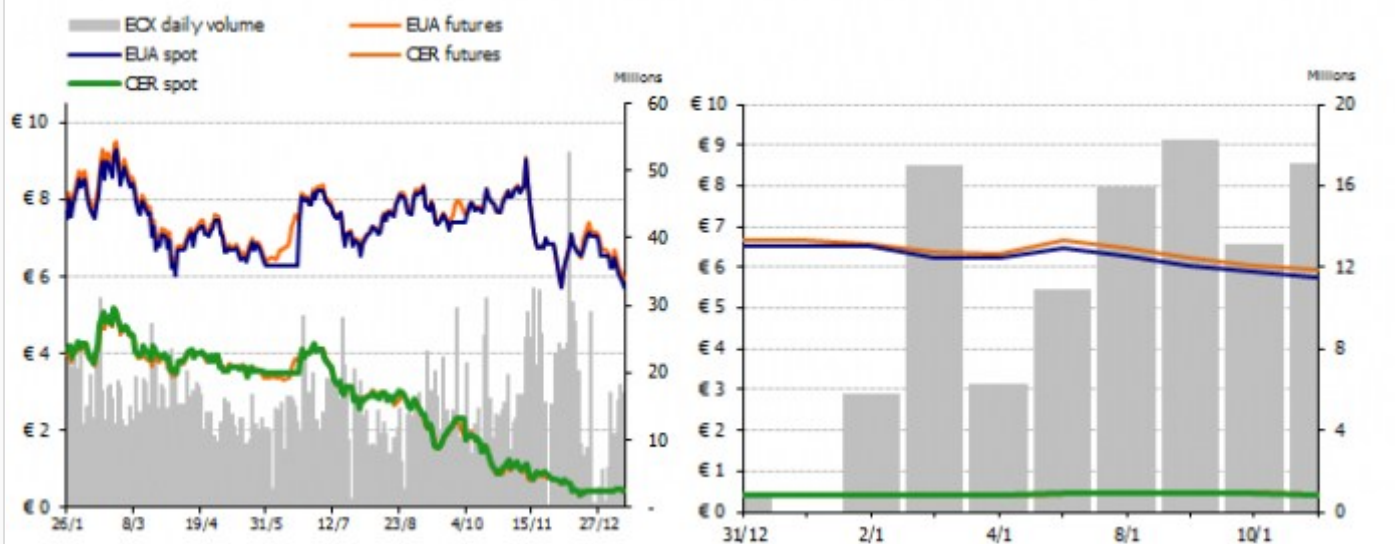


Last week carbon market noted a bearish trend. Both EUA and Kyoto offsets went down substantially. EUAs lost 8 percent and closed the week at 5.73 euro/t. CER were valued at 0.43 euro/t. Due to poor performance of EU credits spread narrowed down to - 5.30 euro/t.



SPOT				FUTURE			
	max	min	wkly chg		max	min	wkly chg
<b>EUA</b>	6.49	5.73	-8%	<b>EUA</b>	6.66	5.92	-7%
<b>CER</b>	0.47	0.43	2%	<b>CER</b>	0.47	0.43	8%

### Carbon drops as auctions started

Last week was very liquid on carbon market. Daily volumes both OTC and futures on ICE were the highest since last weeks before the Christmas. Big volume was partly connected with commence of auctions on EEX AG. Phase 3 allowances were traded 4 times last week: 3 times sold in name of the EU, 1 time for Germans. Due to auctions and increased volume carbon dropped substantially. Dec13 contracts lost 7 percent, being valued at 5.92 euro/t on Friday.

### EU to vote on banning ERUs

On January 23 the UE scheduled a vote on draft regulation that may include limits on some imported emissions. Voting will directly regard limiting eligibility on some ERU credits among EU ETS (track-two JI projects). Future of credits coming from track-one project is still not certain, so far EU regulator did not comment on banning these credits. According to Bloomberg Finance there should be further talks on a permit-supply fix on the agenda as well.

### **35 amendments to carbon law fix**

Last week, members of the EP environment committee proposed 35 new amendments to a draft on carbon fix which was firstly presented in July 2012. Altogether committee will consider 42 amendments. The main issue on possible changes to the law is the procedure on deciding about scheduling auctions. Some of the members want to ensure avoidance of not planned interventions and returning the allowances to the market in 2020.

### **Bearish market forecasts**

For carbon price in 2013 are bearish, according to Bloomberg Finance, which made gathered opinions of the biggest traders in the market. Eight analysts see the price of EUAs at a level of below 5.93 euro this year. Jeffries Group is more bearish and predicts the biggest drop since 2008, finishing on level of 3 euro/t. The only hope for repairing the supply-demand pipeline is a backloading plan which will not be implemented sooner than Q4 2013. Cutting the supply may bring the prices back on a level of 10 euro.

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