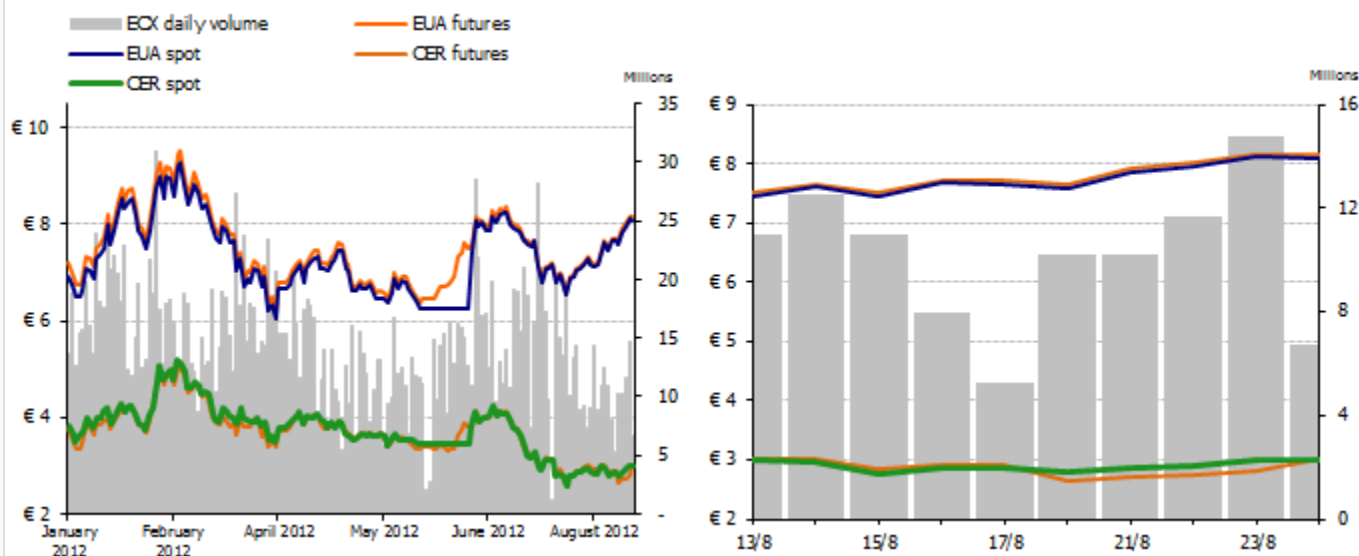


Carbon market recorded a bullish trend last week. Spot allowances were traded over € 8 first time for last 7 weeks. Both EUAs and CERs finished on Friday higher than last week's closing. EUAs were valued € 8.08 (5.6 % rise), CERs € 2.99 (rise by 4.5 %). CER/EUA spread widened to € -5.09, record of the EU ETS (2008-2012).



SPOT				FUTURE			
	max	min	wkly chg		max	min	wkly chg
EUA	8.11	7.57	6%	EUA	8.17	7.65	6%
CER	3.00	2.79	5%	CER	3.01	2.66	4%

Record high spread!

EUA/CER spread thanks to good performance of EUAs combined with rising oversupply of CER and ERU credits grew to 5 euro last week. This is the highest value for the whole EU ETS trading period (2008-2012). Compliance companies can easily execute the SWAP transaction and surrender CERs or ERUs up to 50% of their annual allocation in 'one shot'.

Carbon above 8 euro again

Dec12 carbon permits have risen to €8.25 last week following German power. Spot market followed futures, spot EUAs were traded over €8.00 on Thursdays intraday. The reasons for bullish trend except from correlated commodities are: rising coal consumption in Q1 and Q2 2012, nuclear energy problems in Western Europe, expectations of the EC September actions on reforming EU ETS.

94 new CDM in China

Last week China approved another CDM projects to be realized following moths. 94 projects ready to generate over 14 mln credits are seeking validation and registration now. In order to be eligible for EU ETS market, they must be registered until end of this year. That may add more CER supply to already vastly oversupplied market of Kyoto credits. CER and ERU last weeks were traded below € 3/t.

Phase 3 spot cheaper than banked allowances?

According to BNEF analysts for first months of 2013 Phase 3 allowances can be traded for less value than Phase 2 allowances saved by compliance companies and banked to next trading period (2013-2020). The reason for that is that until April 2013 when surrender period for 2012 finishes, the only eligible credits will be Phase 2 EUAs. Companies will not be allowed to use Phase 3 EUAs for 2012 compliance.

Aviation in EU ETS against WTO legislature?

According to University of Cambridge research inclusion of aviation into EU ETS is violation of WTO obligations ensuring non-discriminatory treatment of trade in good and freedom of transit. Russia, which became member of WTO last week, is considering putting limits on European flights over Siberia as retaliation measures against EU. More American airlines are building stronger opposition heading 29 countries that signed anti-EU ETS petition early this year. Worldwide airlines get 85 percent of their emission needs for free; the rest must be bought on the carbon market. We will not know if the opposing countries will surrender outstanding 15 percent or boycott EU ETS until April 2013.

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