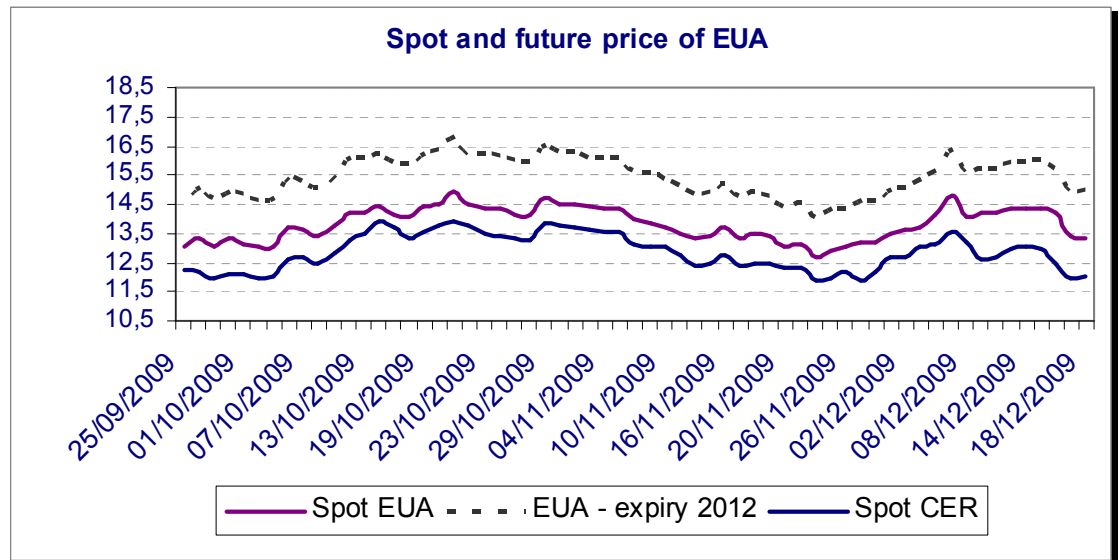


Carbon price summary

Lack of strong commitment on the Copenhagen climate summit and some technical and accounting related trades connected with the end of the year have pushed the price of the EUA to its lowest value in the past three months. The price of the EUA closed last week at 13.3 EUR/unit despite the fact that it was trading as high as 14.8 EUR/unit few days before. The CER prices were falling along with EUA prices and closed last week at 12.0 EUR/unit which is more than a 10% drop compared to the last week's peak of 13.6 EUR/unit. The spread – the price difference between the EUA and CER – were relatively stable compared to the price of underlying instruments and fluctuated between 1 and 1.5 EUR/unit swap.



The negotiations in Copenhagen eventually ended very much in align with the expectations of a political, legally non-binding agreement. Let us now summarize the most important highlights of the final document.

Mission and Targets

- Parties have acknowledged that actions are necessary to limit global temperature growth to 2°C.
- The growth of emissions of greenhouse gases shall be stopped and then reverted.
- The climate convention will be assessed in 2015, including the possibility of strengthening it on long-term and adjusting it to 1.5°C temperature rise.

Execution and Control

- Rich countries must submit 2020 emission reduction targets to the UN by 31 January 2010 in a form of non-binding 'informational' document.
- Developing nations must submit lists of nationally appropriate mitigation actions (NAMAs) to the UN by 31 January 2010 also in a form of non-binding informational documents.
- Developing countries shall report their emission data and actions to the UN every two years, moreover foreign-sponsored actions shall be subjected to international verification.

New tools and mechanisms

- Parties have outlined the importance of adaptation and transfer of new, less polluting technologies.
- New mechanisms including REDD (Reducing Emissions from Deforestation and Forest Degradation) should be established immediately to cut emissions from deforestation.
- Also various other incentives including market mechanisms should be put in place to stimulate emission cuts in poor countries.

Financing

- Rich countries will provide 30 billion dollars in climate finance to the end of 2012 and scale this up to 100 billion dollars per year by 2020, from both public and private sources.
- In addition to that the Copenhagen Green Climate Fund will be established to administer the financial mechanism under the deal.

Let us now review¹ what some of the most prominent leaders of the world said as it may reveal more about the future actions than the official declaration:



President Barack Obama: *"I'm confident that America will fulfil the commitments that we have made: cutting our emissions in the range of 17 percent by 2020, and by more than 80 percent by 2050 in line with final legislation ... This is not fiction, this is science. Unchecked, climate change will pose unacceptable risks to our security, our economies, and our planet."*



Chinese premier Wen JioBao: *"We will honour our word with real action." ... "Whatever outcome this conference may produce, we will be fully committed to achieving and even exceeding the target."*



Japanese Prime Minister HatoYama: *"If we cannot manage (to achieve a deal) we will not have fulfilled our responsibilities as world leaders, which is a disgrace to the world. ... The issue now is a seemingly unbridgeable gap between China on one hand and the European Union, the United States and Japan on the other."*



Leaders of the countries of the European Union: *"I believe if we cannot reach an agreement it would be right for me and others to put forward some proposals about how we move forward, but this is not the right time to do so. ... What's blocking things? A country like China which has trouble accepting the idea of a monitoring body ... India has trouble accepting a target for limiting its carbon emissions ... Europe is completely united. A large part of Africa agrees with us completely, the United States is very close to our position"... The U.S. and China account for almost half the world's emissions. They simply must do their part. If they don't, we will not be able to meet the 2 degree target."*

¹ Quotes are collected from Thomson Reuters, Point Carbon & UNFCCC. They are filtered and selected by Vertis Environmental Finance.