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HEADLINE: **Italy Wins EU Clearance for Kyoto Plan**

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BODY:

The European Commission on Wednesday approved Italy's plan for reducing its emissions of greenhouse gases, but only after Rome agreed to slash its industrial sector's pollution quotas.

The conditions were seen as a blow to Italian Prime Minister Silvio Berlusconi's center-right government, which is struggling to revive the country's ailing economy, partly through tax cuts to industry.

Cutting the carbon quotas is likely to raise costs for Italy's power stations, factories and steel plants. The Commission will monitor Italy's compliance and crack down if it finds any discrepancies.

Italy will have to make a 9 percent cut _ equivalent to 23 million tons of carbon dioxide annually _ in the amount of pollution permits it grants to businesses, according to a statement released by the Commission.

Italy can issue pollution permits totaling 232.5 million tons of carbon dioxide to the 1,240 power stations and factories covered by the scheme in 2005-07. Originally, Italy wanted to allocate 255.5 million tons a year.

A green light from the Commission is important for industry because, without it, companies are unable to participate in the EU's emissions credit-trading program. Since January, companies that are surpassing their reduction targets can sell permits to companies that are struggling to meet theirs.

Under the 1997 Kyoto Protocol on climate change, the EU is to reduce emissions by 8 percent below 1990 levels by 2012

All EU countries have drafted "National Allocation Plans," setting maximum ceilings to their

greenhouse gas emissions.

EU nations will let their industries "trade" ceilings. The plan covers 12,000 facilities _ from power units to pulp and paper plants _ and provides a cheap way to reduce emissions while keeping EU businesses competitive.