

By Mathew Carr

June 15 (Bloomberg) -- European Union emission permits sank to their lowest in eight weeks as German power dropped.

Carbon dioxide allowances for December fell as much as 40 cents, or 3.1 percent, to 12.65 euros (\$17.57) a metric ton on London's European Climate Exchange, the lowest intraday price since April 21. They were at 12.70 euros at 11:30 a.m. local time. German power for next year declined 1.4 percent to 52.40 euros a megawatt-hour.

Allowances in the EU program, the world's largest greenhouse gas market, decreased 54 percent in the past year as the recession curbed demand from factories and power stations. Lower power prices can reduce the incentive to sell electricity forward, reducing emission permit purchases.

The profit German utilities will make burning coal to generate power may fall further, Alberto Ponti, an analyst with Citigroup Inc. in London, said today in an e-mailed note.

That profit, known as a clean-dark spread, has dropped to about 14 euros a megawatt-hour from 16 euros in April, Citigroup said. The average last year was 11 euros. The spread takes the

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cost of carbon permits into account.

"Recent economic data in Germany and in the rest of Europe still point toward recession, although a bit more optimism is surfacing," the note said. "Prolonged weakness in gross domestic product, however, could put further pressure on spreads."

Some utilities may have "exhausted their purchasing needs" for carbon permits, JAN FOUSEK, an analyst at Carbon Warehouse Ltd. in Prague, said today by e-mail and phone. EU prices may continue declining during the "next few months," he said. Carbon Warehouse is a Dublin-based broker and adviser in environmental markets.

There's lower demand because of the economic recession and financial crisis, Fousek said. Uncertainty about international climate-protection laws after 2012 may further curb prices, he said.

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