

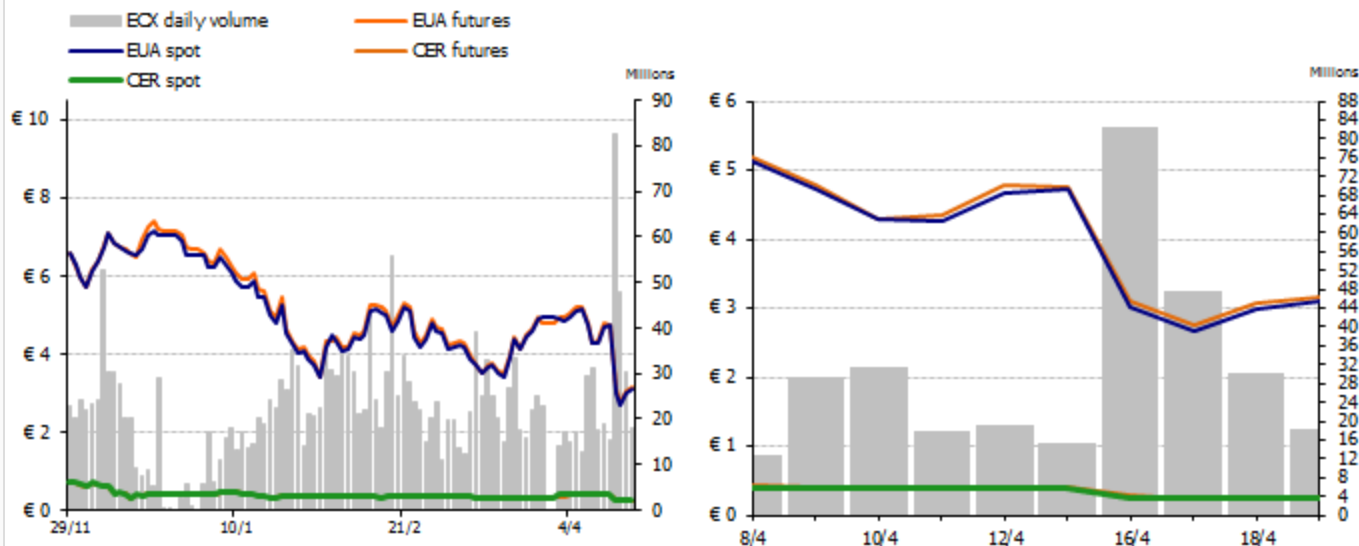
SCENARIO OF 2007, WHEN WE PREDICTED FALL TO € 0.0/t IS TO BE REPEATED WITH A PROBABILITY OF 80%.

After yesterday's voting Pravda Capital Trading revises its CO2 market forecast in the mid-term further down. Rejecting backloading proposal in the first reading in the European Parliament is a clear signal that there is no political will in the EU countries (not in the EU Commission) to tackle oversupply in the market which according to different sources reaches 1.5-2.5 billion units (80-135 percent of EU annual emissions) and 10% to 17% of total Phase3 emissions.

The Commission proposal is likely to be taken down from the agenda, which means no intervention in the market at least for another year or so. In these circumstances prices will continue to go down and without further steps by regulator there is high likelihood that the 2007 scenario, when EUA reached €0.02 will be repeated.

If you were planning to monetize your credits our recommendation is: SELL.

If you still did not use CER/ERU for compliance our recommendation is: SWAP.



SPOT				FUTURE			
	max	min	wkly chg		max	min	wkly chg
EUA	4.72	2.68	76%	EUA	4.76	2.75	73%
CER	0.39	0.25	56%	CER	0.41	0.24	71%

EUA hits another record lows

EUA permits hit the lowest level in Phase3 of EU ETS. After rejection of backloading proposal in the European Parliament Dec13 EUAs dropped to 2.63 euro/t. European permits closed at 3,09 euro/t on Tuesday.

EP rejects backloading

On Tuesday's EP vote MEPs rejected voting on amendments to auctioning directive by 19 votes. 334 MEPs voted against intervention on carbon market, while 315 were for. Now the proposal goes back to ENVI committee where it will seek a space for further approval.

Aviation out of ETS

The same day Parliament voted on excluding aviation from ETS. Earlier proposal was taking into account one-year exclusion of aviation companies from EU ETS. The proposal was passed.

EU member states still divided

Last Thursday EU member states representatives met to discuss further progress on EU ETS reform. Unfortunately the meeting was not fruitful; there are still many countries that will not accept intervention in the market.

Results of CO2 auctions for last week

Date	Organizer	Volume	Price (in €)
15/4	European Union	3 587 500	4,68
16/4	European Union	3 554 000	4,67
18/4	European Union	3 554 000	2,75
19/4	Germany	4 020 000	3,10

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