CARBON MARKET NEWS

INTERNATIONAL

The International Maritime Organization (IMO) has adopted an initial strategy to address international shipping emissions, including setting a 2050 target to halve 2008 levels. However, amid fraught political wrangling, delegates delayed for at least six months any decisions on measures to help meet that goal. The agreement also calls for at least a 40% reduction in shipping's carbon intensity by 2030, en route to a 70% cut by 2050. It falls short of the 2050 reduction target of 70-100% that the EU and other nations had called for and which experts say is required to hit the Paris Agreement goals to limit temperature rises to 2°C while pursuing efforts to limit to 1.5°C.

Japan's environment ministry has begun drawing up a detailed proposal for a national cap-and-trade programme

The UN has released a draft paper to help guide governments working on a year-end deadline to finalise rules on international emissions trading under the Paris Agreement's Article 6. It follows instructions given by the 190-plus governments at COP23, which banned the submission of any new ideas in an effort to narrow down the text in time to adopt the full Paris rulebook this year and put it into force from 2020. While the draft text re-orders and structures the submissions, most elements contain a wide range of options over the 45 pages. Separately, four research institutions have partnered to test an ITMO trade that would involve transferring REDD credits from Colombia to South Korea.

Revenues raised from carbon pricing policies worldwide rose 45% last year to $32 billion, according to French think-tank I4CE. It found that 65% were generated by carbon taxes - almost twice as much as from emissions trading. Some 46% of revenues were earmarked for low-carbon projects, 44% for general budgets, 6% for tax exemptions, and 4% was channelled to businesses and households.

The Carbon Pricing Leadership Coalition named Gerard Mestrallet, chairman of French power company Engie, as its new co-chair. He takes over for Royal DSM CEO Feike Sijbesma, who completed his two-year term. Mestrallet joins Canadian Environment Minister Catherine McKenna, who has another year left. Separately, the World Bank announced a High-Level Leadership Forum on Carbon Pricing and Competitiveness, which will be led by a panel chaired by Sijbesma and will convene private sector leaders over concerns that are inhibiting the wider uptake of carbon pricing.

ASIA PACIFIC

South Korea's environment ministry has finalised rules that will see ETS participants being able to use CERs from international projects to meet 5% of their obligations. Eligibility criteria are strict though, with only CERs generated after 1 July 2016 from projects with a strong Korean ownership component accepted.

Japan's environment ministry has begun drawing up a detailed proposal for a national cap-and-trade programme after an expert commission concluded carbon pricing would help the country's transition to a low-carbon economy.
It is unclear when the draft policy will be ready, and whether it will be backed by other ministries.

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New Zealand has established an interim committee to help review of the country's ETS. The panel will consider whether agriculture - which accounts for 50% of New Zealand's GHG emissions - should be brought into the ETS. The government aims to finalise the rule changes in the second half of 2019.

Australia released its annual budget, failing to replenish its Emissions Reduction Fund (ERF) - the vehicle to purchase carbon offsets. The A$2.55-billion fund now only has A$265 million left in its budget.

AMERICAS

Power sector emissions under RGGI rose by over 20% in Q1 compared to a year earlier, spurred by a colder winter in the northeast US. It marked the first year-on-year increase in since 2014 and put the states on an early pace to erase the near-20% drop in annual CO2 output last year. Analysts had expected bullish figures following the coldest Q1 in the region since 2015.

Meanwhile, New Jersey is in the initial stages of negotiating the state's re-entry to RGGI and is anticipating taking part in joint auctions by the first half of 2020 at the latest.

Provincial carbon pricing schemes combined with the federal 'backstop' system would reduce Canada's GHG emissions by 80-90 million tonnes through 2022 while slowing GDP growth less than recent estimates, according to Environment and Climate Change Canada. That would cut Canada's emissions by more than 10%, bring the country closer to hitting its 2030 Paris target to slash by 30% below 2005. The forecast contrasts that of the Parliamentary Budget Office, which projected that a C$50 national carbon price would shave 0.5% or C$10 billion off Canada's GDP. Separately, no Canadian province or territory formally asked to adopt Ottawa's backstop by the 31 March deadline.

The Ontario government has released a framework for its voluntary offset programme

The Ontario government has released a framework for its voluntary offset programme, approving three quantification methodologies under an 'open architecture' approach that doesn't limit project types. While light on details, the release advances the province's voluntary scheme, which is to operate in parallel to the mandatory one under Ontario's cap-and-trade system. The government also approved two more compliance-grade offset protocols, bringing the total to three.

EMEA

EU ETS emissions rose for the first time in seven years in 2017, according to preliminary data released 1 April. A resurgence in industrial output more than offset another annual drop in CO2 output from the power and heat sector, culminating in a small overall gain of under 1%.

EU carbon prices hit a seven-year high of €14.22 in April, capping a near 75% rise since the start of the year. Traders expect longer-term investors to continue to buy in anticipation of larger returns from the looming supply squeeze coming with the January 2019 launch of the Market Stability Reserve.

The European Commission has published its revised carbon leakage list, clearing 44 industries to receive free carbon allowances for 2021-30. This reduces drastically the number of eligible sectors from 177 currently, but retains all big polluters such as steel, cement, and chemicals. A further application process could allow up to 12 more industries and 16 sub-sectors to get free units. Brussels has yet to allocate annual benchmark reduction rates of between 0.2-1.6% that will determine how quickly free allocations tighten for each industry.

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Carbon Pulse

IETA INSIGHTS

GREENHOUSE GAS MARKET REPORT

About the International Emissions Trading Association (IETA): IETA is the voice of business on carbon markets around the world. Established in 1999, IETA's members include global leaders in the oil, electricity, cement, aluminium, chemical, technology, data verification, broking, trading, legal, finance and consulting industries. **www.ieta.org**

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