

Market Snapshot

Heren CO₂ '08: EUR 18.28/tCO₂e

The European Union Allowances (EUA) market drifted lower on Thursday following bearish sentiment fed from Brent crude markets. Meanwhile, certified emission reduction (CER) products firmed to recover from slight downward movements during the previous session. Year 2008 EUA initially ticked up to reach an intra-day high of €18.55/tonne of carbon dioxide equivalent (tCO₂e), testing the current technical level, according to one source. However, on the back of a sell-off in the oil markets, the contract slipped back to close at €18.25/tCO₂e – a 25 cent discount from the previous session.

On the CER market, more activity was reported on the Year 2008/09 spread, as the market considered that some traders had “over-hedged” and were selling down the Year 2009 product. All contracts firmed as traders were assessing positions ahead of settlement dates in December.

Time for upgrade of CDM - trader association

The Clean Development Mechanism (CDM) urgently needs upgrading, according to a new report from the International Emissions Trading Association (IETA), entitled The State of the CDM.

Red tape is currently delaying close to 500 projects from issuing credits – Certified Emission Reductions (CERs) – to the market, and project finance is increasingly channelled towards the voluntary market instead, the IETA warned.

It now wants an independent consultant to reorganise the different UN-led bodies in charge of the CDM approval process, including the Executive Board (EB) and the panels in charge of accrediting auditors and approving methodologies.

For instance, the IETA said, accrediting and methodology should be carried out by a permanent team in Bonn, Germany. EB members could continue to live in their home countries, but should be made to take leave of absence from any

other jobs during their tenure.

Under this new structure, the panels and the EB should focus not on every project up for review, but on the mechanism as a whole, the association said. This would mean moving from the current review process – where individual projects are scrutinised – towards benchmarks and baselines.

DNV, one of the main auditors responsible for shepherding new projects through the approval process, agreed with the IETA's conclusions. The EB is currently getting too involved in individual projects, DNV said in a position paper. “With the current set-up, the CDM EB has neither the capacity nor the competence needed for this,” according to authors Michael Lehman and Luc Larmuseau. Removing final responsibility for issuing CERs from the EB would force it to instead concentrate on supervising the system, not individual projects, they added. IS

First Climate and Camco unveil Chinese deals

Two carbon project developers – First Climate and Camco – unveiled new ventures in China on Thursday.

First Climate, headquartered in Frankfurt, Germany, said it was set to cooperate with Australian financial group Macquarie in order to expand its existing clean development mechanism (CDM)

portfolios in China. The two groups would jointly source, develop and manage new projects, as well as share revenues from the Certified Emission Reductions (CERs) issued.

First Climate has been active in China for three years, employing 10 staff on the ground. Thomas Stetter, member of the executive board at First Climate, told ICIS Heren ▶▶

OTC EUAs			€/tCO ₂ e
Period	Bid	Offer	Diff
Spot phase II	18.05	18.15	-0.350
2008	18.20	18.30	-0.250
2009	18.80	18.90	-0.300
2010	19.30	19.40	-0.250
2011	19.80	19.90	-0.350
2012	21.00	21.10	-0.300

OTC CERs			€/tCO ₂ e
Period	Bid	Offer	Diff
2008	15.10	15.20	0.150
2009	15.15	15.25	0.100
2010	15.35	15.45	0.100
2011	15.75	15.85	0.200
2012	16.40	16.50	0.150

ECX EUAs			€/tCO ₂ e
Period	Price	Diff	
2008	18.20	-0.340	
2009	18.82	-0.350	
2010	19.26	-0.340	

Nord Pool EUAs			€/tCO ₂ e
Period	Price	Diff	
2008	18.40	-0.350	
2009	19.00	-0.230	
2010	19.40	-0.400	

Carbon Spot EUAs			
Exchange	Price (€/tCO ₂ e)	Volume (kt)	
BlueNext	18.100	3,448	
Nord Pool	18.350	0	

Exchange CERs				€/tCO ₂ e
Exchange	Period	Price	Diff	
Nord Pool	Dec '08	15.25	0.050	
Nord Pool	Dec '09	15.3	0.000	
ECX	Dec '08	15.13	0.030	
ECX	Dec '09	15.14	-0.030	
BlueNext	Dec '08	15.28	0.230	

“The EB is currently getting too involved in individual projects.”

UK Spark Spreads 6 November 2008

Period	Gas (p/th)	Power (£/MWh)	Spark spread (£/MWh)	Diff	Clean spread (£/MWh)	Diff
Day-ahead	64.04	66.86	22.38	-5.15	16.34	-5.06
December '08	71.23	81.15	31.68	0.20	25.64	0.29
Summer 09	58.28	57.40	16.93	-0.35	10.67	-0.25
Winter 09	72.40	64.35	14.07	0.43	7.72	0.53
Summer 10	60.63	56.93	14.82	0.31	8.39	0.41

UK Dark Spreads 6 November 2008

Period	Coal (\$/tonne)	Power (£/MWh)	Dark spread (£/MWh)	Diff	Clean spread (£/MWh)	Diff
Day-ahead	107.88	66.86	39.38	-5.77	25.45	-5.58
December '08	109.00	81.15	53.33	-0.93	39.40	-0.73
Summer 09	113.32	57.40	28.35	-0.50	13.95	-0.24
Winter 09	116.80	64.35	34.36	0.40	19.75	0.65
Summer 10	116.72	56.93	26.90	0.14	12.07	0.36

German Spark Spreads 6 November 2008

Period	Gas (€/MWh)	Power (€/MWh)	Spark spread (€/MWh)	Diff	Clean spread (€/MWh)	Diff
Day-ahead	27.02	77.41	22.40	-0.21	14.90	-0.11
December '08	29.95	72.13	11.16	0.74	3.66	0.84
Q1 '09	31.10	73.63	10.32	0.10	2.58	0.23
Year 2009	27.35	68.25	12.58	0.01	4.83	0.13

German Dark Spreads 6 November 2008

Period	Coal (\$/tonne)	Power (€/MWh)	Dark spread (€/MWh)	Diff	Clean spread (€/MWh)	Diff
Day-ahead	107.88	77.41	43.40	-0.99	25.88	-0.75
December '08	109.00	72.13	37.61	-0.20	20.09	0.04
Q1 '09	110.38	73.63	38.62	-1.41	20.53	-1.12
Year 2009	113.38	68.25	32.25	0.37	14.15	0.65

Increased clearing at EEX/Eurex

Increased clearing of over-the-counter transactions led to record-high emissions volumes at exchange EEX/Eurex in October, the group said in a statement on Thursday. The volume of European Union Allowance (EUA) Futures was 17 times higher year on year, at 16 million, while total volumes doubled compared with the previous monthly record reported in August 2008. More than one-third of the transactions were cleared, rather than traded, at the exchange. This echoes an increase in cleared volumes at ECX, Europe's biggest emissions exchange, as market participants move away from pure bilateral trading to avoid counterparty risk. But outright exchange activity was also on the rise, as indicated by a three-fold increase in open interest in EUA Futures since the start of the year, EEX/Eurex said. IS ●

◀◀ the joint venture would consider all types of projects, but that the focus would probably remain on renewable and energy efficiency projects. This also reflects Macquarie's current CDM portfolio, which has been running for two and a half years, a spokeswoman for the bank said.

The credits would be both sold on the secondary CER market and as financial products. Macquarie might also provide financial incentives such as prepayment for specific projects Stetter said.

Another project developer, UK-listed Camco, has now fully taken over ESD Sinosphere, a Chinese company that provides technical due diligence and emissions assessments for potential CDM projects in the country.

Camco announced on Thursday that it had added a 49% stake to the 51% equity in ESD Sinosphere it bought in 2007. The acquisition values ESD Sinosphere at €125,000, around 1.5% of the €8.2m loss that Camco posted in the first half of 2008 as a result of bottlenecks in the CDM approval process.

Recently, the price differential between primary and secondary – or guaranteed – CERs has narrowed. But as secondary CER prices fall because of the generally gloomy economic outlook, this difference is likely to start to widen again as primary CER prices follow, Stetter told *ICIS Heren*, adding: "We already see this happening, and the change might become even more dramatic. It depends a lot on the expectations of future prices. If you expect future CER prices to rise, you might think you are not getting a high enough price [for your primary CERs]. But if you expect prices to fall, you might be satisfied with a lower price." IS ●

UK slates personal CO₂ trading

The public may not fully engage with a personal carbon trading scheme, according to the UK government in its response to a report from the Environmental Audit Committee. The UK's Climate Change Bill would enable the government to establish a personal scheme without further legislation. The framework of a scheme remains in development, the EAC suggested in its earlier report that a one-way link up to the European Trading Scheme could allow individuals to tap into the European Union Allowances market and buy permits to pollute above their limits. The government found that the public may prefer a "pay-as-you-go" scheme, more similar to a carbon tax than a trading scheme.

The average individual in the UK emits an estimated 10 tonnes of carbon dioxide equivalent per year. CA ●

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