

EU Emission Allowances Fall as Natural Gas Drops, Coal Rises
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By Mathew Carr

March 5 (Bloomberg) -- European Union emission permits fell after natural gas declined and coal rose, making it more profitable for power utilities to use the cleaner fuel requiring fewer credits.

EU carbon-dioxide allowances for delivery in December fell 26 cents, or 2.2 percent, to 11.38 euros (\$14.31) a metric ton on London's European Climate Exchange at 10:26 a.m.

U.K gas for delivery in the six months through September fell 6.4 percent on the ICE Futures exchange in London to 34.25 pence a therm. That's the equivalent of \$4.84 a million British thermal units. There are 100,000 British thermal units in a therm. Coal for the three months through June in northwest Europe jumped 8 percent to \$58.30 a ton, according to data from broker ICAP Plc.

Utilities need about half the permits to burn gas rather than coal. The EU market is the world's biggest greenhouse gas trading regime.

Poland is free to issue 2008 EU allowances amid a two-year dispute about how many the nation can give its factories and power stations, a European Commission spokeswoman said March 2.

A Polish official said yesterday the nation was waiting for official notice before it issues the permits, expected by the end of this month. The central European country can hand out the undisputed quantity it was assigned, said Barbara Helfferich, an environment spokeswoman at the Brussels-based commission, which regulates the market.

10 Percent

That would mean Poland issues as many as 417 million tons of allowances, its 2008 and 2009 allocation, or about 10 percent of the total in the EU program.

A fifth of those could be sold fairly quickly as Polish factories and power stations seek cash, said Jan Pravda, director of Dublin-based Carbon Warehouse Ltd., an emissions brokerage and adviser. "If they sell 20 percent of it, I will not be surprised," Pravda said yesterday by phone.

That's 83 million tons, or 5.8 times the 14.3 million-ton record daily trading volume on the BlueNext spot exchange in Paris, the biggest for prompt trading.