# Bursík finalizes carbon credit deal with Japan

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**Minister of the Environment Martin Bursík (Green, SZ) announced that he had clinched a favorable deal for the sale of carbon credits to Japan that will be signed at the end of March in Prague and that state coffers would receive about Kč 10 billion (€376 million) by June, though he refused to reveal the total value of the deal with the Japanese because of the "sensitivity of the carbon credits market."**

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Bursík was in the U.S. and Japan as part of a three-member EU environmental delegation. He was accompanied by Sweden's Environment Minister Andreas Carlgren, and Nancy Kontou, the head of the EU Environment Commissioner Stavros Dima's cabinet.

Since the Kyoto Accords were signed, the Czech Republic has managed to reduce overall carbon emissions to a significantly lower level than prescribed in the agreement, which means the country now has a reserve of carbon credits. In 2007, one Emission Reduction Unit (ERU) with a 2010 deadline (meaning extra emissions must be made by 2010), had an average spot price of €18 and €25 per ERU usable by 2020. Analysts familiar with the carbon emissions trading say the ERUs usable by 2010 and 2020 now fetch €24 and €35 respectively.

New Carbon Finance, a London-based research company, estimates that the global carbon credit trade will more than quadruple to $550 billion (Kč 10.7 trillion) by 2012. And according to Jan Pravda, CEO of advisory firm Pravda Capital, the Czech Republic has over 100 million tons of unused emissions that that could bring "as much as €1 billion" to Czech state coffers.

The Ministry of the Environment (MŽP) is also in negotiations to sell the country's unused carbon credits to the World Bank and countries including the Netherlands, Spain, Austria and New Zealand by 2012 when the Kyoto Protocol expires.

Although he declined to disclose the total sum of the deal with the Japanese, Bursík said his ministry managed to negotiate a very favorable price because his ministry provided substantiated guarantees that the revenues will be used for projects to further reduce emissions: the proceeds from the sale will go to the State Fund for the Environment (SFZP). "The objective of the program is to support energy-saving measures in residential buildings that will lead to both immediate reductions in carbon dioxide emissions and establishment of sustainable housing practices," SFZP project manager Martin Fiala told the CBW. Funds will also be used to replace coal, lignite and fuel-oil heating stations, which in addition to reducing emissions, should lead to significantly lower air pollution in specific area of the country.

Another aim of the SFZP program is to reduce dependence on energy imports. The funds will be available to all who fulfill the program's criteria, according to the SFZP. Grants for successful applicants will be guaranteed in case the funds from the sale of the carbon credits are exhausted, Fiala said. "Such conditions are important to create confidence in the program among potential applicants. … A level of financial support is specified so that the program can be made mandatory for certain entities, and at the same time, to provide a strong incentive for building owners to act," Fiala said.

The main reason for Bursík and his colleagues' visit to Japan and the U.S. was to attempt to coordinate policy and build consensus ahead of the UN Climate Change Conference in Copenhagen this December. The U.S. under the administration of George W. Bush refused to implement the Kyoto protocols, but U.S. President Barack Obama has signaled a fundamental change of course in environmental policy and his administration is currently working to draw up federal legislation on carbon emissions.

Obama has proposed auctions of emission permits to raise at least $646 billion from 2012 to '19. Some cap-and-trade corporate allies and lawmakers from both parties say the plan would in effect amount to a large tax increase for consumers whose power comes from coal, the source of power which produces the highest emissions. According to the U.S. Department of Energy, U.S. power utilities released 2.4 billion tons of carbon dioxide in 2007. The estimated cost of the proposed permits for those emissions is roughly $39 billion a year.

Jiři Vecka, an emissions specialist with MŽP, says that if the planned U.S. legislation is successful, it would "definitely improve competitiveness on the carbon markets due to due to new demand for additional emissions credits from U.S. industry." Additionally, the legislation would "greatly improve the chances of an international agreement [in Copenhagen]," Vecka said.

The role of U.S. is more critical than it seems, according to Pravda. "Even though the EU has passed the law dubbed 20-20-20, without U.S. participation in an agreement to replace the Kyoto Protocols, industry in the EU would be put at a distinct competitive disadvantage due to financial obligations necessary for adherence to emissions controls," he said. The 20-20-20 agreement stipulates greenhouse gas emissions

20 percent lower than levels in 1990; a 20 percent increase in the share of renewable energy sources; and a 20 percent cut in energy consumption by 2020.

Participation of developing countries is also essential for successful implementation of a post-Kyoto agreement. The EU wants leading developing nations, notably China and India to commit to reductions of between 15 and 30 percent by 2020.

“It is evident that key developing countries such as China and India are waiting to see what the U.S. will do. It is thus extremely important that the U.S. not only shoulder a very good long-term obligation to reduce emissions by 80 percent by 2050, but that it also have an objective for 2020 that is more ambitious than the currently declared emission reduction at the level for 1990, which would mean a 14 percent reduction as opposed to now,” Bursík stated at a press conference last week.