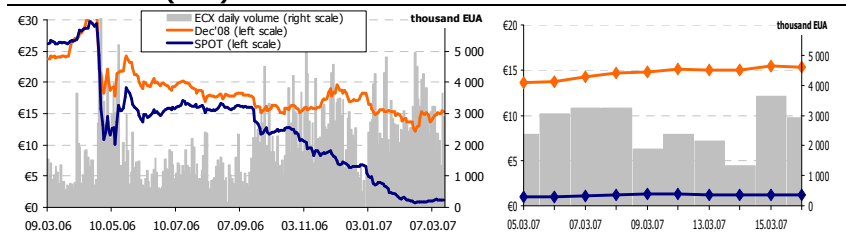


**EUA PRICE ON DOWNWARD TREND AGAIN  
EC to rule on large NAP's before the end of the March**

**March 19**

**Trading FORWARD:** The Dec'08 contract traded in a narrow range (€15-€15.10) at the beginning of the last week. The main reasons of that, were mixed signals from commodities markets and lack of liquidity on the allowances market. **On Wednesday**, Dec'08 price started to grow and was **€15.50** as the information about possible significant cut in Polish NAP2 were released (see the news section). Week ended with price of **€15.35 on Friday** as the cheapening German Power and UK gas put the carbon price down. Total ECX (Forward) volume traded was 12.39 million last week. That was about 10% (or 1.4 million) less than week ago.

**EUA SPOT and December 2008 Prices and futures volumes on ECX - last twelve month (LTM) and last two weeks**



Source: Powernext, Pointcarbon, ECX

The spread between SPOT and Dec08 remained unchanged at level of €13.8 at the beginning of the week as the both SPOT and Dec'08 were traded in a narrow range. Starting from Wednesday spread increased to **€14.30** as the price of Dec'08 started to grow (see Trading Forward section). Finally spread was €14.21 on Friday.

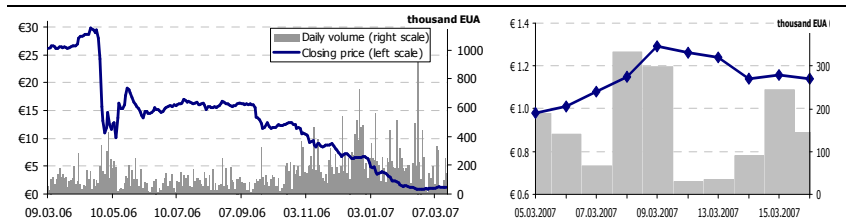
**Spread between EUA SPOT and Dec08 Prices LTM and last two weeks**



Source: Powernext, Pointcarbon

**Trading SPOT:** EUA's started at **€1.26 on Monday** and were losing it's value through the whole week. Main reasons of the fall were continued mild weather, lack of buying support from utilities and very low liquidity on market. The lowest price was **on Friday**, when EUA reached level of **€1.14** due to the fall of German power, oil and UK gas prices.

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



Source: Powernext

Total Powernext (SPOT) volume of allowances traded last week was 0.55 million. That was about 47% (or 0.48 million) less than week ago.

**News:** The European Commission informed on Wednesday, March 14, that it will announce its decisions over the allocation plans of **Poland, France** and the **Czech Republic** before the end of March. According the information from **Polish** ministry of environment, the EC instructed Poland to cut its annual allocation for 2008 to 2012 by 74 million, to 210 million. Poland had originally asked to allocate 284 million EUA's per year, but now is ready to cut its yearly amount to 245 million. However, this is still almost 33 million (or 16%) more than Polish verified emissions in 2005 (212 million). **France's** annual NAP2 cap will be set up at 132.8 million. This is about 23 million less, when compared to the 155.63 million in its initial submission but almost 1.5 million (or 1.15%) more than French emissions in 2005 (131.3 million). The **Czech Republic** in its NAP2 submitted to the EC in December, is proposing to allocate 101.9 million EUA's annually. That is an annual increase of 19.45 million (or 24%) when compared to the Czech 2005 emissions (82.45 million). Based on the previous EC decision's over NAP's 2 it is most likely that it will reduce the allocation of all these countries. The size of the cut will be crucial for the price. In case of the major reduction, it should reflect in significant increase of the phase two price.

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

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

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.