

2011 Emission Report

We present *2011 Emission Report. Rising uncertainty in carbon markets* – an annual report by Carbon Warehouse aimed at members of the EU ETS scheme. We believe that a detailed analysis of carbon market will enable NAP companies to make decisions that will affect them positively in regards of emission reduction policy.

Last year was very special for carbon market mainly due to three issues. The beginning of the year was shaped by several unpredicted events including hackers' attacks - a criminal activity that directly affected the market for a couple of weeks; however, indirect influence is still present among the market participants. The next factor was connected to numerous regulations. Number of them has been recently rising, due to approaching Phase III of EU ETS (2013-2020). Another issue is the macroeconomic situation within the EU, which affects not only carbon, but other financial markets as well. These entire combined have led to significant rise in market uncertainty. Carbon market itself has never before been exposed to risks and unpredictability to such extend.

The report shows an analysis of the main events which were decisive for carbon allowances valuation in 2011. It also tries to assess the future mid-term and long-term situation in the carbon markets.

2011 Emissions Report consists of four parts. The first – **Pricing** – shows an evolution of the past carbon permits price behaviour. We will also have a glance at price expectations by the

leading financial institutions dealing with emissions trading and changes in their predictions throughout last year. The second part – **2011 Market View** – focuses on price drivers and on main events in the market during last months, and points how they have affected the market and carbon permits prices. Third part – **Future Market View** - a core part for decision makers in NAP companies, releases a view on the following months and the main factors to affect the prices and market stability. Our view on mid-term situation in the market is supported with our revised carbon model combining EU emissions demand with supply and EUA/CER pipeline study. Part four – **Implications for Companies** – gives decision-makers a view on what should be the main steps of NAP companies in order to protect themselves from rising uncertainty in carbon markets and step safely into Phase III of EU ETS (2013-2020).

CARBON WAREHOUSE has been supporting members of EU ETS since 2005. During this period it has gathered over 150 companies from over 15 countries that decided to entrust in our services and get a professional help in managing their emissions and emissions reductions.

Carbon Warehouse has traded until now over 100 million units valued over €1.5 billion. We believe that trading with carbon allowances to be profitable; it must be backed-up with an analysis research. It enables our clients to take more advantage from being a member of EU ETS. The majority of our predictions were bearish, that is why the clients that entrusted us, gained more.

Besides brokerage services, we offer professional advisory, detailed analysis on carbon markets, support in developing green and energy projects.

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