

EUA PRICE AGAIN HITS NEW RECORD LOW

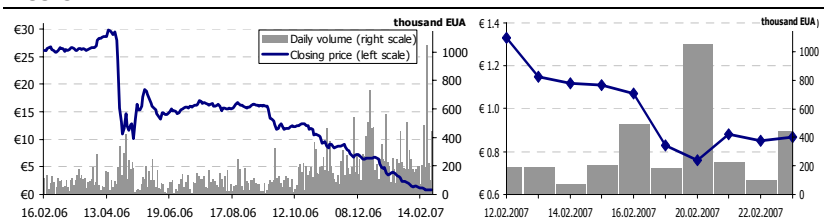
February 26

Germany publishes new second-phase NAP

Trading SPOT: EUAs were traded in narrow range through the last week. The lowest price was **€0.76 on Tuesday** (which is again the lowest EUA price ever) and the highest **€0.88 on Wednesday**. Tuesday prices' fall was mainly effected by strong selling pressure from industrials and, additionally, supported by fall of German Power. Also on Tuesday, on Powernext exchange over 1 million EUAs were sold – this is highest volume traded on this exchange ever. Last week closed with the price of **0.87 on Friday**, which is almost 19% less than price of **€ 1.07** on Friday 16 of February.

News: **Germany** published new second-phase NAP on Monday, February 19. It has been made in accordance with the cap set by the European Commission (EC) and will be circularized among ministries for consultation. According to this document, Germany will allocate 453.1 million EUA per year. This is about 20 million (or 4.3%) less than Germany 2005 emissions, which were 473 million. Additionally, the limit on the use of credits from the clean development mechanism (CDM) and joint implementation (JI) was set at 20%. Germany has originally proposed to use such credits up to 12% of their allocation. This is an increase of about 40 million EUA. It means that additional inflow of EUA will be available in phase two, which may cause price drop.

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



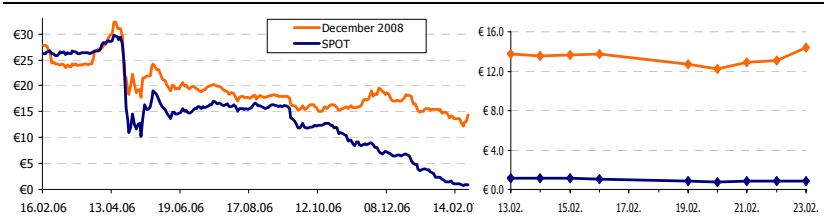
Source: Powernext

Total volume of allowances traded last week was 34.9 million. That was about 42% more than week ago. Approximately 24.6 million allowances (71%) was traded on the OTC market; remaining 10.3 million (29%) was traded on the exchanges.

Trading FORWARD: The Dec'08 contract was losing its value at the beginning of last week and finally reached **€12.20 on Tuesday**. It was its lowest price ever. The price drop was mainly affected by fall of German Power for 2008, (which was traded under the €49). During next days of the week Dec'08 started to recover as the German Power started to grow and supported by a strong buying pressure from financials and utilities. Finally price was **€14.40 on Friday**.

The environment ministers of the **EU member's states** agreed on 20th of February that the EU should reduce greenhouse gas emissions by 20% below 1990 levels by the year 2020. Moreover, they decided that reduction of 30% should be an aim reached in international negotiations. Environment Commissioner Stavros Dimas has commented this decision and said that the support of ministers has been important because it is necessary for the emissions trading system to "have certainty in the post-2012 period." Additionally, ministers have decided to approve the EU Commission's proposal to include aviation in the EU emissions trading scheme and they have agreed with proposal to reduce greenhouse gas emissions generated by cars to 130 grammes per kilometre.

EUA SPOT and December 2008 Prices LTM and last two weeks



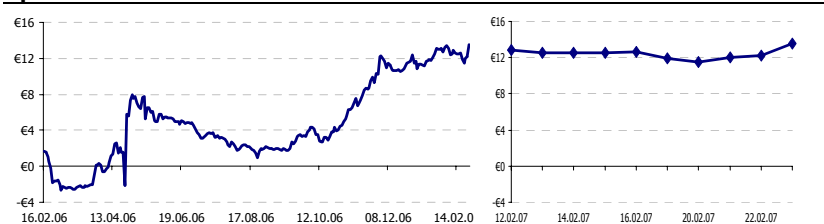
Source: Powernext, Pointcarbon

The spread between SPOT and Dec08 decreased significantly at the beginning of last week as the Dec08 fell close to the €12 (see the Trading Forward section). Through the next days the spread was increasing as the phase one allowances were traded in narrow range and Dec08 price rose significantly. The spread finally was **€13.53 on Friday**.

NAP2: Countries, which are still waiting for EC final decision:

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

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



Source: Powernext, Pointcarbon

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.