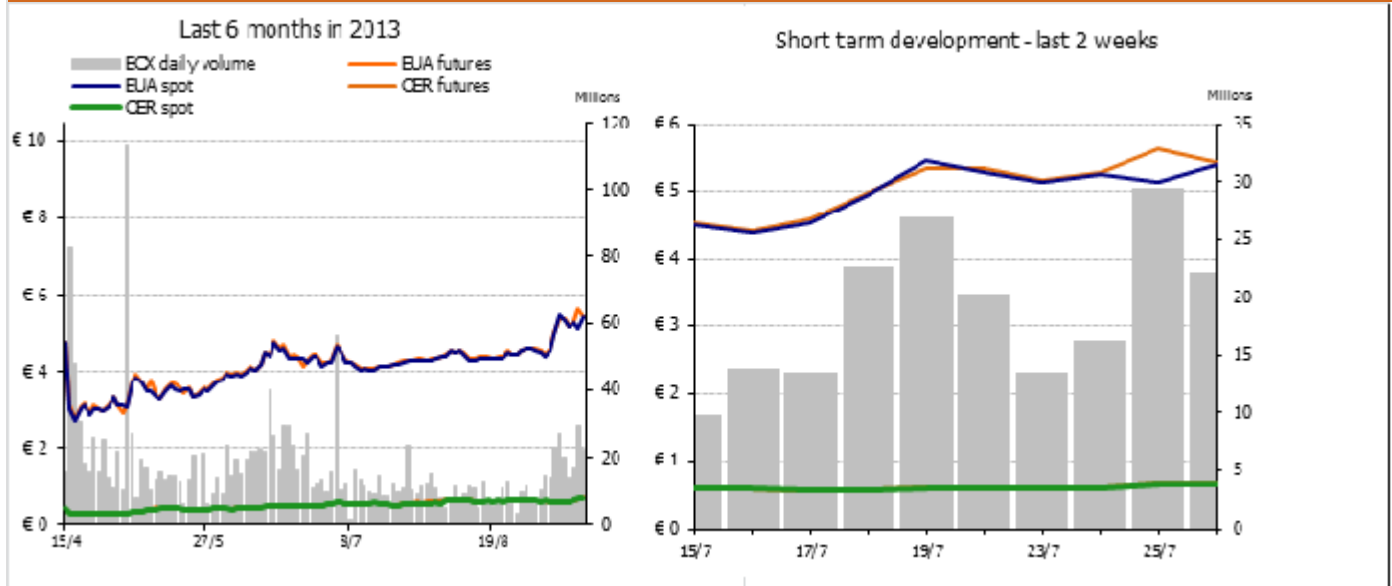


CO2 market recorded a positive week. EUAs closed the week at € 5,39. CERs credits closed at € 0,66. CER/EUA spread finished the week at €4,73.



	SPOT			FUTURE			
	max	min	wkly chg	max	min	wkly chg	
EUA	5.45	4.39	24%	EUA	5.33	4.42	21%
CER	0.60	0.56	7%	CER	0.60	0.56	7%

How will EU carbon market change after German elections?

We tried to estimate 3 most probable coalition scenarios based on the results of polls and their implication on carbon market.

Scenario 1 – CDU + FDP – probability 50%, slightly bullish for emissions price.

Continuation of the current government is very much dependent from the electoral success of liberal FDP party. The most acceptable coalition partner for Merkel’s CDU recently has lost substantial portion of supporters and might have problem to achieve the minimum 5% of votes to enter the Bundestag. Liberals fundamental goal is to keep the carbon business on functional market without any substantial interference of the government. Merkel’s positions to carbon issue could be derived from her statement in last week’s when she expressed displeasure about the fact, that current Germany is producing more carbon emissions than before Energiewende. This is of course caused by the closure of nuclear capacities after Fukushima disaster. However we don’t expect that this coalition would come up with some policy with revolutionary implication on carbon market. For CDU-FDP coalition we expect support to backloading, preserving ETS market and further lowering of feed in tariffs for renewable electricity generation.

Scenario 2 – CDU + SPD – probability 40%, slightly bearish for emissions price.

SPD performance in last days before elections is strong and the big coalition scenario is not an unrealistic eventuality. For this coalition we would expect more “protective” support for big industries as a traditional source of SPD voters. Big coalition according to our estimates means support to the backloading, no dramatic changes in current carbon policy, no minimum carbon prices and preserving feed in tariffs for electricity generation from renewables. We expect this coalition as second most probable depending from the fact if FDP can make it to the Bundestag.

Scenario 3 – SPD + Greens – probability 10%, strongly bullish for emissions price.

Greens shouldn't have problem to make it into Bundestag but their coalition potential on federal level is questionable. Their more radical tax and energy policy excludes them from cooperation with CDU and it is questionable what would be the compromise on carbon issue between SPD and Greens if they would form a government. However it is almost sure, that this coalition would apply policy which would send the carbon prices substantially higher from current levels. Support for backloading for this coalition (as for other 2 too) is sure and we would expect some minimum carbon prices and favoring green electricity by higher feed in tariffs.

Results of last week's auctions

Day	Organizer	Volume	Price (€)
9/9	European Union	3,461,500	5,38
10/9	European Union	3,461,500	5,13
12/9	European Union	3,461,500	5,30
13/9	Germany	4,020,000	5,37

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