EU CARBON SURGES MOST IN 11 WEEKS AS UTILITIES MAKE PURCHAS WITH JAN PRAVDA'S COMMENT

European Union emissions permits jumped the most in 11 weeks as utilities bought allowances to cover future emissions. Carbon for December surged as much as 8.3 percent, reaching the highest level in more than 3 months on the ICE Futures Europe exchange, after buying breached two technical levels at 7.76 euros and 7.81 euros.

The 7.76 level was created when prices failed to rise above it on April 20 and May 2. The 7.81 level was created by the 50 percent retracement of a decline from 9.63 euros on Feb. 28 to 5.99 euros on April 4.

“There has been good solid buying because for utilities carbon is good value,” Mark Owen-Lloyd, head of carbon trading at CF Partners (U.K.) LLP in London said by telephone. “Stops were triggered; it was a technical move really.”

Allowances for December rose as much as 63 cents today and closed 60 cents, or 7.9 percent, higher at 8.17 euros a metric ton on London’s ICE exchange. That’s the biggest one-day gain since April 5, and brings the five-day advance to 11.6 percent, the biggest weekly gain since the period ending Feb. 17, exchange data compiled by Bloomberg show.

Carbon for December has gained 37 percent since falling to a record 5.99 euros a ton on April 4 as investors speculated that the European Union will take action to bolster the market.

Proposals include delaying the sale of some permits in the first three years of the next eight-year phase of the program starting in 2013.

‘Buy-Side Demand’

“There’s solid demand-side interest, but even though there’s good sell side, there are some people who really want this stuff this week,” Louis Redshaw, head of emissions trading at Barclays Plc in London, said by phone today. Buyers’ interest seemed to be triggered by the move above 7.67 euros, he said.

Automatic orders set by traders can be activated when prices rise above so-called resistance levels. That may include those set by power generators that need permits to comply with future carbon dioxide emissions or investors that placed bets that prices would fall.

The European Commission, regulators of the carbon program which covers about 12,000 factories and power stations, are working on ways to deal with an oversupply of permits as the euro-region debt crisis roiled markets and damped industrial demand.

Barclays Plc increased its forecast oversupply of permits by 20 percent to 2.1 billion metric tons, predicting that factories in the bloc will wind down operations and leave Europe, according to an e-mailed report today.

“The fundamentals remain negative,” Jan Pravda, director of Prague-based Pravda Capital Trading said by e-mail. “The economic environment remain very dire.”

source: *Bloomberg, Catherine Airlie and Mathew Carr*