

12 June 2006

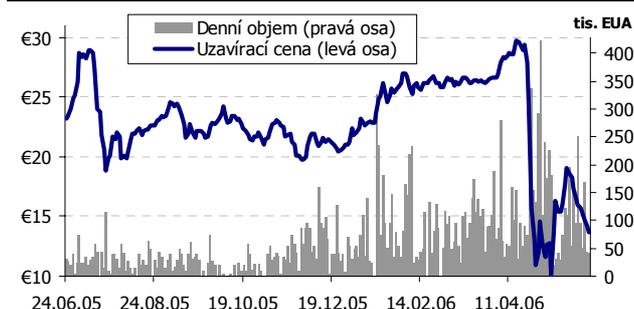
PRICE KEEPS FALLING FOR MORE THAN TWO WEEKS

Polish NAP complies with all EC requirements, Poland expects approval

Trading

Within the 23rd week the allowance prices continued to fall. Except the fundamental surplus of allowances in the market (which industrial companies have not placed to the market, yet), the price was affected mainly by falling prices of natural gas in the UK and falling power prices in Germany. Powernext closing price on Tuesday was €15.38 per EUA (no trading on Monday on Powernext due to holiday). Speculations following the Electrabel Poland CEO's statement on the conference in Cannes that Poland might not be as long as expected caused price to surge by about a euro but the price slipped down again, soon, as the information was unjustified. On Friday, the market closed with the price of **€13.65 per EUA**, €2.10 less compared to Friday a week ago.

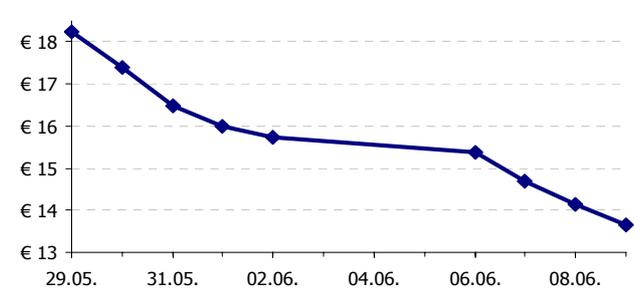
EUA Prices and Volumes on Powernext exchange (spot)



Source: Powernext

The activity on the market was quite low this week, as 10.3mn allowances traded across all platforms, down by 17% from a week ago. Brokers in the OTC market managed to transact 75% of the total week's volume while exchanges transacted the remaining 25%.

EUA Prices on Powernext exchange – past two weeks (spot)



Source: Powernext

News

According to information provided by a **Polish** government official, the last version of the National Allocation Plan (NAP) submitted to the European Commission (EC) complies with all EC requirements. The official said that since the NAP has not been dismissed by the EC, it is likely that the EC will accept it. He added that so far, this has not been the case because the EC does not want to give its approval until most of the Polish companies have submitted their verified emissions. After the NAP is approved by the EC, the Polish registry will be connected to the central registry and the government will be authorised to allocate allowances to the companies.

Swedish draft National Allocation Plan for the second period plans to distribute 22.2mn EUA a year, down by 0.3mn tons compared to the first phase. The number of installations included in the EU-ETS should increase by 15 or 20. Last year, companies in Sweden emitted 2.96mn tons of CO₂ less than their allocation.

Portugal plans to cut its national allocation by 11% thus it plans to distribute 33.9mn allowances a year according to draft NAP for the second phase. However, Portugal also plans to decrease the number of installations included in the EU-ETS from 244 to 214.

Estonia published its draft NAP for the second phase planning to allocate 24.5mn allowances a year, of which 22.8mn EUAs should be allocated to companies participating in the first phase, thus these companies would be allocated some 4mn tons more than in the first phase.

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