

OTC EUAS			
			€/tCO ₂ e
Period	Bid	Offer	Diff
Spot phase II	13.60	13.70	0.050
2009	13.65	13.75	-0.050
2010	14.05	14.15	-0.050
2011	14.80	14.90	-0.050
2012	15.90	16.00	-0.050

OTC CERS			
			€/tCO ₂ e
Period	Bid	Offer	Diff
Spot phase II	12.35	12.45	0.000
2009	12.25	12.35	-0.050
2010	12.00	12.10	-0.050
2011	12.00	12.10	-0.050
2012	12.35	12.45	0.000

ECX EUAS			€/tCO ₂ e
Period	Price	Diff	
2009	13.71	-0.030	
2010	14.13	-0.040	
2011	14.91	-0.040	

NORD POOL EUAS			€/tCO ₂ e
Period	Price	Diff	
2009	13.80	-0.050	
2010	14.25	-0.050	
2011	15.05	0.000	

CARBON SPOT EUAS		
Exchanged	Price, €/tCO ₂ e	Volume '000 tonnes
BlueNext	13.700	1,741
Nord Pool	13.750	0

EXCHANGE CERS			
			€/tCO ₂ e
Exchange	Period	Price	Diff
Nord Pool	Dec '09	12.3	-0.100
Nord Pool	Dec '10	12.1	-0.100
ECX	Dec '09	12.28	-0.060
ECX	Dec '10	12.06	-0.050
BlueNext	Dec '09	12.37	0.000

“The best approach would be that all member states put a zero rate of VAT on EUA spot trades”

MARKET SNAPSHOT

HEREN CO₂ 2009: €13.72/tCO₂e

EUA Year 2009 showed initial strength as the market opened and traded to an intra-day high of €14.10/tCO₂e. The contract had erased its gains by the close as it headed towards the weekend on a bearish note, finishing the at €13.70/tCO₂e

Traders said that the technical data pointed towards possible further price erosion going into next week, unless renewed bullish fundamentals emerged.

Increased selling interest was noted on the CER market, which one source put down to sentiment coming from the ERU market on the back of chemical producer Rhodia's first-quarter results.

UK drops EUA VAT; EU urged to follow

Emissions trading bodies are calling for EU-wide regulation to halt the value added tax (VAT) fraudsters who are plaguing CO₂ spot trading.

The UK became the third European country to cut VAT from EU allowances (EUAs) and certified emissions reductions (CERs) when the UK's financial secretary to the treasury announced the new law late on Thursday.

Industry sources told ICIS Heren on Friday that they had experienced a growth in the number of unsolicited calls seeking information on trading EUAs and CERs.

"We've had lots of people calling up who don't know what an EUA is, asking how they can trade it," said one insider.

"There have been more enquiries asking for brokerage services from companies we've never heard of and they don't even have a website," another source said. "These kind of calls do set the alarm bells ringing," he added.

The new legislation took effect at midnight on Thursday following concerns that the UK would become the next target for VAT fraud.

The threat became apparent after fraudulent trading on the Bluenext exchange prompted the French government to remove VAT from supplies of emissions allowances in France. The Dutch government has also made VAT changes in respect of emissions allowances trading.

"The change will have no effect on legitimate trading but will prevent fraudsters from charging and collecting VAT which they have no intention of paying to HMRC," the treasury stated.

The Carbon Markets and Investors Association (CMIA) said that it supported EU-wide regulation first and foremost. The industry body urged that any EU level discussions should be centred around finding a solution that would not lead to additional VAT costs for traders.

The International Emissions Trading Association echoed the views: "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 were to adopt their own specific method such as how the Netherlands has done."

An EU-wide scheme could be hard to pull off, although the UK treasury said it was keen to see an EU-wide solution to the fraud problem.

"Political feasibility in regards to implementing the options that exist is a difficult call to make," said Alexandra Galin manager of policy and working groups at CMIA.

"It seems that member states have attempted, insofar as possible, to stop these suspected fraudulent transactions in their tracks. We support the speed of the response, but would urge an EU-wide directive to equalize the EU ETS intra-EU trading environment – and as expediently as is possible, considering the urgency," she added.

The CMIA is scheduled to meet officials from the UK treasury on 5 August (see *EDCM 23 July 2009*) as traders are now calling for clearer guidelines on what they have to do to check that their counterparty is bona fide.

The European Climate Exchange has buffered itself well from the threat of VAT fraud, as its spot-like product is a futures contract and does not lend itself to the traditional delivery versus payment model.

The European Commission is aware of the strong suspicion of carousel fraud in carbon emission certificates, a Commission spokesman said on Friday.

"The Commission is in the process of examining measures taken nationally to counter this potential fraud. It is too early to say whether the Commission will take action on these cases. The Commission intends later this year to propose the application of reversed charges to the supply of certain goods

or services on an experimental basis. This could be an opportunity to include carbon emission certificates in the list of services (if proved necessary)," he added. **CA**

British Airways to ground more planes

British Airways plans to ground a further six passenger planes in 2010, according to its first-quarter 2009 statement. This would further reduce the airline's CO₂ emissions during 2010 – the benchmark year for calculating free EU allowances.

The aviation sector will be included in the EU's emissions trading scheme (ETS) from 2012 onwards. In May, British Airways announced that it would ground 16 aircraft (see *EDCM 22 May 2009*). The latest announcement takes the figure to 22.

British Airways is one of the largest CO₂ emitters to be netted into the ETS. The airline told ICIS Heren that the six additional aircraft would be idled towards the end of next summer going into the winter. It added that the groundings would be under constant review. **CA**

Half of EU citizens favour CO₂ tax – poll

Almost half of Europeans consider that products with a detrimental impact on the environment should be taxed. In return, however, they feel that environmentally friendly products should be benefited by tax reductions, according to a poll carried out this week by Eurobarometer on behalf of the EU.

The opinion shows a sharp contrast to the purist view that a strong carbon cap would be sufficient to drive down carbon emissions cuts, without any additional measures. Such a tax has been proposed by French Socialist Party member and former prime minister Michel Rocard, and the Eurobarometer poll showed that 46% of Europeans would be in favour of such a move. **FSJ**

UK SPARK SPREADS 31 JULY 2009

Period	Gas, p/th	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	22.74	30.84	15.05	1.93	10.24	1.91
September '09	22.25	33.25	17.80	0.72	12.99	0.73
Winter 09	41.25	41.58	12.93	0.53	8.05	0.54
Summer 10	41.35	40.95	12.23	0.22	7.28	0.24
Winter 10	58.25	50.33	9.87	0.30	4.77	0.32

UK DARK SPREADS 31 JULY 2009

Period	Coal, \$/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	67.75	30.84	14.49	1.49	3.41	1.44
September '09	68.75	33.25	16.66	0.12	5.58	0.15
Winter 09	74.20	41.58	23.66	0.41	12.42	0.45
Summer 10	84.85	40.95	20.46	0.10	9.04	0.13
Winter 10	93.75	50.33	27.66	0.24	15.90	0.27

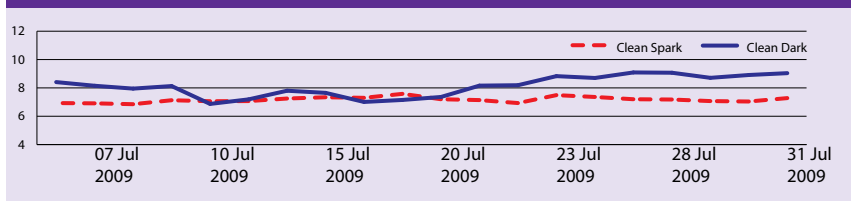
GERMAN SPARK SPREADS 31 JULY 2009

Period	Gas, €/MWh	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	9.20	33.81	15.08	4.39	9.45	4.37
August '09	9.00	32.75	14.43	1.62	8.80	1.64
Q4 '09	14.95	44.10	13.67	0.36	8.04	0.38
Year 2010	18.65	49.23	11.26	0.12	5.47	0.15

GERMAN DARK SPREADS 31 JULY 2009

Period	Coal, €/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	67.75	33.81	14.61	3.93	1.45	3.88
August '09	67.25	32.75	13.74	0.60	0.59	0.65
Q4 '09	71.50	44.10	23.89	0.25	10.74	0.30
Year 2010	84.60	49.23	25.34	0.26	11.80	0.31

UK CLEAN SPARK AND DARK SPREADS: SUMMER '10



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