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CHINA AND INDIA REFUSE TO COMMIT TO EMISSION CONTROL

Ground work laid on Kyoto Protocol replacement. However, US and EU call to lock all nations into GHG commitments rejected.

Global climate change talks were dampened when China and India, two of the world's biggest polluters, refused to endorse a move by the EU and the US to lock all countries into curbing emissions. Ironically, the more developed nations were non-committal about how they would increase their current climate-related spend to USD100bn by 2020 from USD10bn p.a.

However, nearly 190 nations endorsed a set of measures on global warming, laying the groundwork for a treaty to be adopted in 2015 that would limit pollution by all nations for the first time.

The outcome of these talks is set to replace the Kyoto Protocol, which currently applies to less than 15% of GHG emissions worldwide, after Canada pulled out and Russia and Japan rejected new targets, post 2012.

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GERMANY ACCELERATES RENEWABLE PROGRAM, BUT AT WHAT COST?

Short term renewable target upped to 40-45% by 2025 while 2050 target remains at 80%. Concerns remain on energy cost and impact on manufacturers.

The country has announced that it is targeting 40-45% contribution from renewables by 2025 compared with the present target of 35% by 2020; it was also confirmed that nuclear, contributing to nearly 18% of power requirements, will be phased out by 2022.

Germany will also investigate whether large renewable energy producers would need to guarantee a contribution to reliable base-load supply. If producers are expected to implement this, they may be forced to buy 'insurance' from conventional stations due to the intermittent nature of renewables.

In Sustainable Insights – Edition 9, we highlighted the risk that German manufacturers might shift to the US to escape one of the highest electricity costs in the EU. Recently, we saw the Union impose levies on cheaper Chinese solar glass. This would further increase costs and raise questions about the viability of Germany's renewable ambitions.

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CHINA EXPANDS CARBON TRADING PILOT; NETS IN STATE ENTERPRISES

SOEs to be key participants in pilot. Officials recommend carbon credits as a way of shutting down inefficient plants.

As the world's largest green energy investor, (Sustainable Insights – Edition 3) China is furthering efforts to rein in the effects of pollution by expanding its carbon trading schemes. The government launched two new carbon trading pilots in Beijing and Shanghai.

Although the pilot phase won't impose carbon caps or enforce participation, industrial firms will be forced to buy credits to cover excess emissions, once the project goes live.

The schemes are expected to draw in some of the country's largest SOEs, including Baoshan (600019 CH), Sinopec (386 HK), Shenhua (1088 HK) and Huaneng (902 HK). A climate lawyer acknowledged that the SOEs are expected to toe the line, given political pressure for participation and their close relationship with local governments.

Officials have recommended carbon credits as a financial incentive that could lead to inefficient steel or cement plants shutting down. Closures would free up the carbon credits to sell on the market.

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