

**Issues in the last month include:**

- **New York UN Climate summit fell short of expectations.** Although positive, China's announcement to cut the economy's carbon intensity by 2020 lacks specifics. However, UN Secretary General Ban Ki-moon believes the momentum has shifted in favour of reaching a deal at December's crucial climate meeting in Copenhagen.
- **The aviation sector has proposed a global sector approach in a bid to avoid the EU cap & trade scheme or a tax.** The proposal includes an average improvement of fuel efficiency of 1.5% p.a. out to 2020 (not far from a business-as-usual trend) and the use of offset carbon credits to achieve a 50% absolute cut by 2020 compared to 2005.
- **EU Member States backed the list of sectors at risk for carbon leakage & eligible for 100% free CO2 rights** by 2020, most sectors (77% of emissions) are spared. Sectors eligible for 100% free CO2 rights include steel, aluminium, cement, glass, chemicals, refined petroleum products and paper producers. However, non-CO2 efficient players in these sectors still face a risk of a shortage of CO2 rights from 2013, as free allowances will be allocated only up to a product-specific carbon efficiency benchmark, reflecting the average performance of the 10% most efficient installations. The draft decision will now be reviewed by the European Parliament before adoption by the EU Commission by December 2009.
- **The European Union will introduce an index in 2010 to track life qualities such as a clean environment, social cohesion and wellbeing to complement the gross domestic product (GDP)** indicator in shaping policy. The environmental index will chart progress in areas such as greenhouse gas emissions, pollution, water use and waste generation to better reflect economic and social progress.
- **China plans to regulate the production and export of rare earth metals** of which it is a key producer of (95% of global supply), including neodymium, terbium, dysprosium and lanthanum - key components in the production of hybrid electric vehicles, wind turbine generators and LCDs.
- **The German FDP proposed a 1- off cut of as high as 10%-11% in solar subsidies next year to** check the rising cost of photovoltaic subsidies. SolarWorld's CEO commented that the cut was not expected before 2011 and thus the decreased incentives for 2010 has become a cause of concern for makers of solar cells and panels in Germany
- **The European Union published last week a new estimate of the amount of financial flows necessary for mitigation and adaptation of climate change in developing countries up to 2020, at €100 billion per year.** EU said it could finance up to €15 billion of that amount p.a., through taxes on shipping, aviation and industry, and direct contributions from member states. 5 EU states, UK, France, Denmark, Sweden and Finland, announced they are willing to cooperate and show leadership on ensuring sufficient financing to improve chances of reaching a new agreement in Copenhagen.

**Disclaimer**

This document is issued by Cazenove Capital Management Limited (Cazenove Capital), a firm authorised and regulated by the Financial Services Authority.

Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way