

OTC EUAS			
			€/tCO ₂ e
Period	Bid	Offer	Diff
Spot phase II	14.95	15.05	0.150
2009	15.05	15.15	0.150
2010	15.45	15.55	0.200
2011	16.10	16.20	0.150
2012	17.15	17.25	0.200

OTC CERS			
			€/tCO ₂ e
Period	Bid	Offer	Diff
Spot phase II	13.20	13.30	0.200
2009	13.20	13.30	0.150
2010	13.00	13.10	0.150
2011	12.95	13.05	0.100
2012	13.25	13.35	0.050

ECX EUAS			€/tCO ₂ e
Period	Price	Diff	
2009	15.14	0.210	
2010	15.54	0.220	
2011	16.20	0.220	

NORD POOL EUAS			€/tCO ₂ e
Period	Price	Diff	
2009	15.15	0.300	
2010	15.55	0.300	
2011	16.20	0.300	

CARBON SPOT EUAS		
Exchanged	Price, €/tCO ₂ e	Volume '000 tonnes
BlueNext	14.980	762
Nord Pool	15.050	0

EXCHANGE CERS			
			€/tCO ₂ e
Exchange	Period	Price	Diff
Nord Pool	Dec '09	13.25	0.150
Nord Pool	Dec '10	13.05	0.150
ECX	Dec '09	13.27	0.150
ECX	Dec '10	13.06	0.130
BlueNext	Dec '09	13.24	0.140

“ UK has been investigating carbon fraud since beginning of the year ”

MARKET SNAPSHOT

HEREN CO₂ 2009: €15.13/tCO₂e

EUA Year 2009 broke out of its recent trading range on Thursday, hitting an intra-day high of €15.30/tCO₂e. The market opened strong, underpinned by overnight movements on US oil markets.

Bullish US stock inventories and American Petroleum Institute demand reports supported contracts that led to technical buying of the benchmark contract from financial players, according to one trader.

The contract was also reportedly supported by compliance buying from a German company covering forward power sales from its annual auction, which took place during the session. On the CER curve, there was some action on the Year 2009/2010 spread, which had narrowed to €1.15/tCO₂e by the close.

UK Spot CO₂ fraud arrests

The UK government has been investigating tax fraud on the carbon markets since the beginning of 2009, a spokeswoman at HM Revenues & Customs (HMRC) said on Thursday.

A total of nine people had been arrested in London by Thursday, after HMRC officers raided 27 business and residential properties. Further people are being sought in connection with the crime. HMRC considered that those arrested were part of an organised crime group operating a network of companies trading large volumes of EU Allowances (EUAs) and Certified Emission Reductions (CERs).

The tax body realised there was a problem when it found accounts that did not add up, while looking at all the imports into the UK. The problem is neither specific to the carbon markets nor the UK.

The bulk of CO₂ trading is carried out on regulated exchanges, involving counterparties that are regulated and subject to appropriate levels of due diligence, according to the Carbon Markets and Investors Association (CMIA).

A spokeswoman for the trade body said: “CMIA welcomes these recent events as a signal that this issue is taken very seriously, and that regulators are prepared to move swiftly to correct any fraudulent activity. We believe these measures will help ensure that the carbon markets continue to grow, as participants continue to transact with confidence in the integrity of the market.”

The total UK Value Added Tax (VAT) swindle was estimated at £38m (€44m). This would mean total EUA/CER spend was at £253m, which at the current spot price would equate to 17 million tonnes of carbon dioxide equivalent (mtCO₂e).

The UK Treasury made swift moves to change the tax law on spot emissions allowances and carbon credits at the end of July (see EDCM 31 July 2009). A spokesman for the Treasury said that, by July, there was significant evidence that the scale of the fraud

could grow rapidly, so immediate action was necessary.

Les Beaumont, deputy director of criminal investigation for HMRC said: “[We] investigate all criminal attacks on the tax system, halting theft of revenue, gathering evidence and supporting prosecutors in bringing offenders before the courts. We always aim to recover the proceeds of crime, restoring that money to the public purse, where it belongs. That is our intention in this and all similar cases.”

HMRC could demand the tax be returned from brokers and bankers that had been unwittingly involved, said Frank Sangster, head of environmental tax group at advisory firm KPMG. This would depend on whether the banks had completed satisfactory “know your client” checks.

“Most banks make huge efforts to know their clients, and would even meet them before [doing business],” he added.

Industry sources said that the fraud connection to the spot carbon markets could be detrimental to liquidity, as counterparties shied away from dealing, and more security checks were needed before smaller players had access to trading.

“Of course it is bad, and the market is very vulnerable to this,” a source said. “We’ll have to wait and see what the real impact is in September, after the summer lull.”

ICIS Heren understands that the Dutch authorities are currently investigating fraud scams in the Netherlands. “There are suspicions, but there have been no accusations yet,” another source said.

Trade associations have been pushing for an EU-wide solution to the fraud threat on the carbon markets. But for this to take place, unanimous agreement is needed across all 27 member states. The UK, France and the Netherlands have all taken measures of addressing VAT – but using different models.

The International Emissions Trading Association (IETA) has previously said: “The best approach would be that all member »

» states put a zero rate of VAT on EUA spot trades, like France and the UK have now done. The worst situation would be if each country was to adopt its own specific method, such as how the Netherlands has done.” CA

Norway buys AAUs: CER demand strong

Norway has struck deals for around half a million carbon credits from India and New Zealand, the finance ministry said on Wednesday.

The deal comes on the heels of another transaction for 220,000 Certified Emission Reductions (CERs) from China (see *EDCM 12 August 2009*).

The New Zealand credits will be issued from a forestry project overseen by Ernslaw One, one of the biggest forestry developers in the country. This transaction covered most 522,000 credits – a relatively large amount for a forestry project.

Norway bought the rest of the credits (25,000) from Tata Iron, part of India's Tata conglomerate.

The Norwegian government is understood to be in the market for approximately another 2m carbon credits – both CERs and Assigned Amount Units (AAUs) – this year.

Even though the Emissions Trading Scheme is bringing the country pretty much in line with its Kyoto targets, it has taken on stricter emission reductions of its own accord.

The extra commitments mean the country will have to slash total greenhouse gas emissions by a further 6–7m tonnes of CO₂ equivalent per year. The government plans to cover the shortfall in the international carbon market.

So far, the government has struck deals for 12 million carbon credits. Of this total, 10m should be delivered before 2012. Around 650,000 credits have already been delivered.

The concluded deals account for around one-third of the total amount of credits. Norway wants to buy a total of 30–35m credits before Kyoto expires. **IS**

UK SPARK SPREADS 20 AUGUST 2009

Period	Gas, p/th	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	22.87	33.23	17.34	-0.93	12.02	-0.99
September '09	22.40	33.80	18.24	0.17	12.89	0.12
Winter 09	40.05	41.15	13.33	0.38	7.91	0.32
Summer 10	40.60	41.10	12.90	0.38	7.40	0.30
Winter 10	58.13	50.35	9.98	0.12	4.36	0.05

UK DARK SPREADS 20 AUGUST 2009

Period	Coal, \$/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	71.25	33.23	15.85	-1.02	3.59	-1.15
September '09	71.50	33.80	16.36	-0.23	4.02	-0.36
Winter 09	75.88	41.15	22.65	-0.52	10.14	-0.68
Summer 10	85.45	41.10	20.25	-0.29	7.58	-0.46
Winter 10	93.49	50.35	27.52	-0.21	14.56	-0.37

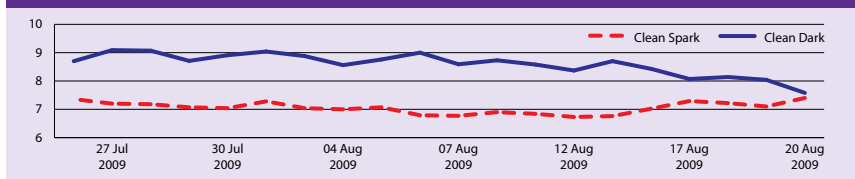
GERMAN SPARK SPREADS 20 AUGUST 2009

Period	Gas, €/MWh	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	9.12	40.47	21.90	-1.41	15.73	-1.48
September '09	9.10	38.28	19.75	0.43	13.55	0.38
Q4 '09	14.50	45.13	15.61	0.61	9.41	0.56
Year 2010	18.40	50.40	12.95	0.31	6.58	0.23

GERMAN DARK SPREADS 20 AUGUST 2009

Period	Coal, \$/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	71.25	40.47	20.33	-1.59	5.93	-1.73
September '09	71.50	38.28	18.07	-0.20	3.58	-0.33
Q4 '09	73.25	45.13	24.43	-0.24	9.93	-0.39
Year 2010	85.25	50.40	26.31	-0.30	11.43	-0.50

UK CLEAN SPARK AND DARK SPREADS: SUMMER '10



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