

By Mathew Carr

Nov. 20 (Bloomberg) -- European Union carbon dioxide permits may fall 50 percent to about 8 euros (\$10) a metric ton by the end of next year, because of a potential oversupply, according to investment bank [Pravda Capital SR0](#).

An oversupply will likely emerge should developed nations seek to meet their greenhouse gas targets without using credits that can be used for compliance in the EU, [Jan Pravda](#), a partner at the investment bank in Prague, said today by telephone.

Factories and power stations in the EU, as well as developed nations with targets under the 1997 Kyoto Protocol, can use certified emission reduction credits, or CERs, overseen by the United Nations. The EU carbon dioxide program is the world's biggest greenhouse gas trading market.

Should nations including Japan and Spain buy another type of credit, known as assigned amount units, instead of CERs, then CER prices ``will go down and drag EU allowances down with them,'' said Pravda, who in August forecast a narrowing in the price difference for EU allowances and CERs. The spread was today at a record low of 1.10 euros.

EU allowance prices are unlikely to fall below 8 euros because that's near the minimum cost for projects that generate CERs, Pravda said.

Prices may rise should the United Nations clinch a deal between nations late next year to limit global greenhouse gases starting 2013, prompting more emissions trading programs around the world. The Kyoto Protocol's first compliance period runs for the five years through 2012.

Should that UN deal be ``nonsense with no teeth,'' emission prices will likely fall further, Pravda said.

[EU allowances for December](#) slipped as much as 1.08 euros, or 6.6 percent, to 15.25 euros a metric ton on London's European Climate Exchange. That's the lowest price since March 16, 2007. They were at 15.40 euros a ton as of 11:45 a.m. local time.

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