

Last Tuesday carbon market recorded over 18 % rise when it jumped from € 6.90/t closing price on Monday up to € 8.46/t on Tuesday caused by the approval of environmental committee to set estimated 1.4 billion allowances aside in the third phase. However, since Wednesday onwards the carbon market started to decline again. Nevertheless, the EUA spot price closed on Friday at 7.83€, 15% higher than the previous week, and CERs closed at 4.73€, 5.6% higher than previous Friday. The spread closed at 3.1€.

**Airlines lose fight against EU Carbon Caps**

The EU Court of Justice in Luxembourg confirmed on Wednesday that inclusion of aviation in the directive of the emission-trading program is valid. Therefore the plan to impose carbon curbs on flights to and from the region's airports starting next year will not be changed. The International Civil Aviation Organization considers creating a global carbon market for the aviation industry. The U.S. House of Representatives passed a bill which prohibits the country's airlines from joining the EU ETS. However, this bill needs to be approved by the Senate and President Obama to become law.

**Set-aside backed by the EU Parliament Environment committee**

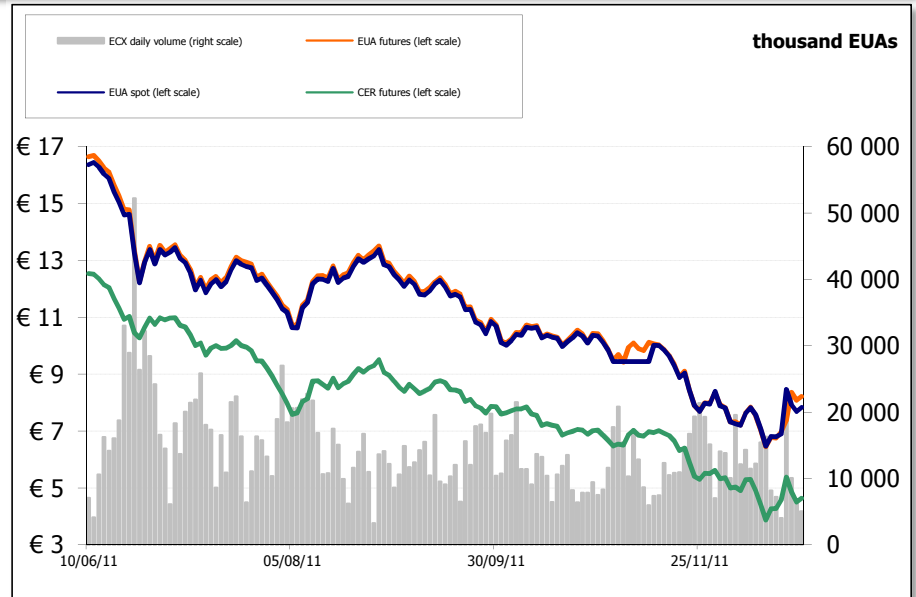
The EU Parliament Environment committee supported a new amendment of the Energy efficiency draft to withdraw 1.4 billion allowances from the market in order to boost price. According to the amendment, a "significant" number of permits should be withheld from the market, in a move that would create a shortage and increase prices. However, the amendment has to be yet approved by industrial committee and final version must be negotiated with EU member countries. On the speculation carbon allowances rose more than 32 %.

**Lithuania banned from carbon trade**

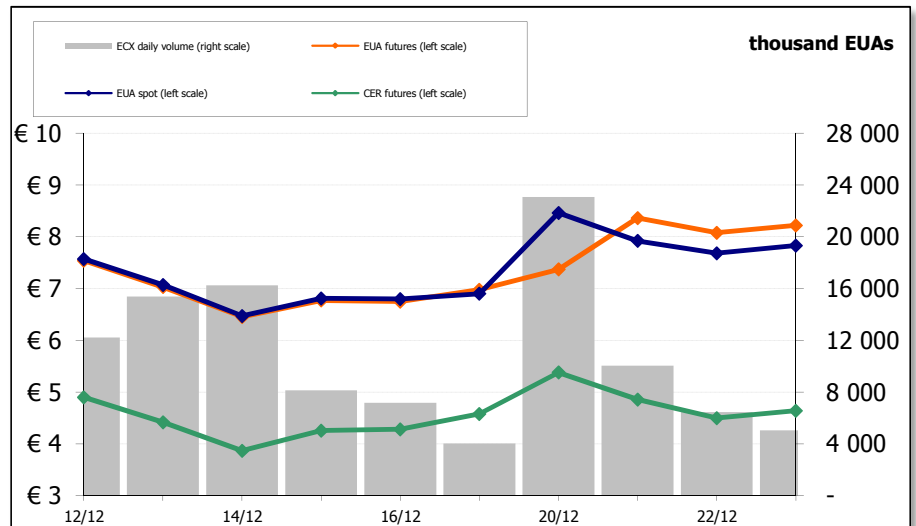
Similar case to Romanian registry closure, also Lithuania was banned on Wednesday from transferring Kyoto permits because it breached reporting rules. Since the registry has been closed the country will not be allowed to sell emission permits or issue carbon credits.

**Financial aid to 85 % of eligible costs for carbon leakage companies**

The EU proposed limiting financial aid to 85 % of eligible costs for energy intensive companies exposed to carbon leakage (i.e. production of aluminum, copper, lead, zinc, etc.). EU emissions law allows member states to adopt measures to compensate companies for the costs relating to GHG discharges passed on in electricity prices. Aid cannot exceed 85 % of eligible costs in 2013-2015, 80 % 2016-2018, 75 % 2019-2020. The EU plans to adopt it in the Q1 2012 the measure which is designed to support companies disposed to carbon leakage.



Spread EUA/CER	spot (€)	Day	future (€)	Day
Weekly maximum	3.1	23/12/2011	3.58	23/12/2011
Weekly minimum	2.35	19/12/2011	1.99	20/12/2011



Spot EUA and CER	Price (€/EUA)	Day	Price (€/CER)	Day
Weekly maximum	8.46	20/12/2011	5.52	20/12/2011
Weekly minimum	6.90	19/12/2011	4.55	19/12/2011

Source: Carbon Warehouse, Bloomberg, Bluenext, ECX