

## EU Carbon Dioxide Permits Rise as UN Emission Credits Decline

By Mathew Carr

Aug. 6 (Bloomberg) -- European Union carbon dioxide allowances rose and United Nations credits fell after regulators failed to set a date for linking the world's two biggest greenhouse-gas trading programs.

EU carbon permits for December climbed 33 cents, or 1.5 percent, to 22 euros (\$33.90) a metric ton on London's European Climate Exchange at 4:49 p.m. local time. UN certified emission reduction credits, or CERs, for December are cheaper, trading at 18.45 euros a ton, down 0.8 percent, on ECX.

The **European Commission**, regulator of the EU carbon program, today declined to specify a date to link its emission- permit tracking system to one operated by the UN. It reiterated plans to complete the connection by December and said work with the UN was continuing. Tests on the link, which will cut costs for factories and power stations complying with climate-protection laws, were successful, the commission said today in a statement.

The linkup of the systems may come almost four years after the start of the EU emissions-trading program, the world's largest greenhouse-gas market. EU factories and power plants can use credits from either program for compliance.

Once the connection takes place, the spread between EU allowances and UN credits may narrow to about 10 euro cents on the spot market, said Jan Pravda, a partner at investment bank Pravda Capital SRO in Prague, which trades emissions.

"This is a reasonable estimate" of the spread, based on the transaction cost of swapping EU allowances for UN credits, Pravda said.

Compliance buyers will buy whatever's cheapest, because they can use either security, Pravda said.

## Tests

The commission has been making sure the EU's so-called Community Independent Transaction Log interacts properly with the UN International Transaction Log. The UN system is the second-biggest carbon-trading program.

The link will take place ``before Dec. 1 for sure," **Stavros Dimas**, the EU's environment commissioner, said July 4 in an interview outside Paris.

Operator Trhu S Elektrinou AS, the Czech emissions registry, said this week on its **Web site** that the tests had succeeded. That prompted the spread between EU allowances and the cheaper UN credits to narrow yesterday to an 11-month low.

During the systems' linkup, the commission ``will suspend all registry operations for a maximum period of seven calendar days," according to the statement.

CERs for December 2012 jumped 3.8 percent to 20.60 euros.

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