



12 May 2006

## PRESS RELEASE

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### Unconfirmed data show EU CO<sub>2</sub> emissions well below limit

**A malfunction in the European Commission's registry today led to the early release of CO<sub>2</sub> emissions data for 2005, showing that companies covered by the EU emissions trading scheme emitted substantially less than their limit. In total, the companies are more than 67 million tonnes CO<sub>2</sub> below their limit. This could mean a 3.4 per cent surplus of issued emission allowances in the scheme.**

The EC was initially set to publish the data on 15 May at 08:00 CET. Instead, data were made available today through what is believed to be an IT glitch. The data, as submitted by 21 of the 25 EU member states, show 2005 carbon dioxide (CO<sub>2</sub>) emissions for industrial installations, corresponding to the first year of the scheme. Although the data has not yet been confirmed by the EC, it now appears there is surplus in the market for emissions allowances.

CO<sub>2</sub> emissions from companies covered by the scheme were in total 3.4 per cent less than the allowances they were given, equal to 67.5 Mt for the 21 countries where data is available. Cyprus, Luxembourg, Malta and Poland are not included. Several member states were significantly below their target. In other words, they will have had emission allowances to sell. Germany had the largest surplus at 26 million tonnes CO<sub>2</sub>. Further, France (19.1 mt), the Czech Republic (15.8 mt), Finland (11.5 mt) and Denmark (10.8 mt) were most notably long.

The UK recorded the largest deficit of allowances with 31 million tonnes above their limit, but Spain (9.1 mt), Italy (5.7 mt), Ireland (3.1 mt) and Austria (1 mt) were also short. The graph below shows the absolute surplus or deficit for the countries where data is available.

The timing of the data release took the market by surprise, and there were immediate price reactions. On Thursday 11 May the market closed at €12.95 per tonne CO<sub>2</sub> (see chart below). Today, Friday 12 May, the price fell to €8.60/t after the news, but closed at €9.25/t.

The EU emissions trading market has seen strong volatility since mid-April in anticipation of the emissions data. In the span of a week in April the allowance price (for delivery in December 2006) plummeted from €30.50 per tonne on 19 April to €19.4/t on 26 April. This came as a result of emissions figures from some countries made available ahead of schedule.

Yet, it remains to be seen on Monday what the actual impact is in the short term, and whether the price will take a further fall. The market will also need some time to figure out what this means in the long run. If the price remains low for a longer period, attention is likely to shift towards the next phase of the European CO<sub>2</sub> market. New limits for companies' CO<sub>2</sub> emissions will be set later this year, and will apply for the period 2008-2012. Several market participants have voiced their concern about the current operation of the scheme, and the need for stricter limits in the future.

The impact of changes in the CO<sub>2</sub> prices will be felt in electricity markets across Europe, as power plants burning coal, oil and gas emit significant amounts of CO<sub>2</sub>.



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Per-Otto Wold, CEO of Point Carbon, said: "The EU emissions trading scheme is the central plank in Europe's efforts to meet its target under the Kyoto Protocol. The release of this data today is the first time ever we see verified CO<sub>2</sub> emissions data and in that sense it is a very important event. The coming days will, however, also be extremely interesting after one has had the time to analyse the data and fully understand what actually happened in 2005."

Atle Christer Christiansen, Director at Point Carbon, said: "CO<sub>2</sub> is now another commodity that sits firmly in the energy complex. This has been a really important day not only for the CO<sub>2</sub> market, but will have short-term and long-term implications for electricity markets across Europe."

The Point Carbon team is available to comment on the publication of the market-sensitive data and the graphs are available for download at [www.pointcarbon.com](http://www.pointcarbon.com) (Press Room).

**The Point Carbon team will be available to comment on the publication of the market-sensitive data and provide data for the price and volume graph below.**

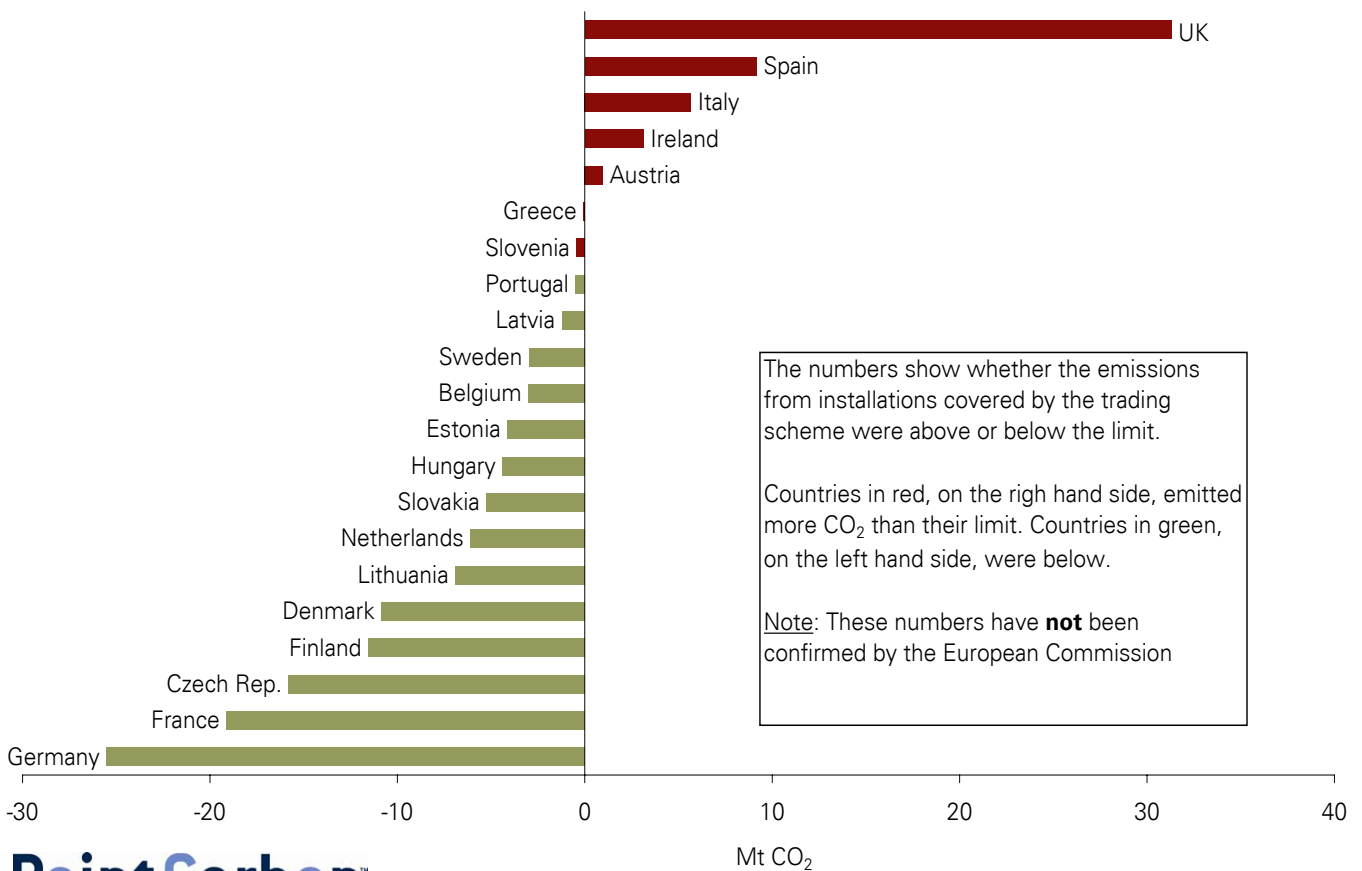
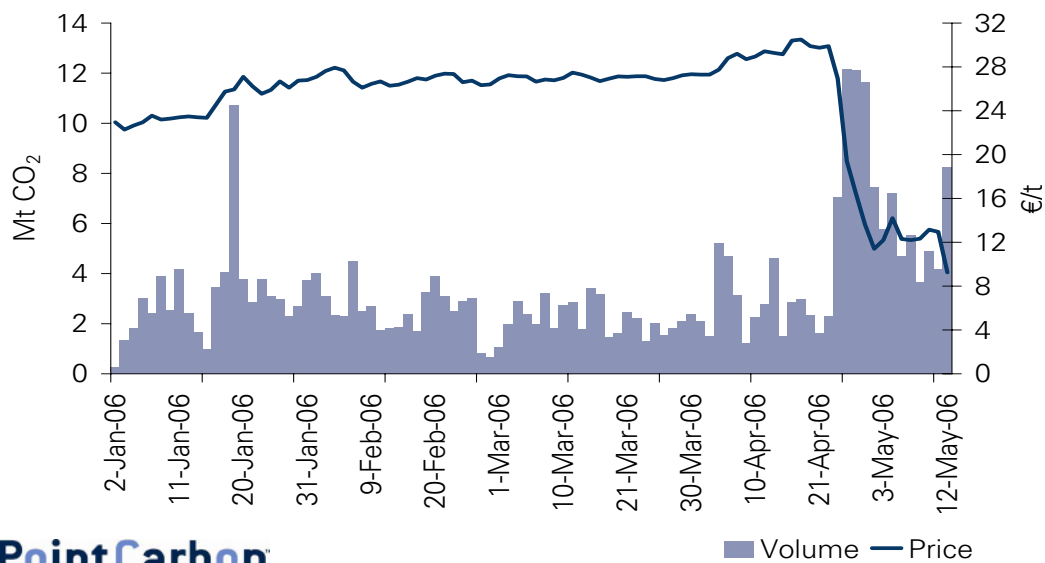




Chart: EU Allowance price and total volume\*



\* \* Point Carbon EUA OTC closing price for December 2006 delivery. Total OTC and exchange volumes.

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## Editor's notes

Decades of scientific research demonstrate that emissions of greenhouse gases (GHGs) into the atmosphere causes climate change. Although it is non-toxic and a natural part of the atmosphere, carbon dioxide (CO<sub>2</sub>), which is emitted when fossil fuels such as oil, coal and gas are burned, is the most important GHG, accounting for about 80 per cent of man-made greenhouse gas emissions.

Under the Kyoto Protocol, the EU countries have agreed to cut their collective GHG emissions in the 2008-2012 period to 5.2 per cent below the 1990 level.

To help meet this goal, the EU has devised an emissions trading scheme (ETS) covering over 10,000 industrial installations in the electricity generation, energy, ferrous metals, cement, glass and some other sectors. The EU ETS covers about 46 per cent of CO<sub>2</sub> emissions in the EU.

Under the scheme, each installation is allocated rights to emit a certain amount of CO<sub>2</sub>. The rights to emit CO<sub>2</sub> are counted in EU allowances (EUAs). For each EUA, an installation may emit one tonne of CO<sub>2</sub>. Installations that emit more than they have allowances for must buy from companies that have surplus allowances. This way, companies that can reduce their emissions cheaply can sell surplus allowances to those that face higher costs, thus bringing down the overall cost of CO<sub>2</sub> reduction. Companies trade allowances through brokers and on exchanges such as the European Climate Exchange.

Allowances are distributed to the installations in the scheme by each EU member state. The government draws up a national allocation plan (NAP) that must be approved by the European Commission. Since allowances are valuable assets, NAPs are often subject to scrutiny and negotiation.

The first phase of the EU ETS runs from 2005-07. This Monday, 15 May, is the first time the actual verified emissions of carbon dioxide are published for the first year, 2005. This data can be compared to the total number of allowances in the NAPs to determine the balance of supply and demand. NAPs for phase two (2008-2012) are currently being drawn up in national capitals.

Global carbon market transactions were worth €9.4 billion (£6.4 billion) in 2005, according to Point Carbon data. Of that, the EU emissions trading scheme did an estimated 362 million tonnes of CO<sub>2</sub>, at an estimated financial value of €7.2 billion (£4.9 billion).

## Links

European Commission press room  
[http://europa.eu/press\\_room/](http://europa.eu/press_room/)

Point Carbon news service (free trial available)  
[www.pointcarbon.com](http://www.pointcarbon.com)

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*Point Carbon is the leading provider of independent analysis, forecasting, market intelligence and news for the power, gas and carbon emissions markets. The competencies of our staff include international and regional climate policy; mathematical and economic modelling; forecasting methodologies; methods for expert evaluation and energy industries analysis. The in-depth knowledge of power, gas and CO<sub>2</sub> emissions market dynamics positions Point Carbon as the number one supplier of price-driving fundamentals for European energy and environmental markets. Point Carbon has more than 14 000 subscribers in over 150 countries. Our reports are translated into Japanese, Chinese, Portuguese, German, French, Spanish and Russian.*