

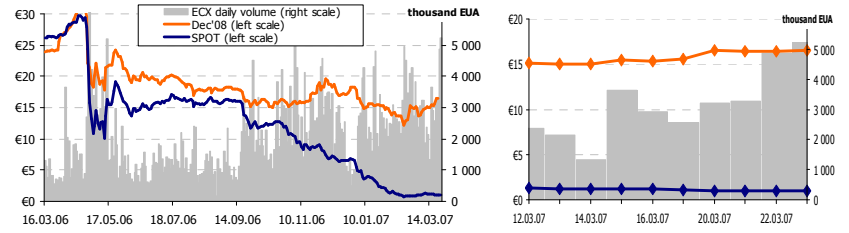
EUA PRICE AGAIN UNDER €1
Polish companies emitted up to 20% more than in 2005

Trading FORWARD: The Dec'08 contract stayed on the upward trend from the previous week. The biggest price growth was on **Tuesday** when EUA increased to **€16.50** on the back of buying support from financials and utilities and strengthened German power and oil. Through the next days Dec'08 traded in narrow range as the mixed signals from fuels and Power markets was seen and ended with price of **€ 16.50 on Friday**. Total ECX (Forward) volume traded was 19.18 million last week. That was about 55% (or 6.78 million) more than week ago.

On Monday 26 March, at 12pm, the EC will announce its decisions on the NAP's2 of **Czech Republic, Poland and France**

News: Polish companies, excluding the Power sector, emitted in 2006 up to 20% CO₂ more than in 2005, according to the data from the Polish environment ministry. The increase of emissions above 2005 level was 19.8% for refinery sector, 19.72% for cement and clinker, 16.25% for the lime sector, 4.31% for the pulp and paper and 2.17% for ceramics. Polish verified emissions in 2005 were 212 million, which left companies with surplus of about 27 million. However presented data do not include the Power sector which covers 76% of the total Polish allocation in phase1. Therefore the overall increase of emission should be much smaller. Due to the higher emissions more EUA's will be used. This may reflect in short term, marginally increase of the EUA price. However size of the emissions grow is not big enough to change the major downward trend of the EUA price. The **Bulgarian** and **Romanian** EU ETS registries will not start working before the end of the April due to the technical problems. Previously planned start up date was set up at the end of March. EC still has not approved Bulgaria's and Romania's NAP's for the year 2007. Both countries are expected to have surplus of EUA's. This means that additional inflow of allowances may reach the market, which will put the EUA price down. However companies from both countries are unlikely to enter the market until their allocations have been settled and the domestic registries are fully operational.

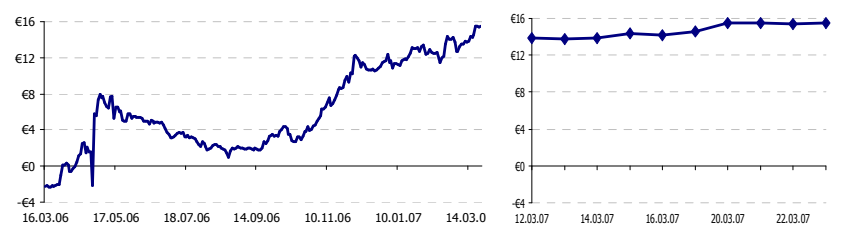
EUA SPOT and December 2008 Prices and futures volumes on ECX - last twelve month (LTM) and last two weeks



Source: Powernext, Pointcarbon, ECX

The spread between SPOT and Dec08 was growing significantly through the last week as the SPOT was losing value and Dec'08 price was increasing (see Trading Forward section). The week opened with spread of €14.53 on Monday and ended with €15.53 on Friday.

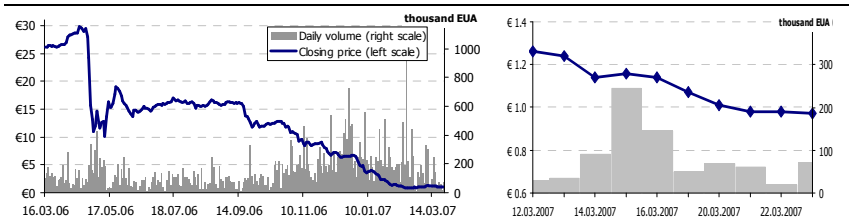
Spread between EUA SPOT and Dec08 Prices LTM and last two weeks



Source: Powernext, Pointcarbon

Trading SPOT: EUA's were losing its value through the whole week and went back under the €1 level again. Trading started with price of **€1.07 on Monday** and ended with price of **€0.97 on Friday**. Major reason of the price drop remained unchanged: oversupply of the allowances in phase. Additionally last week price fall was supported by low liquidity on market.

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 0.27 million. That was about 50% (or 0.27 million) less than week ago.

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.