

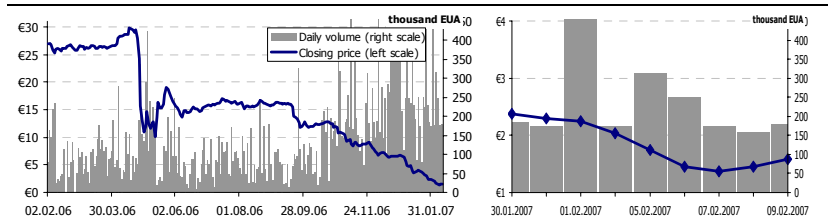
EUA PRICE RECORD LOW

February 12

Germany will accept NAP2 cap set by EC

Trading SPOT: Record low of **€1.38** was on **Wednesday** as EUA price was continuously falling on the back of selling pressure from industrials and utilities at the beginning of last week. Since Thursday EUA has started to recover as prices of oil, gas and power moved. The EUA finally reached €1.59 on Friday (however this is still over 20% less than price on Friday 2nd of February, when price was €2.03).

EUA Prices and Volumes on Powernext - last twelve month (LTM) and last two weeks

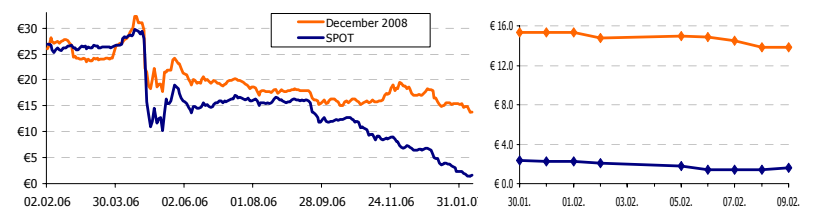


Source: Powernext

Total volume of allowances traded last week was 25.1 million. That was about 3% less than week ago. Approximately 17.3 million allowances (69%) were traded on the OTC market; remaining 7.8 million (31%) was traded on the exchanges.

Trading FORWARD: The Dec'08 contract was losing its value through the last week to finally reach the lowest price ever - €13.80 on Thursday (almost €1 or 7% less than on Friday 2nd of February). The main reason of price drop was fall of German Power for 2008, which reached price of €50.75 - the lowest since Jan. 31 2006. Dec 08 recovered marginally to €13.85 on Friday as the German Power, oil and gas prices started to grow.

EUA SPOT and December 2008 Prices LTM and last two weeks



Source: Powernext, Pointcarbon

The spread between SPOT and Dec08 was decreasing through the last week as the Dec08 was losing value significantly (see the Trading forward section). The spread finally was €12.26 on Friday almost €1 less than on Monday (€13.20).

Spread between EUA SPOT and Dec08 Prices LTM and last two weeks



Source: Powernext, Pointcarbon

News: According to the German Environment Minister - Sigmar Gabriel, **Germany** will accept the second-phase cap set for its emissions trading sector imposed by European Commission. On the 29th November EC reduced Germany's allocation to 453.1 million. Germany's initial proposal was to allocate 482 million allowances per year, but it was later reduced to 465 million, after revised emissions figures became available. Through the last weeks Germany was trying to negotiate with EC a higher cap. This agreement means that negotiations have not been successful for Germany and, therefore, smaller number of allowances will be available in the second phase. It should reflect in higher EUA's price.

Slovenia will be allowed to allocate about 8.3 million allowances annually in the 2008-2012 period, according to the EC decision announced on 5th of February. This is about 5% less than Slovenian 2005 emissions that were 8.72 million. The accepted cap is in line with Slovenia's proposal submitted to EC on October. Additionally, EC has decided to reduce Slovenia's limit on the use of credits from CDM and JI projects from 17.5% to 15.7%. EC decision means that fewer allowances will supply the second phase. However, total Slovenian allocation is relatively small and should not have significant influence on the price in the phase two.

NAP2: List of the countries, which are still waiting for EC final decision:

- **Austria**
- **Czech Republic**
- **Estonia**
- **Finland**
- **France**
- **Hungary**
- **Italy**
- **Poland**
- **Portugal**
- **Romania**
- **Spain**

List of countries that haven't yet submitted NAP2 draft to the EC:

- **Bulgaria**

Powernext Pravda Capital is a member of Powernext exchange. Compiled using information acquired from Pravda Capital, CO2e.com, Bloomberg, Point Carbon and Powernext.