

## **CMIA Welcomes Historic Agreement on EU Climate Change and Energy Package**

*The Carbon Markets & Investors Association (CMIA) is an international trade association representing financial institutions and other service providers to the global carbon market as well as investors in low-carbon technology. Formed to represent businesses working to reduce carbon emissions through the market mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC), CMIA member companies include organisations that have been involved in an estimated three quarters of the value transacted in the global carbon market, worth roughly \$100 billion in 2008.*

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THE Carbon Markets & Investors Association (CMIA) welcomes today's historic agreement on the EU climate change and energy package for a 20% reduction in carbon emissions and a 20% renewable energy target by 2020 as a key step in the green economic recovery plan for Europe.

CMIA members are investors in clean technology and providers of global carbon finance. The climate-friendly business grouping believes that that EU package will give the required investor certainty for larger and sustained investments in cleaner energy infrastructure and greenhouse gas (GHG) emission reductions globally, as well as sending the appropriate signal to the international community on Europe's commitment to a post-2012 deal on GHG reductions.

*"This historic package should provide the basis for a much-needed green economic recovery," said Adam Nathan, spokesman for CMIA. "By passing the climate package, the EU has given investors much greater certainty about the low-carbon regulatory framework in Europe going into the next decade."*

CMIA welcomes the commitment approve CCS funding of 300m EUAs, a measure that the group has supported through the legislative process. However, CMIA notes with some concern the restrictions on the use of flexible mechanisms such as CDM in EU ETS Phase 3. These restrictions will impact on the ability of businesses to invest in the CDM beyond 2012 in the absence of a global deal at a time when the CDM is an important finance tool for driving climate change solutions in developing countries. *"Greater use of flexible mechanism is a key EU ETS cost-containment measure and an important tool for long-term internal cooperation on GHG reductions,"* said Nathan.

CMIA strongly suggests that certainty on qualitative criteria for flexibility mechanisms is equally important to investors, and investors need to stay fully apprised of and involved in further legislative steps in this regard. *"We look forward to an ongoing dialogue on the Comitology process for CDM quality in 2009,"* said Nathan. *"It is vital to ensure that all emissions reductions are real, verifiable, additional and permanent in order to meet the requirements of economic efficiency and environmental effectiveness."*

CMIA is encouraged by the EU council conclusions of December 4, which recommend the inclusion of forestry projects in government compliance targets, the establishment of a Global Forest Carbon Mechanism (GFCM) and potential inclusion of forestry projects in the E.U.'s emissions trading scheme (ETS) after 2012, but would wish to see private sector solutions to forestry pre 2020 advanced faster and does not believe the EU package goes far enough. *"This is a positive though slightly timid step forward for Europe if we really care about emissions arising from destruction and degradation of forests,"* said Nathan.

Whilst understanding the importance of having the package agreed, CMIA is disappointed that auctioning levels have been reduced as this might impair the efficiency of the market and public support for emissions trading should it lead to windfall profits.

*“CMIA feels that the EU should move to full EU-wide auctioning over time as we believe that the principle of auctioning allowances helps provide underpinning and support for an efficient carbon market,”* said Nathan. *“It is therefore disappointing that EU leaders, notwithstanding the obvious difficult economic backdrop, have had to make the concessions that they did; although it should not overshadow the overall significance of the EU’s decision as far as fighting climate change is concerned.”*

CMIA encourages the European Commission to be vigilant, and to use all its powers under Treaty, in particular state aid powers, to ensure special treatment for any Member States on free allowances meets EC guidelines on state aid for environmental protection, achieves its purpose and does not create competitive disadvantages in the energy market. CMIA urges policy-makers to ensure that the use of proceeds from the solidarity fund for cleaner technologies is transparent; it should also be used where possible in cooperation with JI investors and not lead to unfair competition.

ENDS

NOTES:

1. Members of CMIA are investors in clean technology and providers of carbon finance. The group represents 75% of the transacted volume in the global carbon markets. [www.cmia.net](http://www.cmia.net)

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