



ICIS



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Carbon Markets

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OTC EUAS			
€/tCO ₂ e			
Period	Bid	Offer	Diff
Spot phase II	14.15	14.25	-0.150
2009	14.30	14.40	-0.100
2010	14.65	14.75	-0.150
2011	15.45	15.55	-0.150
2012	16.55	16.65	-0.150

OTC CERS			
€/tCO ₂ e			
Period	Bid	Offer	Diff
Spot phase II	12.90	13.00	0.100
2009	12.80	12.90	0.000
2010	12.60	12.70	0.000
2011	12.70	12.80	0.000
2012	13.05	13.15	0.000

ECX EUAS		
€/tCO ₂ e		
Period	Price	Diff
2009	14.31	-0.120
2010	14.74	-0.130
2011	15.54	-0.130

NORD POOL EUAS		
€/tCO ₂ e		
Period	Price	Diff
2009	14.35	-0.100
2010	14.75	-0.150
2011	15.55	-0.150

CARBON SPOT EUAS		
Exchanged	Price, €/tCO ₂ e	Volume '000 tonnes
BlueNext	14.200	4,614
Nord Pool	14.250	0

EXCHANGE CERS			
€/tCO ₂ e			
Exchange	Period	Price	Diff
Nord Pool	Dec '09	12.85	0.050
Nord Pool	Dec '10	12.65	0.050
ECX	Dec '09	12.86	0.020
ECX	Dec '10	12.67	0.030
BlueNext	Dec '09	12.84	-0.010

“The money... must at least equal the estimated market value of the EUAs received for free”

MARKET SNAPSHOT

HEREN CO₂ 2009: €14.34/tCO₂e

The carbon markets were rangebound on Friday after initial strength filtered through from the oil markets. EUA Year 2009 closed at €14.35/tCO₂e – a discount of 10 cents day on day. One trader said the upside on the contract was now limited, as there were many long positions in the market.

“No-one is really wanting to bid at this level and an element of profit-taking has kicked in,” he said. “It is a reversal in previous supportive sentiment and it could continue next week.” However, another trader was not convinced. “It’s the end of the week and counterparties were closing long positions. There might just be a renewal in support from Monday,” he said.

Ready, steady, go in the Czech race for free EUAs

Czech power producers have to start planning green investments shortly in order to secure free allowances in the next trading phase.

The Czech senate has now partially approved a law giving utilities the right to receive up to 70% of their EU allowances (EUAs) for free at the start of phase III – but only provided they kick-start plant upgrades and renewable build.

The money spent on these investments must at least equal the estimated market value of the EUAs received for free.

Some 50% of the funds also have to be pledged into specific projects by the end of 2011. The law is not yet finalised, but a deadline of 31 March 2010 has already been set for companies to submit their plans to the government.

Yet ICIS Heren understands that ČEZ, which operates around 70% of the power generation capacity in the Czech Republic, has

not yet started to draw up any detailed plans.

A spokeswoman for the company said ČEZ, as well as other power producers in the country, was upgrading plants as part of its usual strategy, not specifically to obtain free EUAs.

She admitted that the deadlines were quite challenging, but said long-term pressure to cut CO₂ emissions was making the company modernise its generation fleet anyway.

The money that Czech power producers would have to plough into plant upgrades and renewables might run to into billions of euros, based on phase III price forecasts of around €25/tonne of CO₂ equivalent.

ČEZ has already pledged €4bn to upgrade its current fleet however, and unveiled a strategy to move into gas-fired generation to hedge against its fleet of coal-fired plants becoming economically unviable due to emission costs. The company is also investing in hydro and wind power. **IS**

UN meeting: POAs in infancy, ill winds for Chinese projects

It will take time before recent decisions on programmes of activities (POAs) and Chinese wind power projects. start to affect the supply of certified emission reductions (CERs), market stakeholders say.

At its latest meeting, the UN’s executive board, which deals with CER issuance, made one move that could increase the supply of credits (partially clearing the first POA) and one that might decrease it (putting a number of Chinese wind power projects up for review).

POAs

POAs pool numerous small projects so that they can be treated as just one. This cuts

transaction costs and could boost CER supply. But how long will it take before the effect becomes noticeable?

“POAs will lead to an increase in the number of credits [issued], but in absolute terms, it is not likely to be overwhelming in the short run. The pipeline is very small with only a few projects awaiting registration,” Mischa Classen, senior project manager at Germany-based carbon asset management firm First Climate, said.

The executive board has resolved some of the issues that have made project developers reluctant to undertake POAs in the past. For instance, the liability of the companies **»**

» auditing projects (so-called designated operational entities) has been reined in, making them more willing to validate projects.

But implementing POAs remains problematic, as they are often aimed at a household level, rather than upgrading an industrial plant.

First Climate has made contact with a couple of project developers to draw up POAs, but the numbers remain low. In particular, it is the Post-2012 Carbon Credit Fund, to which First Climate acts as investment adviser, that is actively getting involved in POAs.

"The post-2012 fund is seriously looking at this," Classen said.

Chinese wind

The board put 12 Chinese wind power projects up for review at the meeting. In total, 25 wind projects are now under the magnifying glass.

The International Emissions Trading Association (IETA) is worried that this trend will continue.

"Concern is rapidly growing among our members," IETA president Henry Derwent said in an open letter before the meeting.

And the latest executive board meeting did nothing to assuage these fears.

"During the last board – EB48 – we didn't receive any signals... that our concerns over their decision to reject or put projects under review have been met and addressed," Edwin Aalders, director of the IETA, said on Friday.

IETA would now continue to monitor and lobby the board, he added.

Aalders said the impact on CER volumes was hard to estimate, as it would depend on whether projects had opted to demonstrate their additionality through the financial or technical barriers, made possible under different methodologies.

But he added that the recent moves sent mixed signals to the market on what projects would be cleared.

"We now see too often that projects end up not being implemented, due to the fact that the board has altered its thinking on the implementation of methodologies which affect the ability to actually implement projects," he said.

UK SPARK SPREADS 24 JULY 2009

Period	Gas, p/th	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	22.25	31.79	16.33	-0.89	11.29	-0.85
August '09	22.30	31.30	15.81	-0.18	10.71	-0.16
Winter 09	41.85	41.80	12.73	-0.19	7.57	-0.16
Summer 10	41.95	41.73	12.59	-0.17	7.36	-0.13
Winter 10	59.00	50.90	9.92	0.05	4.54	0.10

UK DARK SPREADS 24 JULY 2009

Period	Coal, \$/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	67.50	31.79	15.25	-1.16	3.62	-1.08
August '09	68.25	31.30	14.58	-0.58	2.83	-0.54
Winter 09	75.03	41.80	23.42	-0.30	11.52	-0.24
Summer 10	85.56	41.73	20.75	-0.22	8.70	-0.13
Winter 10	94.47	50.90	27.69	0.13	15.28	0.23

GERMAN SPARK SPREADS 24 JULY 2009

Period	Gas, €/MWh	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	9.27	36.08	17.20	2.28	11.36	2.34
August '09	9.10	32.88	14.35	0.38	8.45	0.41
Q4 '09	15.00	44.53	13.99	0.02	8.10	0.07
Year 2010	18.70	49.50	11.44	-0.05	5.40	0.01

GERMAN DARK SPREADS 24 JULY 2009

Period	Coal, \$/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	67.50	36.08	16.96	1.90	3.32	2.03
August '09	68.25	32.88	13.54	-0.15	-0.23	-0.05
Q4 '09	72.00	44.53	24.13	-0.20	10.35	-0.11
Year 2010	85.45	49.50	25.31	-0.14	11.19	-0.01

But Classen doubted that the reviews of Chinese wind farms would seriously curb supply. "I don't expect the problems to be very serious. For me, it's a case of the board applying retrospectively current tariffs to the PDDs [project design documents] prepared long ago," he said.

It would be possible for the projects to prove that they had indeed met the additionality criteria at the time the decision to develop them was taken, Classen judged.

"At the last EB meeting, one [Chinese] wind farm came under review, which it cleared successfully," he pointed out. **IS**

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