

By Mathew Carr

June 30 (Bloomberg) -- European Union carbon dioxide permits had their best quarter for a year as utilities bought for compliance and low prices curbed selling by factories with surplus allowances.

EU carbon allowances for December rose 13 percent to close the quarter at 13.26 euros (\$18.62) a metric ton on London's European Climate Exchange. They fell 2.2 percent today as crude oil declined.

Carbon prices in the EU market, the world's biggest greenhouse gas-reduction program, have dropped 56 percent in the past year as the economic recession curbed demand. The December benchmark contract reached a record low 8.05 euros a ton on Feb. 12 and fell more than 20 percent in each of the three quarters through March 31.

"The volume of sales from industrials went down" as prices dropped, while power utilities with shortfalls probably kept on buying this quarter, Jan Pravda, director of Dublin-based emissions brokerage Carbon Warehouse Ltd., said today.

Carbon performed less well than crude oil, which jumped 41 percent in the quarter, because natural gas fell in the period, Pravda said. Utilities need about double the permits when burning coal instead of gas.

Higher temperatures can boost power demand and emissions from generation because of increased use of air conditioning.

Warm Temperatures

Temperatures in London, Paris and Rotterdam will be as much as 8 degrees Celsius (14 Fahrenheit) higher than normal tomorrow, the same as today, according to Meteorologix weather data on Bloomberg. In Frankfurt and Hamburg, temperatures may be as much as 6 degrees above normal on July 2, the data showed.

"Even higher power demand for air conditioning needs can at first be met through non-emitting capacity," said Emmanuel Fages, a Paris-based analyst at Orbeo, Societe Generale's carbon-trading venture with Rhodia SA. Electricite de France SA has prepared for possible surges in demand by adapting its nuclear-maintenance schedule to increase availability, Fages said yesterday by e-mail.

Emissions from fossil generation may increase should a

prolonged heat wave cause water temperatures in some rivers to rise, he said. That may require some nuclear plants, which use the water from rivers for cooling, to close. Hydro-electric water levels are "comfortable," Fages said.

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