

E-news update October 22 2007

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CLIMATE

- 1.1. Oceans are 'soaking up less CO2'

20 October 2007, BBC on-line

The amount of carbon dioxide being absorbed by the world's oceans has reduced, scientists have said. University of East Anglia researchers gauged CO2 absorption through more than 90,000 measurements from merchant ships equipped with automatic instruments.

Results of their 10-year study in the North Atlantic show CO2 uptake halved between the mid-90s and 2000 to 2005.

Scientists believe global warming might get worse if the oceans soak up less of the greenhouse gas.

Researchers said the findings, published in a paper for the Journal of Geophysical Research, were surprising and worrying because there were grounds for believing that, in time, the ocean might become saturated with our emissions.

'Saturated' ocean

BBC environment analyst Roger Harrabin said: "The researchers don't know if the change is due to climate change or to natural variations.

"But they say it is a tremendous surprise and very worrying because there were grounds for believing that in time the ocean might become 'saturated' with our emissions - unable to soak up any more."

He said that would "leave all our emissions to warm the atmosphere".

Of all the CO2 emitted into the atmosphere, only half of it stays there; the rest goes into carbon sinks.

There are two major natural carbon sinks: the oceans and the land "biosphere". They are equivalent in size, each absorbing a quarter of all CO2 emissions.

- 1.2. Bush: Kyoto approach on climate is "bad policy"

15 October 2007, Reuters

U.S. President George W. Bush said on Monday his administration's approach of emphasizing voluntary approaches to address climate change was working and he denounced Kyoto-style mandatory caps as "bad policy."

Bush's comments were the latest sign that his opposition to binding emissions caps remains firmly entrenched, even as he has made efforts to show he wants to be more engaged in the global debate on climate change amid sharp criticism from other countries.

"The fundamental question is whether or not we will be able to grow our economy and be good stewards of the environment at the same time," Bush said during a question-and-answer session after a speech on the U.S. budget in Arkansas.

"I'm interested in good policy. Kyoto, I thought, was bad policy," Bush said.

The critique of the 1997 Kyoto Protocol came days after former U.S. Vice President Al Gore and the United Nations' Intergovernmental Panel on Climate Change were awarded the prestigious Nobel Peace Prize for their efforts to raise awareness about climate change.

The Nobel win for Gore, who helped negotiate Kyoto, prompted speculation over whether it would add to pressure on Bush to shift his approach on global warming and accept the kinds of mandatory caps that many European countries view as necessary to tackle the problem.

Soon after taking office in 2001, Bush rejected the Kyoto Protocol, which sets limits on industrial nations' greenhouse gas emissions.

But he has said he wants play a significant role in helping to negotiate a successor to Kyoto, which runs out in 2012. Last month, the United States held a conference of major emitting countries on global warming.

At the conference, Bush said he thought the United States could be a leader in the climate debate, but he found himself isolated from many of the other participants as he pushed his idea of "aspirational" goals that individual countries set on their own and continued to reject tougher approaches.

Bush contends mandatory caps would hurt the U.S. economy.

"We're different from other countries in the world," Bush said. "Whatever we're doing is working because last year we grew our economy and the gross amount of greenhouse gases we put in the environment actually went down."

A U.N.-sponsored session on climate is due to take place in December in Bali, but analysts say the lack of any signals of a change in the U.S. position have left slim prospects for a breakthrough.

1.3. India seeks joint initiative to tackle climate change goals

15 October 2007, The Hindu

India on Monday sought a joint research initiative by developing and developed nations to tackle climate change goals as it felt that there was lack of technology suited to the requirements of progressing nations.

New Delhi's suggestion came at the second ministerial meeting of the Asia Pacific Partnership for Clean Development and Climate, a voluntary grouping of the US, Australia, South Korea, China, Japan and India.

While creating collaborative research and development, a "fairer balance" between rewards for the innovators and the need to ensure the common good of humankind should also be kept in mind, External Affairs Minister Pranab Mukherjee said.

"We have observed that there is very little R&D effort on technologies that respond to the requirements and resource endowments of developing countries. This should be remedied," he said inaugurating the ministerial meeting.

Noting that technology is recognised as a fundamental transformation agent for ensuring clean development and addressing climate change, Mukherjee said "our suggestion is for "collaborative R&D between developing and developed country R&D institutions."

In this context, he said "we also need to be mindful of creating a fairer balance between rewards for the innovators and the need to ensure the common good of humankind as far as the IPA regime is concerned."

"Standards and priorities should reflect the developmental context to which they apply," he added.

On efforts to tackle climate change, he said while there are many initiatives to address the challenge "there is near unanimity that the United Nations Framework Convention on Climate Change is the only framework for negotiations."

CLIMATE AND INVESTMENTS

2.1. Don't neglect poor for sake of the environment, says World Bank boss

18 October 2007, The Guardian

The west will fail to combat global warming unless it can convince deeply sceptical poor nations that the fight to reduce carbon emissions will not come at the expense of poverty reduction, the president of the World Bank, Robert Zoellick, said last night.

In an interview with the Guardian to mark his first 100 days in the job, Mr Zoellick warned the Bank's rich-country shareholders that "they would not be successful" if they tried to change the focus of the Washington-based institution from development to cutting greenhouse gas emissions.

"This is all about integrating climate change economics with development economics," Mr Zoellick said. "They are not separate."

The World Bank president added that he had been travelling at the time of this summer's G8 summit in Germany, which had climate change at the top of the agenda, and that he had "picked up a lot of nervousness among Africans that the big developed countries would move the Bank away from its traditional development agenda to focus on climate change".

His experience as the US trade representative had shown him the dangers of creating the impression that rich countries were foisting something on poor countries. "In my consultations with developed countries my message to them is to please be sensitive. If the impression is given that it [climate change] is a rich country project, you are going to have the devil of trouble getting a turnaround."

He said the Bank was well placed to help integrate adaptation and mitigation strategies to fight global warming into development programmes for poor nations, that it could help set up innovative funding tools, facilitate technology transfer, and act as the catalyst for private sector initiatives. He insisted that the Bank's main focus would remain on poverty reduction.

The Bank is asking rich-country donors to come forward with money for the International Development Association - the body that provides soft loans for the world's poorest countries. Mr Zoellick said he had more than doubled the Bank's contribution to the next round of IDA funding in an attempt to force the hands of reluctant countries in the developed world to provide a \$26bn pot of new money.

"It strengthens my hand. It means I can go to developed countries and say 'I've increased the Bank's funding by 100%, what about you?'" Mr Zoellick made it clear that if rich countries wanted the Bank to do more on climate change they would have to stump up additional funds, and insisted it was time for the G8 to fulfil pledges made to poor countries. "The G8 made commitments at Gleneagles, but it is one thing having words in a communiqué, it is another thing to have money in the bank."

He expressed concern that the official aid figures for 2006 showed the first fall since 1997, and that the \$11bn reported increase in aid for sub-Saharan Africa since 2004 amounted to \$3.5bn when debt relief to Nigeria was excluded.

The World Bank president said he understood the need to build support in developed countries for higher aid, but the proliferation of funds designed to address specific causes popular in the west - such as HIV/AIDS - ran the risk of overwhelming poor countries.

He admitted his job had been tough following the departure of his predecessor, Paul Wolfowitz, who resigned in the summer after a scandal involving the promotion of his girlfriend. "It's demanding. There is a lot to do. Part of my purpose in coming here was to calm the waters, but also to navigate a course for the future. I've been able to do that."

2.2. Climate Change is Investment "Megatrend"

19 October 2007, Planet Ark

Government efforts to tackle climate change are creating a "megatrend" investment opportunity that should tempt even those sceptical about the nature and pace of global warming, Deutsche Bank analysts said on Thursday.

"The climate change markets are being created by governments through their regulation," said Mark Fulton, the bank's global head of strategic planning and climate change strategist.

"Whether you believe the science or not, investable markets are being created by governments, and these investable markets we think will grow significantly over the next 20 to 30 years," he said at the launch of a report on climate change investment.

The bank has attracted around 6 billion euros (US\$8.55 billion) into climate change funds, which target firms with products that cut greenhouse gases or help people adapt to a warmer world, in sectors from agriculture to power and construction.

It is hoping to tap into a growing awareness of the cash to be made from cleaner technology -- once more a preserve of idealists than hardnosed investors.

"We believe the shift away from a carbon-based economy is a megatrend that will shape the asset management industry for many years," Kevin Parker, global head of asset management, said in a statement.

"We expect return opportunities in sectors like renewable energy, water, and agribusiness will justify dedicated strategies."

The fund is not seeking tiny start-ups or firms with radical environmental credentials. Companies must have a market capitalisation of at least 200 million euros and a minimum 20 percent free float to be considered.

Its top ten holdings include French utility Veolia Environnement, Spanish building and construction group Acciona and diversified US manufacturer United Technologies Corp.

Around 50 percent of its investments in clean technology, some 20 percent energy efficiency and over 25 percent in firms focused on adaptation, Fulton said. He declined to comment on current or future performance.

2.3. Morgan Stanley Sees US\$1 Trillion Green Mkt by 2030

19 October 2007, Planet Ark

Global sales from clean energy sources like wind, solar and geothermal power and biofuels could grow to as much as US\$1 trillion a year by 2030, US bank Morgan Stanley has estimated.

Global population growth and soaring prices for fossil fuels are driving the market, along with dropping costs in clean energy and concern about energy security and climate change, the bank said in a research note issued on Wednesday.

On the market's upside, revenues could reach US\$505 billion in 2020, or nearly nine times the level in 2005, and hit US\$1.02 trillion 10 years later, the bank said.

As a comparison, the gross domestic product of the the United States, the world's largest economy, hit US\$13.2 trillion last year.

"The global risks posed by climate change are driving spending and investment in clean energy solutions, which (unlike the oil shock that spawned the first wave of energy solutions in the 1970s) is durable and accelerating," Morgan Stanley said in the note.

The bank also initiated coverage of the clean energy industry. It rated the following companies as overweight-volatile: thin film solar company First Solar Inc, solar company SunPower Corp, biofuel company VeraSun Energy Corp., and emissions reducers Fuel Tech Inc.

The report cautioned that sales could be reduced in the unlikely event that world governments change direction on climate change policy and stop taking steps to monetize greenhouse gas emissions. Peace in the Middle East could also push down oil prices, which could slow growth.

Shares in renewable energy companies also could be volatile in the short term, it said.

The bank was particularly bullish on solar power. Market penetration of solar in electricity generation could rise from levels almost too small to measure in 2005 to 11.2 percent in 2030, while wind power could go from 0.9 percent to 9.6 percent by 2030, it said.

Solar would take more market share as costs decline for things like panels that convert the sun's rays into power. The cost of solar power should sink from US\$8 per Gigawatt installed in 2005 to US\$1.60 per GW by 2030. Wind power, which was US\$2 per GW. would cost about the same through 2030, it said.

Penetration of biofuels like ethanol and biodiesel in transportation could grow from around 1 percent in 2005 to 21 percent in 2030, it said, assuming cars boost fuel efficiency.

Morgan Stanley was not the only bank this week to highlight green energy. Government efforts to tackle climate change are creating a "megatrend" investment opportunity that should tempt even those skeptical about the nature and pace of global warming, Deutsche Bank analysts said on Thursday in China.

Deutsche Bank has attracted about US\$8.55 billion into climate change funds, which target companies that cut greenhouse gases or help people adapt to a warmer world, in sectors from agriculture to power and construction.

Global investment in renewable energies jumped to a record US\$100 billion in 2006 and will likely rise to about US\$120 billion in 2007, the UN Environment Program said this summer.

Morgan Stanley owned 1 percent or more of a class of common equity securities of green energy companies Aventine Renewable Energy and ReneSola and within the last 12 months managed or co-managed public offerings of securities for EnerNOC, First Solar Inc, Motech, SunPower Corp. and VeraSun Energy.

The bank said late last year it planned to invest some US\$3 billion in carbon markets over the next five years.

ENERGY

3.1. What's Right with Kansas? Big Coal Rejected in the Heartland Decision Renews State's Energy Future

18 October 2007

Supported by a majority of Kansans, state regulators today denied an air permit for the proposed Sunflower coal-fired power plant, making Kansas a leader in the national surge of states rejecting coal power because of its massive contribution to global warming.

"This decision clears the way for a bright, clean energy future in Kansas and across the Midwest," said Bruce Nilles, Director of the Sierra Club's National Coal Campaign. "The Holcomb plant would have locked the state into another 50 years of dirty, polluting coal energy and eliminated the market for the renewable forms of energy that are the future. Kansas, and particularly West Kansas, is now perfectly positioned to develop its abundant clean energy resources, help solve global warming, and create thousands of new family-supporting jobs."

The plant, planned near Holcomb, would have mostly served out-of-state customers while emitting more than 10 million tons of carbon dioxide pollution a year. The pollution would have made it one of the three largest new sources of global warming pollution in the United States.

"Today Kansas embraced a bright, clean energy future powered by new technologies that will breathe life into our economy, and took a giant first step toward protecting our children and grandchildren from the devastating impacts of global warming," said Nick Persampieri, attorney for Earthjustice who filed the suit. "The rest of the nation should follow the lead of Kansas and the handful of other states that have rejected plans for new dirty coal plants"

Today's decision makes Sunflower the latest coal-fired power plant, among more than 60 nationwide, held up or denied this year because of environmental concerns, Persampieri said, referring to a report just released by the U.S. Department of Energy: <http://www.netl.doe.gov/coal/refshelf/ncp.pdf>.

"Governor Sebelius now joins the ranks of Florida's Gov. Crist, California Gov. Schwarzenegger and Senator Reid (NV) as global warming champions," Nilles added. The Governor's decisive action to combat global warming and reject new coal plant is exactly what this country needs to mitigate the worst effects of global warming and protect the state's residents from coal plant pollution."

"Scientists tell us that we need to reduce our carbon emissions 80 percent by 2050- that's an achievable 2 percent a year," Nilles continued. "However, as Gov. Sebelius and others have realized, we cannot achieve that goal if we build massive polluting coal-fired power plants."

»Denying the Sunflower air quality permit, combined with creating sound policy to reduce carbon dioxide emissions can facilitate the development of clean and renewable energy to protect the health and environment of Kansans,« said Bremby.

CDM

4.1. Warnings grow of 2008 CER delivery squeeze

16 October 2007, <http://www.carbon-financeonline.com/index.cfm?section=lead&id=10796&action=view&return=home>

Supplies of certified emission reductions (CERs) during 2008 could be tighter than many expect and cause problems for those that have promised deliveries, according to market participants.

The problem stems from the Clean Development Mechanism (CDM) Executive Board issuing fewer CERs to projects than many originally anticipated, and being slow at introducing new CDM methodologies for greenhouse gas emission reduction projects.

And a leading CDM project developer has warned that a technicality could see the board swamped in coming months with "requests for deviations" from monitoring methodologies, dramatically slowing issuance.

"For me, there's quite a tight situation for CERs in 2008, for methodology reasons and because the Executive Board is under-issuing. If this continues in 2008, it will create a real bottleneck," said Emmanuel Fages, a carbon analyst at Société Générale in Paris.

"Buyers have the feeling that there are many CERs in the market because financial institutions are selling. But often, they are really [just] selling forward and are still short of the CERs they sold," he said.

Simon Shaw, chairman of London-based EEA Fund Management, which manages a number of carbon funds, said he expected CER prices to rise in 2008.

"Carbon prices should be volatile. What has stunned me is the stability of CERs," he told Environmental Finance Publications' Carbon Finance Europe 2007 conference in London on 12 October.

Meanwhile, James Graham, head of policy at developer Camco International warned that "requests for deviations from CDM monitoring methodologies ... could take up a lot of the Executive Board's time."

At issue is the requirement for Designated Operational Entities – the private sector bodies responsible for verifying CDM projects' emission reductions - to assess whether projects are reducing emissions in line with the underlying baseline and monitoring methodologies.

Unlike the specific project design documents (PDDs), these generic methodologies rarely mention, for example, the use of back-up data to measure reductions if the primary source has failed, leading DOEs to decline to verify the reductions.

"If there is a discrepancy between the PDD and the methodology on data sources, the developer will have to apply to the Executive Board for a deviation from the monitoring methodology," Graham told Carbon Finance.

"It could slow up issuance."

The chairman of the CDM Executive Board, Hans Jürgen Stehr, noted that, once a project has been registered, it's not possible to change the PDD. "That would have huge practical implications," he said, "which opens up huge possibilities for changing PDDs that wouldn't be justified."

"It remains to be seen whether [Graham] is right" about requests for deviation jamming up the project approval process, he said, although he added that: "We're realistic people, and if there's a need to revisit the issue, we'll do so." Any slow-up in the issuance rate would exacerbate problems caused by the underdelivery of reductions from many project types.

Fages said the overall delivery rate of CERs today stands at 95% of the figure stated in PDDs. But large industrial gas projects have been issued close to 100% of their predicted credits, while clean energy projects are delivering between 50% and 70%.

Projects that capture methane from animal waste and from landfill sites are generally the worst performers, with Fages using a 25-30% delivery figure for his analysis - but this will improve over time, he said.

This has caused problems for at least one public company, AgCert, which had to offload some CER commitments during 2008 because its projects were under-performing. Shaw at EEA said he believes other carbon traders will find themselves in a situation similar to AgCert. Coal-mine methane projects are expected to deliver a lot of emission reductions during the Kyoto period, but the Executive Board has only just begun issuing credits to these projects. "It's hard to know if they will fare the same as other methane projects," Fages said.

CONFERENCES

5.1. Science or Fiction – Is there a Future for Nuclear?

8 November 2007, Vienna

Register at: http://www.global2000.at/pages/nuclear_conference.htm.

Complete programme: http://www.global2000.at/pages/nuclear_conference.htm.

5.2. CAN-E EU ETS Workshop

19 November 2007, Brussels

Registration by e-mail: tomas@climnet.org before 19 October 5PM.

5.3. 3rd Annual European Energy Policy Conference 2007

21 - 22 November 2007 in Brussels.

More info: www.euenergypolicy.com.
