach a mutually beneficial solution," said the fund's chairman, Martin Lawless, who is also global head of environmental financial products at Deutsche Bank.

Six governments, including Norway and Canada, and 16 companies, including

BP and RWE, are participating in the PCF, which can expect credits equivalent to 28.2 million tonnes of carbon dioxide (CO₂).

The fund, which started in 2000, was designed to help demonstrate how carbon markets could protect the climate and encourage sustainable development.

"The extension of the PCF instrument does not suggest a material change in direction," said the World Bank. "The extension will formalise decisions taken by PCF participants some time ago to enter into some long-term contracts to purchase emissions reductions," it added.

The main challenge for the PCF in 2010 was the controversy surrounding hydrofluorocarbon (HFC) 23 projects, which had caused issuance delays, said Lawless.

In May 2013, the European Commission will ban the use of

industrial gas credits in the EU emissions trading scheme (ETS), which includes Certified Emission Reduction credits from plants cutting HFC 23 gas.

However, one Chinese HFC 23-cutting plant accounts for 24% of the PCF's credits, the biggest share of any type. Credits from HFC 23 projects currently account for more than half of CER supply.

The Fund has also struggled with the slow progress at the UN climate change negotiations in reaching an agreement on what might replace the Kyoto Protocol's first compliance period after 2012.

"While the international negotiations and reforms within the clean development mechanism and joint implementation procedures are progressing far slower than we would all hope, the carbon markets continue to consolidate and expand," said Lawless. ■

ASIA – Nepal watersheds receive carbon funding

Three watersheds in the districts of Dolakha, Gorkha and Chitwan in Nepal have obtained funding of US\$95,000 under the Forest Carbon Trust Fund (FCTF) that focuses on sequestering carbon through community-based forest management.

The area covers around 10,000 hectares (100 square km) of community managed forest, including 16,000 households with 89,000 inhabitants. The project will look to offer prototypes for similar efforts in Indonesia, India, Philippines and Malaysia among other countries.

The FCTF pilot effort at the three watersheds is a project under Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+) and is financed by the Norwegian Agency for

Development Co-operation (Norad), the International Centre for Integration Mountain Development (ICIMOD) said in a statement.

According to ICIMOD, the Nepal project is one of the world's first carbon offset projects involving local communities to monitor carbon in their forests and providing necessary training for the purpose.

The project is being implemented by ICIMOD, and its partners – the Federation of Community Forestry Users Nepal (FECOFUN) and the Asia Network for Sustainable Agriculture and Bio-resources (ANSAB). Norad has provided a seed grant of US\$100,000 to initiate the fund.

With carbon trading an emerging global concept, need is being felt to

evaluate the capacity of local and indigenous populations involved in managing forests as carbon sinks and the consequent accrued benefits.

The Nepal pilot project will enable examination of the governance system for REDD+, the payment mechanism, the compliance processes, incentives for conservation and better management of forest resources.

The idea is to formulate better pro-poor and inclusive policies for REDD+ payments eligibilities.

REDD funding is presently extended to local communities on the basis of the quantity of forest carbon saved, the number of indigenous, poor and minority households and the ratio of men and women, among other parameters. ▶▶

DEALS & INVESTMENTS

The FCTF funding follows a similar agreement that the World Bank (WB) signed recently with the government of India's northern sub-Himalayan hill state Himachal Pradesh (HP) to buy carbon credits from the new forests being developed on degraded lands under a watershed management programme.

According to HP state government statement, the project – India: Himachal Pradesh Reforestation Project – Improving Livelihoods and Watersheds – under the clean development mechanism (CDM) will cover 11 watershed divisions of Mid-Himalayan Watershed Development Project (MHWDP) and

nearly 180 village panchayats.

There is an ongoing debate on the valuation of forests as carbon sinks and carbon credit revenue generators. Many Asian nations are among votaries of such a paradigm to benefit their large poor populations. ■

AUSTRALASIA – Carbon firms team up to protect West Papua forests

Two Australian carbon management companies have teamed up for a scheme which they say will protect the whole of Indonesia's West Papua Province forests.

The partnership between First Growth Funds Limited and Greencollar Solutions said the verifiable carbon credits programme would cover the province's entire 8 million hectares (80,000 square km) of forest.

Melbourne-based First Growth described the venture as a "world first" on such a scale.

"The programme will develop and market forest carbon projects through a public private partnership with the government, applying the market-leading Verifiable Carbon Standard," First Growth said in a statement last week.

First Growth, which changed its name from m2m Corp. in April, is listed on the

Australian stock exchange.

It said 16 pilot projects were under development in West Papua, including aims of replacing current logging and agricultural concessions with preservation activities funded by carbon finance.

The projects are planned to go into operation in the second half of this year.

First Growth said it had commenced project promotion with both carbon credit buyers and brokers.

"International interest in the project is strong, predominantly from overseas organisations. This was proved at the recent Carbon Expo in Barcelona," said company secretary Mourice Garbutt in the statement.

In May, Indonesia's President Susilo Bambang Yudhoyono declared a two-year development ban covering half the

country's vast forests – about 64 million hectares (640,000 square km).

The moratorium is linked to carbon credit incentives, mostly promised by Norway, which could add up to about US\$1 billion.

Those credits are meant to finance non-destructive management of forests and prevent destructive commercial activities such as logging, mining and clearance for palm oil plantations.

However, environment NGOs and a special investigation by the TV station Al Jazeera have already alleged that the moratorium is being broken, often by local officials corruptly issuing development licences.

Norwegian Prime Minister Jens Stoltenberg has said funds from his country would be blocked if there was evidence the moratorium did not work. ■

NEWS IN BRIEF

ASIA

APEC mobilises low-carbon towns

APEC officials and energy experts are meeting here this week to enhance development of low-carbon towns in the Asia-Pacific region, a key APEC initiative aimed at reducing carbon emissions. APEC is holding the June 21-

23 forum in Tianjin to share experience on planning policies for low-carbon towns, including by showcasing a model town currently under development on the outskirts of the city.

SCOOP, June 23, 2011

Korea CO2 bill bipartisan backing

South Korea's ruling and opposition parties have agreed to approve an emissions trade bill in an upcoming

parliamentary review, which is expected later this year, the chairman of the Presidential Committee on Green Growth said on Wednesday. After strong opposition from industry, the government in April finalised the draft of the carbon emissions trading scheme bill by increasing free carbon allowances and softening penalty rules for non-compliance.

REUTERS, June 21, 2011

NEWS IN BRIEF

Carbon neutral paper merchant

Hong Kong based paper industry leader Polytrade Paper has become the World's first paper trading company and Asia's first commercial company whose corporate operations are certified to be carbon neutral in accordance with the renowned independent PAS 2060 standard. "Polytrade wants to take the initiative to demonstrate good carbon management and introduce low carbon paper choices," commented Michael Chan, MD of Polytrade Paper.

EB, June 22, 2011

Carbon inventory city guide

The Environmental Protection Administration (EPA) said Tuesday it will release the first guidance for cities to conduct a carbon inventory by the end of June amid Taiwan's efforts in reducing greenhouse gas emissions. The guidance, which goes in line with international standards, will allow city governments to build capacity for combating climate change at the local level, said EPA Specialist Chen I-chia.

FT, June 22, 2011

China marine pollution problem

Explosive economic growth in China's coastal regions has led to levels of ocean pollution that threaten human and marine life, a government report concluded. The State Oceanic Administration of China says 18,000 square miles of Chinese coastal oceanic territory is seriously polluted, an increase of 7,000 square miles from last year, Inter Press Service reported. About 56,000 square miles of the country's coastal waters failed to meet standards for "clear water" in 2009, the SOA reported.

UPI, June 20, 2011

No Carbon Reduction Pledge: Japan

Japan affirmed Thursday it will not extend its legal commitments under the Kyoto Protocol to cut greenhouse gases after they expire in 2012. Japan has said it aims to reduce carbon emissions 25% below 1990 levels by 2020, but it will not make that pledge part of a binding agreement unless all other major economies join in an emissions-reduction treaty.

AP, June 22, 2011

Single binding carbon regime

India has launched a fresh salvo against developed nations asking them to ensure their greenhouse gas emissions peak by 2012, and then make it gradually dip by 2020. New Delhi has demanded that these nations must peak their emissions by 2012, and collectively bring their emissions down by 40%-50% from 1990 levels by 2020. India's push is backed by the African Group, Argentina, Brazil, China, Iran, Lebanon, Malaysia, the Philippines, Thailand and Uruguay.

TNN, June 21, 2011

AUSTRALASIA

Aus, US ties at risk

The Gillard Government's top climate change adviser, Professor Ross Garnaut, has warned Australia could "do serious damage" to its relationship with the United States over misleading claims the Obama Administration is not serious about emission reduction targets. Professor Garnaut said President Barack Obama was "a strong supporter of national and international mitigation", and the US Government has committed to cutting emissions by 17% by 2020.

CANBERRATIMES, June 23, 2011

Carbon forestry unaffordable

CSIRO researchers say it's too costly to establish large forest plantations for carbon trading that will take over productive agricultural land. Scientist Dr Michael Battaglia says supply of tree seed and the shortage of workers can limit the rate of new tree plantings. "What you find is if there's a high establishment cost, say A\$3,000 per hectare, and you start to look at commercial interest rates, it's going to take a high carbon price to see any real area of opportunity."

ABC, June 23, 2011

Linking carbon schemes

Australia and New Zealand have agreed to investigate linking their greenhouse gas emissions trading schemes. Officials are to be appointed to investigate linking the schemes so that carbon permits could be traded between the two countries. New Zealand recently introduced a national scheme where polluters trade permits, while Australia's plan to introduce a similar scheme has been bogged down in a bitter political row.

PGW, June 22, 2011

EUROPE

Spanish groups' joint vision on CCS plant

The so-called Energy City Foundation and the country's biggest trade union, the socialist UGT, want to set up a "common front" to ensure that the CO2 capture and storage plant at Compostilla, Pontevedra province, continues as planned despite the abandoning of the project by utility Endesa.

NEWS IN BRIEF

UGT leaders said if Endesa does not return to the CO₂ project, “evidently we shall put before the government the need to adopt other measures, in order to consolidate Compostilla, which has raised grand expectations in the sector.”

NEWSBASE, June 23, 2011

La Pereda CCS plant to be functional by September

The experimental 1MW carbon capture and storage (CCS) plant being built by State coal company Hunosa and utility Endesa next to Hunosa’s coal-fired power station at La Pereda, should be functioning in September, said Hunosa. The success of the pilot scheme could determine whether the planned Compostilla CCS plant is finally built. The La Pereda plant is subsidised at a cost of 6.8 million euros (US\$9.7 million) by the Seventh European Framework Programme. It has been designed to treat up to 2,600 cubic metres of CO₂ produce by Hunosa’s plant. Engineering company Foster Wheeler is also participating in La Pereda as its technological partner.

NEWSBASE, June 23, 2011

Poland blocks deeper EU emissions cuts

Poland has thwarted an attempt to beef up the EU’s carbon-cutting targets, drawing sharp criticism from the UK energy and climate change secretary Chris Huhne.

Just days before Poland ascends to a six-month presidency of the EU, it made an isolated stand against the European Commission’s Roadmap to 2050 document, which says the bloc must exceed its target of reducing emissions by 20% by 2020 if it is to achieve an 80% cut in time for 2050.

The UK and other supportive countries have been pushing for the EU to raise its goal to 30% by 2020, although more

fossil-fuel dependent countries and energy commissioner Günter Oettinger fear such deep cuts could harm industry. EU environment ministers yesterday agreed a compromise figure of 25% cuts on 1990 levels, which would not have been a binding target, but a milestone along the way to the 2050 goal.

This was accepted by 26 out of 27 countries with Poland, which produces around 90% of its electricity from coal, the lone opponent. Proposals need to be unanimously supported to be taken forward, and UK officials are now resigned to little action being taken until Denmark takes over the presidency in January 2012.

UK energy and climate change minister Chris Huhne called the failure to agree a compromise target a “dark day for Europe’s leading role in tackling climate change” and promised to keep pushing for deeper cuts

“The UK, together with its European colleagues, will continue to make the economic case for tighter EU carbon targets, so that we can make the most of the future green economy,” he said. “Delay and blockage is a recipe for increased costs and missed opportunities.”

BUSINESS GREEN, June 22, 2011

Germany’s nuclear phase-out will help UK emissions

The UK’s greenhouse gas emissions are likely to fall and the cost of carbon emissions for industry will rise as a result of Germany’s decision to shut down its nuclear power plants, a new analysis has shown.

Germany’s own carbon emissions will rise, because the phase-out of nuclear power between now and 2022 will force an increased reliance on fossil fuels, such as coal and gas.

But this in turn is likely to push up the price of carbon permits within the European Union’s emissions trading

scheme – by about 5 euros (GBP 4.60) a tonne, according to research to be published on Wednesday by Thomson Reuters Point Carbon, an analyst company. If that happens, generators in many countries will switch from coal-fired power generation to gas, which produces less carbon, predicts Daniel Jefferson, author of the research.

“German nuclear closures will put pressure on the carbon price,” he told the Guardian. “That means it will be more economic to run gas [fired power plants] than coal.”

Current prices for EU carbon permits are about GBP 15 a tonne.

Jefferson said the UK, Spain and Italy were prime candidates to switch more generation from coal to an even greater reliance on gas. “In those countries where there is scope for a fuel switch from coal to gas, that is what we would expect to see happen,” he said. He said the use of renewables was also likely to increase as a result of the changes.

Germany’s decision to phase out nuclear power, over safety fears in the wake of the Fukushima incident in Japan was announced by chancellor Angela Merkel last month. The country plans to increase its use of renewables and push for greater energy efficiency, but its use of fossil fuel power is also likely to rise. Point Carbon estimates that the result will be an increase in German emissions of 493 megatonnes in total by 2020.

GUARDIAN.CO.UK, June 22, 2011

Tory MEPs defy Cameron over GHG targets

David Cameron is facing a revolt from Conservative members of the European parliament against the coalition’s environmental policies, as they try to scupper a proposed toughening of Europe’s climate targets. ►►

NEWS IN BRIEF

The revolt of the MEPs is an embarrassment for the prime minister, who has committed Britain to some of the most ambitious greenhouse gas targets in the world and staked his reputation on leading “the greenest government ever”.

Tomorrow the European parliament will vote on whether to toughen the EU’s emissions-cutting target from 20% reductions by 2020, compared with 1990 levels, to a 30% cut. The commitment to a 30% cut is in the coalition agreement, and has won support from other member states. But UK Conservative MEPs said they would vote to oppose the 30% cut. The leader of the UK Conservative delegation, Martin Callanan, said: “Conservative MEPs have always been sceptical of the EU unilaterally increasing its target to 30% without a worldwide agreement ... European companies will be unable to compete if the reduction targets are set too high. “Many high energy consuming companies are already being forced to relocate to countries outside the EU, which have little or no environmental legislation, putting many Europeans out of work, and an increased target will exacerbate this trend. “We are also concerned that the higher carbon costs from an increased target will feed through into energy price increases for domestic consumers, who are already facing steep rises.” His remarks were echoed by several other Tory MEPs who replied to a Guardian question to all Tory MEPs asking how they would vote. Only one out of the 23 – Marina Yannakoudakis – replied to say she would vote in favour of 30%, and Julie Girling said she planned to vote for 20% but might compromise on 25% if that was on the table.

GUARDIAN.CO.UK, June 21, 2011

Airlines in EU biofuels pact to cut pollution

European airlines, biofuel producers and the EU Commission signed up on Wednesday to produce 2 million tonnes

of biofuel for aviation by 2020 even as debate rages over how green such fuels actually are. Airlines are keen to use biofuels as a way of cutting down on pollution from jet fuel but the use of food crops, such as palm oil, in their production has come under fire for taking land that could be used to grow food to feed people.

A report by 10 international agencies including the World Bank and World Trade Organization earlier this month said governments should scrap policies to support biofuels, because they are forcing up global food prices.

Involved in the project signed on Wednesday are planemaker Airbus, airlines Air France-KLM, British Airways and Lufthansa and biofuel producers including Neste Oil. Aware of the debate surrounding first-generation biofuels, participants at the Paris air show were keen to show a focus on what they feel are more sustainable crops. Lufthansa says jatropha is its crop of choice and plans to trial a biofuel mix on flights between Frankfurt and Hamburg for six months once certification has been received. Under a deal with Neste, the mix it uses can be produced from palm oil but biofuels director Joachim Buse told Reuters there was a process to replace palm oil with other sources.

US firm Honeywell, which used biofuel produced by its UOP unit to fly a business jet from North America to Europe, said it uses camelina. “It’s rotated with wheat, and replaces weeds used during the fallow season, so no food production is displaced,” Jim Anderson, business director for UOP, said. “We don’t want to compete with food stock, so that’s been a focus for us,” he said.

REUTERS, June 22, 2011

Wunderlich sees solar demand shining in 2012

Demand for solar energy could shrink over an eighth this year as changes to subsidy plans in Italy will hurt module sales, Wunderlich Securities said but

forecast growth over 40% next year on high hopes from Germany, the US and China.

The brokerage cut its 2011 demand forecast to just under 16,000 MW, from 16,200 MW earlier.

“This is due to both negative growth in Germany, which is the largest consumer, and a major installation delay in Italy combined with austerity measures worldwide,” Wunderlich analyst Theodore O’Neill wrote in a note. Italy, the second-largest market for solar energy, last month approved a long-awaited decree that cuts spending on generous solar power incentives, ending a period of uncertainty which had irked international investors and weighed on shares of major global solar companies. But demand is expected to reach 22,600 MW for 2012 as Germany shifts the focus back to solar power, following an opposition to nuclear energy, and as the United States and China push for renewable power.

“German solar subsidies were effectively cut in 2011 but are likely to increase next year as part of a strategy to invest in alternatives,” analyst O’Neill said.

REUTERS, June 21, 2011

EU carbon prices crash on wide loss of confidence

European Union carbon dioxide allowance prices crashed to a one-year low Thursday morning, hit by a large-scale loss of confidence as utilities stayed firmly on the sidelines, traders said. December 2011 EU Allowance futures contracts collapsed under the weight of selling pressure on Thursday, falling as low as Eur13.25/mt (US\$18.90/mt) on London’s ICE Futures Europe Exchange, down from Eur14.78/mt at the close Wednesday. It is the lowest intra-day price since April 1, 2010, ICE data showed. EUAs have sunk 20.6% in the past eight trading days, falling from 16.69 euros/mt on June 13. “Utilities are thinly staffed and there is no buying, it seems,” said one trader. ▶▶

NEWS IN BRIEF

“If you looked at the reasons to buy or sell carbon, I think you would be hard pushed to find any to buy, and enough to fill a coal sack to sell carbon.”

The trader said natural buyers like utilities -- which are structurally short of carbon due to stringent allocation rules for the sector under the EU Emissions Trading System -- have temporarily scaled back their purchasing, and this was compounded by a religious holiday in Germany on Thursday.

The trader also said French utilities have signaled that they will extend their nuclear output to cover any German shortfall in power resulting from the planned closure of several of its atomic power stations.

Loss of nuclear power plants would tend to drive up fossil fuel burn, boosting demand for EUAs to cover the increased CO2 emissions.

Another trader said there was heavy buying of EUAs at the close Wednesday. But he said there is a “demand gap in the market right now.”

“Germany is offline today because of the public holiday.”

PLATTS, June 23, 2011

LATIN AMERICA

Chile's Arauco inks carbon credits sale deal

Arauco, a leading forestry company in Chile, has inked a deal with Danish energy trader Nordjysk Elhandel for the sale of 100,000 carbon credits from biomass power projects, newspaper *Diario Financiero* reported. The credits are valued at US\$2 million. Arauco secured the credits for reducing emissions at its factories by feeding them with power generated at forestry biomass plants.

DIARIO FINANCIERO, June 23, 2011

MIDDLE EAST

UAE Earns Carbon Credits

The UAE last month became the first country in the GCC to earn financial credits from the UN for a project that reduces carbon emissions. Masdar, Abu Dhabi's renewable energy and clean technology initiative, worked with Emirates CMS to develop a CDM project at its power generation plant at Taweelah. The project helped to reduce carbon-dioxide emissions by recovering heat from power generation and using it for water desalination.

THE NATIONAL, June 22, 2011

Low Carbon SIM

Vodafone Qatar has launched a SIM card pack that is made up of 100 percent biodegradable paper. In May last year, Vodafone initially redesigned their plastic SIM packs to use polypropylene, a recyclable material. This will reduce the volume of plastic disposal, as well as Vodafone's carbon footprint.

THE PENINSULA QATAR, June 21, 2011

NORTH AMERICA

UN climate talks make scant progress to save Kyoto

About 180 nations took small steps to help combat climate change at UN talks ending on Friday, without breaking a deadlock over the fate of the Kyoto Protocol that risks collapsing at the end 2012.

The United Nations said the June 6-17 talks among government negotiators made “clear advances” on issues such as sharing green technologies, including solar or wind power, and ways to help poor nations adapt to impacts of climate change.

But all said the pace was too slow and negotiators failed to resolve disputes between rich and poor about extending the Kyoto Protocol, the existing UN deal that demands cuts in greenhouse gases by almost 40 industrialised nations until 2012.

REUTERS, June 18, 2011

Supreme Court rejects global warming lawsuit

The Supreme Court on Monday rejected a global warming lawsuit against five big power companies, its most important environmental ruling since 2007 and a victory for the utilities and the Obama administration.

The justices unanimously overturned a ruling by a US appeals court that the lawsuit now involving six states can proceed in an effort to force the coal-burning plants to cut emissions of gases that contribute to climate change.

In a defeat for environmentalists, the Supreme Court agreed with the companies that regulating greenhouse gases should be left to the Environmental Protection Agency (EPA) under the clean air laws.

REUTERS, June 20, 2011

Mexicans try to break climate talk deadlock

After years of incremental progress in UN climate talks, a proposal is on the table to change the rule of consensus and allow the 193 nations to adopt decisions by a massive majority vote.

The joint initiative from Mexico and Papua New Guinea is meant to break what some delegates call built-in deadlock, where a handful of nations – or even a single delegation – can stymie agreements.

But the proposal faces Herculean obstacles from countries both large and small who jealously protect their power to influence, delay and ultimately block. Many delegates give it little chance of success. ▶▶

NEWS IN BRIEF

“We are concerned about the narrow interpretation that provides any party with a veto. We have to reconsider the rules,” said Fernando Tudela, the Mexican climate change ambassador.

AP, June 17, 2011

Obama lacks ‘bold action’

Former Vice President Al Gore is doing what few environmentalists and fellow Democrats have done before: criticising President Barack Obama’s record on global warming.

In a 7,000-word essay for Rolling Stone magazine that was posted online Wednesday, Gore says Obama has failed to stand up for “bold action” and has made little progress on the problem since he took over from Republican President George W. Bush. Bush infuriated environmentalists by resisting mandatory controls on the pollution blamed for climate change, despite overwhelming scientific evidence that the burning of fossil fuels is responsible.

Gore does credit Obama’s political appointees with making hundreds of changes that have helped move the country “forward slightly” on the climate issue, but says the president “has simply not made the case for action.” He is the second Clinton administration official this month to express disappointment with Obama on environmental issues. Former Interior Secretary Bruce Babbitt, in a speech in early June, said Obama had yet to take up the “mantle of land and water conservation...in a significant way.”

AP, June 22, 2011

Public sceptical, scientists sure

The US public is less likely to believe in global warming than it was just five years ago. Yet, paradoxically, scientists are more confident than ever that climate change is real and caused largely by human activities.

Something a bit strange is happening with public opinion and climate change. Anthony Leiserowitz, who directs the

Yale University Project on Climate Change Communication, delved into this in a recent poll. He not only asked citizens what they thought of climate change, he also asked them to estimate how climate scientists feel about global warming.

“Only 13% of Americans got the correct answer, which is that in fact about 97% of US scientists say that climate change is happening, and about a third of Americans just simply say they don’t know,” he said.

Most Americans are unaware that the National Academy of Sciences, known for its cautious and even-handed reviews of the state of science, is firmly on board with climate change. It has been for years.

NPR, June 21, 2011

Climate change is a hot potato for GOP hopefuls

There was a time when Republicans were at the forefront of efforts to investigate – maybe even do something about – the impact of human activity on global climate.

John McCain was an early and persistent supporter of cap-and-trade efforts to reduce the greenhouse gases associated with climate change. So was Newt Gingrich, who went on to make a YouTube video ad – with then-House Speaker Nancy Pelosi, no less – where he said, “Our country must take action to address climate change.”

Now, Republican presidential hopefuls seem to be racing in the opposite direction – disavowing their past support for policy measures on climate – even any sense that there’s a problem to be addressed.

CHRISTIAN SCIENCE MONITOR, June 19, 2011

US wants out of EU aviation CO2 plan

The United States demanded on Wednesday that US airlines be exempt from European Union plans to impose

carbon emissions permits on all flights, hardening a standoff over the EU scheme due to start in 2012.

“We clearly stated our strong objections to the EU plans on both legal and policy grounds,” a US administration official told a news conference after a meeting in Oslo between EU and US negotiators about ways to slow climate change. Washington said US airlines should be exempt from the plan to penalise greenhouse gases emitted by airliners in the strongest public criticism of the EU aviation scheme yet by President Barack Obama’s administration.

The official, who requested anonymity, said that the EU was using “the wrong way to pursue the right objective” of combating global warming. The US demands focused on an exemption, not to try to get the EU to scrap the scheme.

REUTERS, June 22, 2011

Three projects get C\$15M from Alberta’s CCEMC

Three projects that turn industrial waste into energy will receive C\$15 million from Alberta’s climate-change organisation.

Climate Change and Emissions Management Corp. (CCEMC) invests money collected in penalties for violations of the province’s rules on greenhouse gas emissions. The CCEMC is an arm’s-length corporation created by the Alberta government.

On Tuesday, it announced its third round of renewable-energy projects to receive funding, totalling C\$15 million this time. “In total, with this one, we’ve awarded a little over C\$113 million, but one of the really important points to note is we never pay the full amount,” CCEMC chairman Eric Newell said.

“What we try to do is bring in industry partners so we leverage a lot of other funds, so that C\$113 million represents almost about C\$595 million worth of research and development projects. So it’s very powerful.”

EDMONTON JOURNAL, June 21, 2011

NEWS IN BRIEF

Tighter air rules could be costly to old coal plants

Aging coal-fired power plants across the West could be forced to install costly pollution control equipment under an agreement between federal regulators and environmentalists aimed at jump-starting a delayed clean air initiative.

Many utilities already cut air pollution emissions sharply over the last decade to meet federal health standards. Next up are even deeper cuts, to improve visibility in 156 national parks and wilderness areas by clearing the air of pollutants that cause haze.

The reductions are required under the Clean Air Act. First announced more than a decade ago, they have yet to be widely enacted.

Now, a deal reached between the Environmental Protection Agency and three groups would require the agency to adopt plans by 2012 to reduce haze-causing pollution from plants in Colorado, Montana, North Dakota and Wyoming. The agreement is subject to approval from a federal judge in Colorado following a 30-day comment period that ends July 15.

AP, June 21, 2011

NEWSBASE INFORMATION

HEADLINES FROM A SELECTION OF NEWSBASE MONITORS THIS WEEK

Oil and Gas Sector

AfrOil

Apache has made a number of oil and gas discoveries in Egypt's Faghur Basin.

ChinaOil

The IEA has said China could expand its refining capacity by 33% by 2016.

EurOil

Total has discovered gas at the Norvarg prospect in Norwegian production licence PL535 in the Barents Sea.

GLNG

Oman LNG's 2010 net profit rose 18% to US\$1.38 billion on the back of buoyant global prices.

Unconventional OGM

Analysts have forecast that the Bakken shale could produce around 25 billion barrels of oil equivalent.

Power Sector

AsiaElec

Westinghouse Electric has signed a deal to develop Bulgaria's Kozlodui NPP.

EnergO

Eesti Energia has approved construction of a new 600-MW oil shale-fired TPP.

REM

The price of polysilicon plunged by more than 33% on the spot market during the second quarter of 2011.

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