

Argus European Emissions Markets

Daily European greenhouse gas markets, news and analysis

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Argus Emissions Indexes

 €/t CO₂e

Indexes based on December 2009 contract		Period	Index (€/t)	Volume ('000t)
EUA	Daily Index	-	13.914	875
EUA	Monthly Cumulative	Jul 2009	13.880	61,287
EUA	Last Month Cumulative	Jun 2009	13.593	67,323
EUA	Year to date Cumulative	2009	12.629	481,616
CER	Daily Index	-	12.304	285
CER	Monthly Cumulative	Jul 2009	12.268	10,790
CER	Last Month Cumulative	Jun 2009	11.633	6,025
CER	Year to date Cumulative	2009	10.990	60,899

Financials buoy allowances intra-day

Financial firms' buying interest drove EU emissions trading scheme (ETS) allowances above the key €14/t CO₂e resistance level intra-day on Friday. But selling by utilities which were offloading surplus allowances depressed the price later in the session.

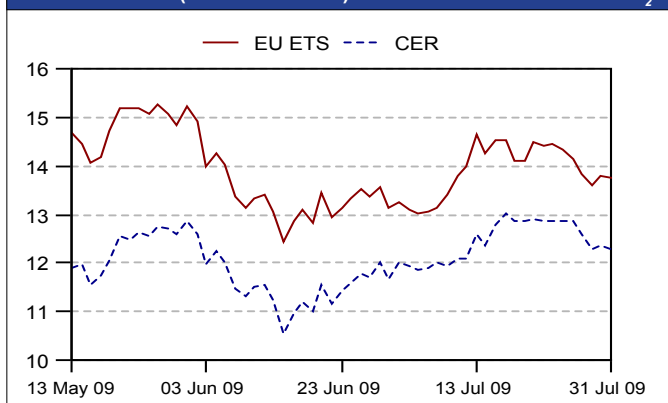
"A number of financials and speculators went short late last week and earlier this week, so it has been a good time for them to book profits," a UK-based trader said. "Some may also have been closing positions ahead of going on holidays," he added.

The December 2009 allowance contract inched €0.01/t CO₂e lower day-on-day, finishing at €13.77/t CO₂e. Week-on-week, the contract finished down 4pc. Some traders expect allowances to stabilise over the coming month, trading between the €13. t CO₂e support level and €14/t CO₂e resistance level. "We are more likely to remain range-bound in August, as there won't be much supply coming into the market," a trader said. But prices could come under pressure thereafter as industrials begin selling their surplus allowances.

Spot volumes on the French exchange Bluenext slid nearly 90pc day-on-day, from 3.2mn t CO₂e to 1.72mn t CO₂e on Friday. Liquidity may have fallen as participants adjust to changes to the UK's laws on value-added-tax (VAT), one trader said.

In the CER market, the December 2009 contract slid 4.3pc week-on-week. The contract closed €0.05/t CO₂e lower on the previous session, to €12.30/t CO₂e. Firms' concern over meeting

EU ETS vs CER (December 2009) €/t CO₂e



Argus OTC assessments

EU allowances		€/t CO ₂ e		
Scheme	Period	Bid	Offer	Change
EU ETS	spot	13.60	13.70	-0.03
EU ETS	Dec 2009	13.72	13.82	-0.01
EU ETS	Dec 2010	14.12	14.22	-0.01
EU ETS	Dec 2011	14.92	15.02	-0.01
EU ETS	Dec 2012	16.00	16.10	0.00

CER (secondary)		€/t CO ₂ e		
Scheme	Period	Bid	Offer	Change
CER	spot	12.27	12.37	-0.05
CER	Dec 2009	12.25	12.35	-0.05
CER	Dec 2010	12.04	12.14	-0.05
CER	Dec 2011	12.02	12.12	-0.06
CER	Dec 2012	12.31	12.41	-0.06
CER strip	Dec 2009-12	12.16	12.26	-0.06

EU allowance - CER spread		€/t CO ₂ e	
Period	Midpoint	Change	
spot	1.33	0.02	
Dec 2009	1.47	0.04	
Dec 2010	2.08	0.04	
Dec 2011	2.90	0.05	
Dec 2012	3.69	0.06	

Generation economics, including cost of emissions

UK (£/MWh)	September	4Q 2009	2010*
Electricity	33.20	39.68	41.15
Natural gas + ETS	22.61	18.90	14.43
Adjusted spark spread (49.13%)	12.95	8.96	4.47
Coal + ETS	16.42	16.98	18.12
Adjusted dark spread (38%)	7.18	12.70	11.20
Coal spread minus gas spread	-5.78	3.75	6.73
Netherlands (€/MWh)	August	4Q 2009	Cal 10
Electricity	31.85	45.70	50.50
Natural gas + ETS	14.66	20.62	24.24
Adjusted spark spread (49.13%)	7.87	9.75	7.02
Coal + ETS	19.25	19.89	21.20
Adjusted dark spread (38%)	1.35	14.10	15.45
Coal spread minus gas spread	-6.52	4.35	8.43
Germany (€/MWh)	August	4Q 2009	Cal 10
Electricity	32.75	44.10	49.30
Natural gas + ETS	14.76	20.82	24.40
Adjusted spark spread (49.13%)	8.57	7.75	5.67
Coal + ETS	19.25	19.89	21.20
Adjusted dark spread (38%)	2.25	12.50	14.25
Coal spread minus gas spread	-6.32	4.75	8.58

Fuel and electricity prices are taken from the Argus European Electricity, Argus European Natural Gas, Argus Coal Daily International and Argus European Products daily market reports. The model does not take account of local taxes and transport costs. * UK year ahead power is average of front two seasons.

their December 2009 deliveries continued to drive the CER curve into backwardation. The front contract's premium to the December 2010 price finished €0.01/t CO₂e higher week-on-week at €0.20/t CO₂e.

Many traders believe the spread will remain backwardated until the fourth quarter, as financial and political issues continue to hinder CER issuances. "There are quite a lot of companies that are just forgetting CDM investment now, even though they've started, because it's so much work," a UK-based broker said. "It looked like a good idea at the time, but now it's too much hassle," he said.

Nordic carbon fund buys Chinese CERs

Carbon fund Nordic Environment Finance (Nefco) has agreed to buy close to 1mn certified emission reductions (CERs) from two energy efficiency projects in China implemented under the UN's clean development mechanism.

The projects reduce emissions from waste heat recovery at cement kilns in eastern Jiangsu province and will provide Nefco with 860,000 CERs until the end of 2012.

They require a combined capital investment of around €46mn (\$65mn) and should generate about 362 GWh/yr. The projects should deliver 327,000 t/yr CO₂ equivalent of greenhouse gas emission reductions.

Nefco was launched in March last year and has more than €100mn to buy carbon credits.

Recession has not dented EU ETS credibility - CMIA

The recession has not compromised the EU emissions trading scheme (ETS), the Carbon Markets and Investors Association (CMIA) said on Friday.

This statement is in response to UK-based climate campaign group Sandbag's recent report, titled EU ETS SOS: Why the Flagship Policy Needs Rescuing. The report criticised the EU ETS credit surplus in phase 2 (2008-12), saying that the market has dealt inadequately with falling demand amid the worsening macroeconomic outlook.

CMIA acknowledges that the recession has led to many entities under the EU ETS having a surplus of allowances, and that the "injection of supply without corresponding demand has led to market depreciation", CMIA manager of policy and working groups Alexandra Galin said. "However, we strongly disagree with claims that the integrity and purpose of the carbon market, and the EU ETS in particular, has been compromised," she

added.

The scheme was designed to enable a gradual transition to a low-carbon economy, so persistent arguments that current emission reduction targets are "overly lax ignores the basic premise of the ETS design", Galin said.

Acting on suggestions to narrow and expand the caps in response to economic circumstances would damage the market's integrity, according to the CMIA. Such a move could create a "carbon casino", prompting participants to bet on the next unpredictable change of rules, Galin said.

The CMIA has urged policy makers to adopt a long-term approach when addressing market issues, be it the phase 2 surplus or the future of the clean development mechanism (CDM). "It is important to view markets not through a short-term lens, but rather look toward its functionality in achieving a long-term goal," Galin said.

Climex to host regular VER auctions

Netherlands-based emissions exchange Climex plans to launch "small and regular" verified emission reduction (VER) auctions in September to cater for smaller buyers.

"At the moment, there is not a channel for smaller buyers. They can go through a broker, but they will pay a high price," a Climex spokeswoman said. "Those who need to buy will now have a channel that they know they can access every month or few weeks," she said.

The credits will be Gold Standard, with volumes ranging from 500t CO₂ equivalent (CO₂e) to 25,000t CO₂e at each auction. Purchased VERs will be delivered into the buyers Gold Standard Registry account within a few days.

Climex announced plans earlier this month to host a reverse auction on 10 September for Dutch financial institution Rabobank Nederland. The firm wants to buy 40,000t of VERs, which must be Voluntary Carbon Standard (VCS), VER+ or Gold Standard. It must be able to receive the credits through the TZ1/Markit, Blue Registry or Gold Standard Registry, and will only accept VERs from renewable energy, agri-based methane capture or cogeneration projects.

Japanese firms form climate lobby

Five of Japan's leading firms have formed a partnership to encourage the country's government to step up efforts to reduce greenhouse gas (GHG) emissions.

The coalition, which is called Japan Climate Leaders' Partner-

ECX, 17:00 London Time										€/t CO ₂ e
Month	First	Last	High	Low	EFP	EFS	Block	Screen	Total Volume	Sett
EUA Dec-09	13.81	13.76	14.09	13.70	3434	0	0	2183	5617	13.71
EUA Dec-10	14.47	14.14	14.47	14.14	785	0	0	123	908	14.13
EUA Dec-11	15.12	15.15	15.15	15.12	0	0	0	63	63	14.91
EUA Dec-12	16.22	16.26	16.26	16.22	875	0	0	96	971	16.00
EUA Dec-13	0.00	0.00	0.00	0.00	0	0	0	0	0	17.22
EUA Dec-14	0.00	0.00	0.00	0.00	0	0	0	0	0	18.44
					5094	0	0	2465	7559	
CER Dec-09	12.34	12.28	12.39	12.28	1650	0	0	314	1964	12.28
CER Dec-10	12.11	12.15	12.15	12.08	210	0	0	56	266	12.06
CER Dec-11	12.13	12.09	12.13	12.09	100	0	0	85	185	12.05
CER Dec-12	12.45	12.42	12.45	12.42	310	0	0	71	381	12.36
					2270	0	0	526	2796	

European weather forecast

Departure from normal temperatures: 01 August											
Location	01-August		02-August		03-August		04-August		05-August		Five-day precipitation (mm)
	Average °C	Departure from normal	Average °C	Departure from normal	Average °C	Departure from normal	Average °C	Departure from normal	Average °C	Departure from normal	
Aberdeen	14.00	0.40	16.00	2.40	14.50	0.90	15.50	1.90	16.00	2.40	2
Manchester	15.00	-0.80	15.00	-0.80	14.50	-1.30	17.00	1.20	17.00	1.20	1
London	17.50	-0.90	17.00	-1.40	16.50	-1.90	19.00	0.60	21.00	2.60	3
De Kooy	18.50	1.90	18.00	1.40	16.50	-0.10	18.50	1.90	21.00	4.40	4
Paris/Orly	21.50	1.90	20.00	0.40	18.50	-1.10	23.00	3.40	25.00	5.40	5
Madrid/Barajas	21.50	-3.20	22.50	-2.20	24.50	-0.20	27.50	2.80	29.00	4.30	4
Hamburg/Fuhlsbuettel	18.50	1.80	20.00	3.30	18.00	1.30	20.00	3.30	23.50	6.80	7
Berlin/Tempelhof	18.50	-0.10	24.00	5.40	21.00	2.40	21.00	2.40	22.00	3.40	3
Duesseldorf	20.00	1.10	18.50	-0.40	19.00	0.10	21.00	2.10	23.00	4.10	4
Nuernberg	18.50	1.30	22.00	4.80	17.50	0.30	17.50	0.30	21.50	4.30	4
Prague	17.50	-0.40	22.50	4.60	21.00	3.10	20.00	2.10	21.00	3.10	3
Warsaw	18.00	0.50	21.00	3.50	25.00	7.50	21.50	4.00	20.00	2.50	3
Budapest	25.00	4.10	26.00	5.10	26.00	5.10	25.00	4.10	24.00	3.10	3
Bucharest	23.50	1.30	23.00	0.80	24.00	1.80	24.50	2.30	23.50	1.30	1
Milano/Linate	24.50	1.70	23.00	0.20	23.00	0.20	24.00	1.20	24.00	1.20	1

— World Weather

ship (Japan-CLP), is made up of technology firms Fujitsu and Richo, insurance firm Tokio Marine and Nichido Fire Insurance, retailer Aeon and the Bank of Tokyo Mitsubishi UFJ. The partnership will seek further participation from other firms, politicians and citizens.

The group has been formed to assure the government that a sizeable portion of Japan's industries is ready to increase efforts to mitigate climate change. The coalition aims to submit its proposal to the government re

garding the country's climate change policies before the UN's global climate change talks take place in Copenhagen, Denmark, in December. The proposal is expected to urge the government to increase its mid-term emission reduction target.

Japan has committed to a 15pc reduction in GHGs from 2005 levels by 2020. This translates to about an 8pc cut from the 1990 baseline or a 2pc reduction from what Japan is obliged to achieve by 2012 under the Kyoto protocol.

The move to create the group contrasts with the attitudes of most of Japan's large industrial firms, which have opposed the introduction of ambitious climate change policy.

The world faces a serious need to seek a lower carbon structure, Richo chief executive Shiro Kondo said on behalf of the coalition. Companies in the coalition will take steps to deliver emissions cuts without sacrificing economic growth, he said.

The coalition has yet to decide if it will ask the government to introduce a nationwide cap-and-trade programme, an official from the group said.

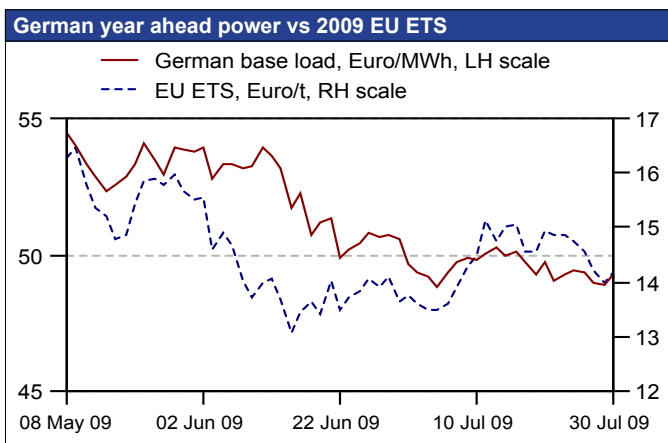
CDM CER Issuance update			t CO ₂ e
	Issuance	Change	
Africa	4,588,174	nc	
Asia Pacific	264,562,006	+1,046,523	
Middle East	191,547	nc	
Latin America	47,454,710	+16,407	
CERs issued	316,796,437	+1,062,930	

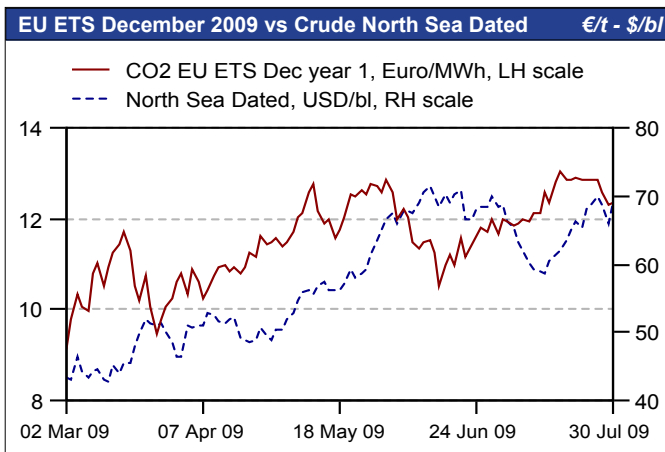
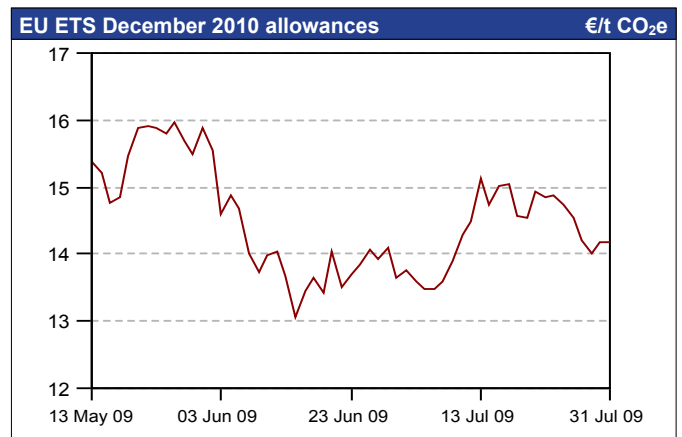
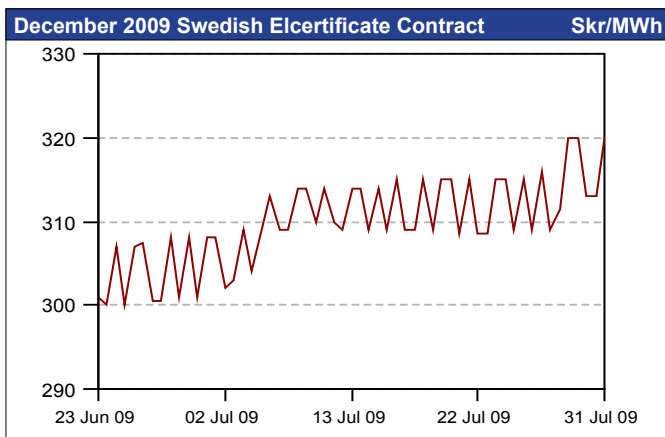
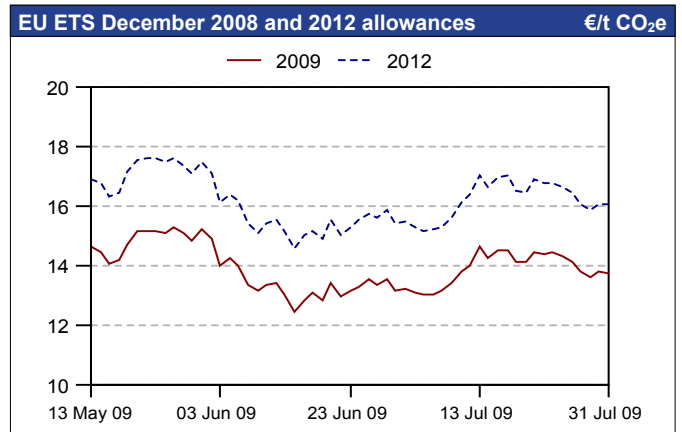
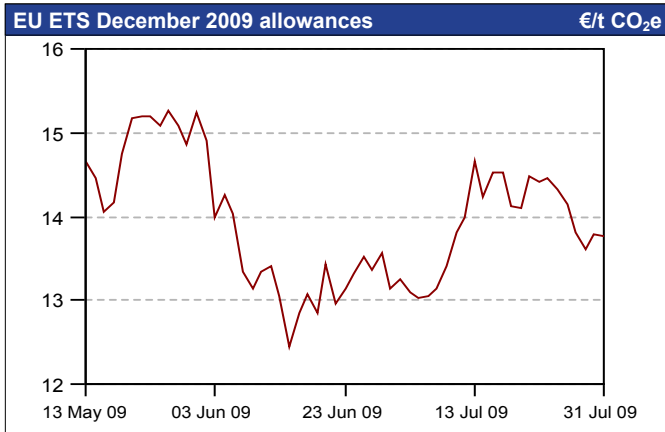
- UNFCCC

UK Green Markets				£/MWh
		Bid	Offer	Change
UK Rocs (co-fired)	CP8 (Apr 2009)	52.80	53.00	0.00
UK Rocs (non co-fired)	CP8 (Apr 2009)	52.80	53.00	0.00

Swedish Green Markets				SKr/MWh
		Bid	Offer	Change
Swedish elcertificates	spot	308.50	310.50	0.00
Swedish elcertificates forwards	Mar-2010	312.00	314.00	0.00
Swedish elcertificates forwards	Mar-2011	319.00	321.00	0.00

Exchange Data				€/t CO ₂ e
Contract	Settlement	Change	Volume	
NordPool				
EUA:				
Dec-09	13.80	-0.05	0	
Dec-10	14.25	-0.05	0	
Dec-11	15.05	nc	0	
Dec-12	16.15	nc	0	
CER:				
Dec-10	12.10	nc	0	
Dec-11	12.10	nc	0	
EEX				
Dec-09	13.86	na	20,000	
Bluenext				
Spot	13.62	+0.14	3,242,000	





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