CARBON MARKET NEWS

EMEA

European carbon peaked at a 10-year high of €25.79 in September, extending a run that had seen prices quadrupling in 18 months in anticipation of the supply-curbing effect of the Market Stability Reserve (MSR) in 2019.

Upon reaching that level, Poland called for EU regulators to intervene by introducing fresh supply under the EU ETS Directive's Article 29a, which was written to guard against "excessive fluctuations" in the market. Romania backed the move, and Poland claimed Greece and Spain were also supportive. Few observers believed the strict intervention criteria had been met. Brussels made no comment on the criteria, with EU officials said to be 'happy, calm, and positive' about the price rise.

EUA prices slid back drastically to as low as €15.10 in November and have since hovered near €20. Experts have predicted the violent daily price swings of above one euro would continue to December, mainly due to the effect of speculators taking long positions by utilising more complicated strategies such as call spreads, rather than simply buying the underlying EUA futures outright.

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NORTH AMERICA

Voters have again rejected a ballot initiative that would have introduced a carbon tax in Washington, marking the latest setback in the state's ongoing attempts to put a price on GHGs.

California's capped entities cut their emissions by around 1% last year compared to 2016, according to figures released by the state's Air Resources Board (ARB). The drop was fuelled almost entirely by the power sector, which slashed its emissions by nearly 10%. Québec, which linked with California in 2014, reported a 3% increase in 2017, driven mainly by higher fuel consumption. In total, the WCI programme emitted 1.2 billion tonnes during the 2015-17 trading period.

California and Québec conducted the final joint WCI auction of 2018 on 14 November. All 78.8 million current vintage allowances, including 15.8 mln unsold allowances from 2016-17, sold out for $15.31 – or 2 cents below the price recorded in the adjacent future sale of 9.4 mln vintage 2021 units. Experts predict the 2019 WCI floor price will be set at $15.62.

California regulator ARB also in November held its first board meeting on post-2020 amendments for the cap-and-trade regulation, while it deferred endorsing a Tropical Forest Standard (TFS) that could serve as a launching point to accepting REDD offsets in the market. The post-2020 amendment package could be approved in December or January, while the board said it will revisit the TFS proposal in April 2019.

RGGI's third quarter emissions rose by 9% year-on-year as double-digit gains in New York overshadowed declines in two other member states. That came after the scheme's Q3 auction cleared at $4.50/short ton as compliance entities upped their buying following the previous speculator-driven sale.

The Canadian government announced the five provinces and two territories which will receive either full or partial implementation of the federal 'backstop' carbon pricing plan in 2019, consisting of a fuel levy and output-based pricing system (OBPS) for large emitters. An estimated 130 facilities across the seven jurisdictions will be regulated under the OBPS, with more clarity on trading and offsetting as part of the standard expected this fall. Newfoundland and Labrador also released the details for its own OBPS, while Nova Scotia published its cap-and-trade regulation, outlining the scheme's yearly emissions caps and auction procedures. Manitoba in October scrapped the carbon tax portion of its climate plan in defiance of the federal government.

The Ontario government officially repealed the act underpinning the province's now-cancelled cap-and-trade system, though the federal government stepped in to fund many of the low-carbon programmes that were to benefit from it. The province was expected to announce its new climate plan in late November.

Mexico also published regulations for its three-year pilot ETS that will start on 1 January 2019. The pilot programme will cover entities with annual emissions greater than 100,000 tonnes of CO2e in the power, industrial, and natural gas transmissions sectors.

ASIA-PACIFIC

Despite some delays in the national ETS, China is continuing to develop its approach to market-based climate mechanisms, and said in November it would launch a mandatory REC market in 2019. This will include mandatory renewable energy targets for all provinces and companies in the power industry.

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A number of Asian nations participating in the World Bank-led Partnership for Market Readiness are preparing domestic market approaches. Indonesia's economy ministry said it expects to have a market ready to go as early as 2021, which could range from a fully-fledged ETS for energy and industry, to an energy efficiency-based system or a voluntary carbon market. India, meanwhile, plans to have a pilot market-based instrument ready in March next year for small- and medium-sized businesses and the waste sector.

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In November, Australia's opposition Labor party – which is expected to win next year's election – said it would push to legislate the Coalition's National Energy Guarantee with a 45% emissions reduction target for electricity. That policy would have an indirect carbon price in the form of retailer-traded carbon intensity contracts. Labor is also open to having an ETS for sectors such as oil and gas production and manufacturing.

South Korea has entered into the second three-year period of its ETS, and will host its first regular permit auction in January as some of the sectors will now only receive 97% of their expected allowances for free.

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IETA INSIGHTS

GREENHOUSE GAS MARKET REPORT

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