European Daily
ICIS HEREN **Carbon**Markets
EDCM 4.177 | 14 September 2009 | Published by ICIS Heren | www.icis.com/heren | 2 Pages

OTC EUAS			€/tCO_2e
Period	**Bid**	**Offer**	**Diff**
Spot phase II	13.80	13.90	-0.750
2009	13.85	13.95	-0.750
2010	14.20	14.30	-0.700
2011	14.75	14.85	-0.700
2012	15.60	15.70	-0.750

OTC CERS			€/tCO_2e
Period	**Bid**	**Offer**	**Diff**
Spot phase II	12.40	12.50	-0.550
2009	12.30	12.40	-0.550
2010	12.00	12.10	-0.600
2011	11.95	12.05	-0.600
2012	12.35	12.45	-0.550

ECX EUAS		€/tCO_2e
Period	**Price**	**Diff**
2009	13.90	-0.670
2010	14.26	-0.670
2011	14.80	-0.690

NORD POOL EUAS		€/tCO_2e
Period	**Price**	**Diff**
2009	13.95	-1.200
2010	14.30	-1.200
2011	14.85	-1.250

CARBON SPOT EUAS		
Exchanged	**Price,** €/tCO_2e	**Volume** '000 tonnes
BlueNext	13.780	1,373
Nord Pool	13.900	0

EXCHANGE CERS			€/tCO_2e
Exchange	**Period**	**Price**	**Diff**
Nord Pool	Dec '09	12.30	-0.600
Nord Pool	Dec '10	12.05	-0.650
ECX	Dec '09	12.26	-0.640
ECX	Dec '10	11.97	-0.710
BlueNext	Dec '09	12.26	-0.650

MARKET SNAPSHOT

HEREN CO_2 2009: €13.91/tCO_2e

CO_2 contracts took another beating on Monday, compounding Friday's losses. EUA Year 2009 closed 6.5% below its five-day average, at €13.9/tCO_2e. Traders thought it was significant that the benchmark had broken two resistance levels in as many sessions (dropping below €15/tCO_2e on Friday and €14/tCO_2e on Monday). Yet the selling was thought to be technical, and undertaken by banks and utilities, rather than industrial surplus hitting the market.

The oil, coal and German power markets were also bearish. Still, traders doubted this was the main trigger of the CO_2 price erosion, as EUAs had failed to track intra-day Brent crude movements, and bearish gas would have offset the coal losses. "There are a million reasons why CO_2 should be bearish. I think the question is rather why it has taken so long for the market to fall," one trader told ICIS Heren.

CERs held up slightly better than EUAs. This was ascribed to the usual time lag between the two markets, rather than to the UN's suspension of one of the largest CER auditors (*see below*).

UN suspends one of the "big three" CDM auditors

One of the biggest auditors in the carbon market, SGS UK, has been suspended. The move could further cut the issuance of certified emission reductions (CERs).

The executive board – the UN body in charge of the clean development mechanism – said it decided to suspend SGS at its meeting last week.

The suspension is likely to be temporary, but there is no fixed date for when SGS would be reinstated.

"The executive board will be working with SGS to ensure early resolution of these non-conformities," the UN said in a statement.

The next board meeting is scheduled for 13–16 October, implying SGS could be out of action for at least a month.

This is the second time the board has suspended one of the "big three" CER auditors. DNV was barred for around two months last winter (*see EDCM 3 December 2008 and 16 February 2009*).

Suspensions could now become a regular occurrence. At its meeting last week, the board also agreed on a set of rules to ensure carbon market auditors (so-called designated operational entities) are doing their job properly, as well as to determine what sanctions should be in place if they are not. The board called this a "key policy development".

Analysts say the market impact could be bullish, as it might cut the supply of CERs. However, many CER originators have a surplus of credits to sell this year, as they have held back credits in response to low market prices. A number of contracts are also understood to be stuck without specific delivery dates. This indicates CER intermediaries might not have to source any shortfall in the market for the time being.

Carbon asset manager EcoSecurities – which has one of the biggest CER portfolios, according to UN data – said the SGS suspension would have only a limited effect.

EcoSecurities uses SGS to verify and validate 14 projects, set to deliver approximately 2.78m credits in the pre-2012 period. Chief executive Bruce Usher said: The board of EcoSecurities is confident that the company will manage the impact of SGS's temporary suspension." **IS**

> "SGS could be out of action for at least a month."

CDM reform is needed to provide 40% target – CMIA

The carbon markets will not be able to provide as much capital as the EU expects unless the clean development mechanism (CDM) is reformed. That was the message from the Carbon Market Investor Association (CMIA), after the EU Commission unveiled its Copenhagen negotiating position last Thursday.

The Commission said carbon markets should raise 40% of the estimated cost of combating climate change (*see EDCM 10 September*).

"This is a heavy expectation in the absence of ambitious international targets," CMIA said in response to the Commission's announcement. "If 40% is to be provided by the private sector, policy-makers must listen much more closely to an analysis of market feasibility of the proposals on the table."

Investment into the flexible mechanisms remains hampered by uncertainty over demand for carbon credits after 2012, when Kyoto expires, CMIA said. A clear message was needed from the EU and other negotiators that certified emission reductions would still be used for compliance under new emissions trading schemes, and that these credits would be on a parity with new mechanisms coming on line, it said.

CMIA wants immediate CDM reform, including streamlining credit issuance, standardised approval of projects and a new appeal process. The UN is working to reform the CDM, but market participants are disappointed with the rate of progress. **IS**

JP Morgan subsidiary bids for EcoSecurities

EcoSecurities has teamed up with investment bank JP Morgan to fend off the unsolicited takeover bid launched by Guanabara, a new venture set up by one of its co-founders.

The new vehicle created by EcoSecurities and JP Morgan – the Carbon Acquisition Company – is launching a £1.00 (€1.13) per share bid for EcoSecurities' entire share capital. This trumps the current Guanabara bid of 90 pence/share, and values the company at £122.9m.

The new bid has already secured irrevocable acceptance for 19.9% of the company's existing share capital, from Credit Suisse, all of the company's directors and one of its founders, Marc Stuart, EcoSecurities said. This compares with around 25% acceptance achieved by Guanabara.

Guanabara said earlier that its 90 pence/share bid was final (*see EDCM 1 September 2009*), and made no immediate counterbid on Monday. It said in a statement that it was "reviewing" its offer, however. **IS**

UK SPARK SPREADS 14 SEPTEMBER 2009

Period	Gas, p/th	Power, £/MWh	Spark spread, £/MWh	Diff	Clean spread, £/MWh	Diff
Day-ahead	17.82	31.72	19.35	0.36	14.34	0.60
October '09	23.05	34.90	18.89	0.37	13.86	0.61
Winter 09	33.43	38.80	15.59	0.40	10.49	0.62
Summer 10	34.60	37.55	13.52	-0.15	8.36	0.07
Winter 10	50.25	45.55	10.65	-0.16	5.38	0.06

UK DARK SPREADS 14 SEPTEMBER 2009

Period	Coal, $/tonne	Power, £/MWh	Dark spread, £/MWh	Diff	Clean spread, £/MWh	Diff
Day-ahead	67.00	31.72	15.49	-1.40	3.94	-0.86
October '09	67.50	34.90	18.55	0.01	6.96	0.55
Winter 09	69.60	38.80	21.94	-0.07	10.20	0.44
Summer 10	78.19	37.55	18.60	-0.33	6.71	0.16
Winter 10	86.09	45.55	24.66	-0.47	12.53	0.03

GERMAN SPARK SPREADS 14 SEPTEMBER 2009

Period	Gas, €/MWh	Power, €/MWh	Spark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	8.67	37.66	20.01	0.65	14.32	0.96
October '09	9.75	41.68	21.83	0.31	16.12	0.62
Q4 '09	12.00	44.48	20.05	0.28	14.34	0.59
Year 2010	15.20	47.68	16.74	0.20	10.88	0.48

GERMAN DARK SPREADS 14 SEPTEMBER 2009

Period	Coal, $/tonne	Power, €/MWh	Dark spread, €/MWh	Diff	Clean spread, €/MWh	Diff
Day-ahead	67.00	37.66	19.23	0.13	5.93	0.85
October '09	67.50	41.68	23.11	0.13	9.77	0.86
Q4 '09	67.80	44.48	25.83	0.28	12.48	1.00
Year 2010	78.00	47.68	26.22	-0.33	12.54	0.34

Essent Trading strikes US offset deal

Essent Trading, a subsidiary of the Dutch energy group, has struck a deal with Californian offset developer TerraPass to buy verified emission reductions, making it one of the first European utilities to become active in US offsets.

"As a major trader in EU allowances, Kyoto instruments and voluntary credits, we see expanding to the US as a natural step," said Remco Frenken, vice president of global commodities at Essent Trading.

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1 Procter Street, Holborn,
London WC1V 6EU, UK

Tel: +44 20 7911 1920
Fax: +44 20 7911 1851
Website: www.icis.com/heren
Email: info@icisheren.com

Enquiries
ICIS Heren Customer Support +44 20 7911 1919 sales@icisheren.com

Managing Editor
Louise Boddy +44 20 7911 1948 louise.boddy@icisheren.com

Commercial Director
Simon Platt +44 20 7911 1957 simon.platt@icisheren.com

Head of Design and Production
Alexis Rendell

Head of Sales
Richard Haddrell

Editor, EDCM
Isabel Save +44 20 7911 1942 isabel.save@icisheren.com

Deputy editor
Tomas Marzec-Manser +44 20 7911 1964 tomasm@icisheren.com

Reporters
Reg Ajuonuma, Mario Alemi, James Allpress, Ed Cox, Zoe Double, Marie Louise Du Bois, Ben Essex, Roman Kazmin, Tomas Marzec-Manser, Cristina Ranieri, Filipe Rufino, Fatima Sadouki, Charles Shaw, Robert Songer, Freddie Staermose-Johnson, Katya Zapletnyuk

Production Editor
Joseph Williams +44 20 7911 1944 joseph.williams@icisheren.com

Production
Dan Bloch, Domini Down, Robert Evers, Joseph Gyure, Rachel Kemp, Fred Seelig

Sales and Marketing
Douglas Strien, Ilja Paskevic, Pedro Capella, Krystjan Chanerley, Anna Peters, Kitty Timpson, Kirsty Fleck