

By Mathew Carr

Jan. 12 (Bloomberg) -- European Union carbon dioxide permit prices for 2009 fell to their lowest in almost two years, as milder weather curbed demand from energy utilities and the recession reduced purchases by factories.

Permits for December fell as much as 4.1 percent on the European Climate Exchange in London today to 13.85 euros (\$18.53) a metric ton, their lowest since February 2007, and were at 14.10 euros a ton at 10:19 a.m. local time.

Industrial output in Germany, the euro area's largest economy, fell a seasonally adjusted 3.1 percent from October, extending the worst decline since data for a reunified Germany was first compiled in 1991, the Economy Ministry said Jan. 9.

Germany is the biggest producer of carbon dioxide in the region.

Permit prices fell 8 percent last week even as sub-freezing temperatures boosted power industry demand and as the Russia-Ukraine natural-gas dispute escalated, Paris-based Deutsche Bank AG analyst Mark Lewis said today by phone and in a research report.

"A move below 10 euros a ton for the 2009 vintage could well happen if oil prices decline further," Lewis said in the report. He values the permits at about 30 euros a ton on the basis there will be shortages in the years through 2020. "Very weak macro fundamentals will trump other factors in the first half of 2009," he said.

Prices will likely stabilize around 10 euros a ton after milder weather curbs energy demand, the Ukraine-Russia dispute is resolved and conflict in Gaza abates, Pravda Capital SRO, the Prague-based brokerage, said today in an e-mailed research note.

#### Price Link

Natural gas prices are linked to the price of crude products. Utilities in the EU emissions-trading program, the world's largest, need about half as many permits to burn gas as they do to use dirtier coal.

Crude oil for February delivery fell 4.5 percent to \$39 a barrel on the New York Mercantile Exchange.

United Nations certified emission reduction credits for December slid 0.8 percent, to 12.35 euros a metric ton on the ECX. That's the lowest since the contract traded there in March last year. They were at 11 euros a ton in February 2007.