

Emissions Daily

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UK's Huhne may oversee new nuclear despite previous objections

London — The UK's new Energy and Climate Change Secretary, Chris Huhne said in a BBC radio interview Thursday it was possible he could oversee new nuclear power station construction, despite previously opposing such a move, but only if power companies were willing to go-ahead without government subsidy.

Huhne, a Liberal Democrat and former journalist and economic adviser to major pension firms, wrote in an article in the Guardian newspaper June 20, 2006 that "the reality is that nuclear is a tried, tested and failed technology."

But Huhne said Thursday it was up to the nuclear industry to decide whether it could build nuclear power stations without new public subsidies.

"They do say they can but that remains to be seen because no new nuclear power station has been able to be built without public subsidy for a very, very long time," Huhne said.

"If they come up with a plan that genuinely involves no public subsidy, and that's the agreement of the coalition government...then they will put it through the normal national planning process under a new national planning statement...and
(continued on page 2)

EUAs go up on little volume and limited trading

EUA MARKET

December 2010 EU Allowance prices went up Thursday compared to closing levels for the contract Wednesday of €15.74 per metric ton as traders said Thursday that volumes changing hands on the day over electronic exchanges and OTC were low along with trading activity overall as many carbon traders were not working due to national holidays in a number of European countries that are set to continue through Friday.

Several traders said Thursday that 2010 EUAs opened around €15.72/mt and traded in a tight range all day between €15.74/mt and €15.62/mt for most of the day, breaking out at the end of the day as the traders said many market players were working to square their positions away ahead of Friday, when many of the European traders said they would not be at their desks.

One trader said that slightly weaker German Cal 11 power prices Thursday contributed to sluggish 2010 EUA prices.

German week-ahead base was €0.70 lower Thursday at
(continued on page 2)

Platts daily EUA assessments, May 13 (€/mt)

Delivery	Assessment	Midpoint	Change
Phase 2			
EUA 2010 Dec	15.800-15.840	15.820	0.080
EUA 2011 Dec	16.180-16.220	16.200	0.060
EUA 2012 Dec	16.900-16.940	16.920	0.120
Monthly Rolling Average			
EUA 2010 Dec	May-10	15.781	0.006

Forward market daily assessments: The low end of the range reflects prices for larger parcels, while the upper end reflects prices for smaller parcels. The typical size range is 5,000 to 50,000 mt. Monthly Rolling Average: This is a mathematical average of assessments for the most actively traded contract each month, usually the next December contract.

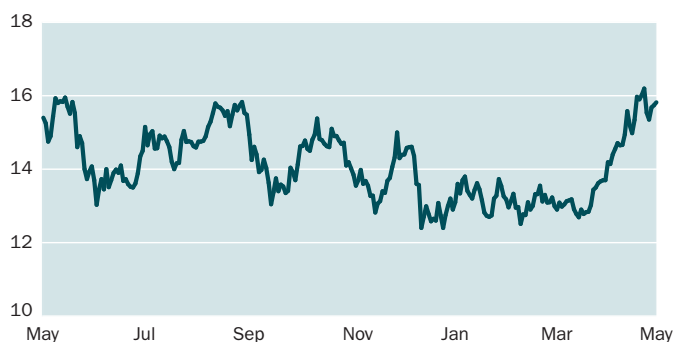
Platts daily CER assessments, May 13 (€/mt)

Delivery	Assessment	Midpoint	Change
CER 2010 Dec	13.450-13.550	13.500	-0.030
CER 2011 Dec	13.000-13.100	13.050	-0.040
CER 2012 Dec	12.650-12.750	12.700	-0.080
Monthly Rolling Average			
CER 2010 Dec	May-10	13.599	-0.014

Platts daily EUA/CER spread, May 13 (€/mt)

Delivery	Spread	Change
2010 Dec	2.320	0.110

EU CO₂ price trend



Source: Platts

€44.70/MWh as wind power was expected to increase early next week.

In the German forward market, activity was also fairly limited due to the bank holiday with June base heard €0.70 lower than Wednesday's close at €46.10/MWh and Cal 11 base €0.40 down at €51.35/MWh.

December 2010 EUAs were quoted at €15.82 at the close of trading, up €0.08 on the day.

CERs go down on little volume, trading

CER MARKET Prices for Certified Emission Reductions for December 2010 delivery went down Thursday compared to closing level for the contract Wednesday of €13.53 per metric ton as traders said Thursday that little market activity due to public holidays in many European countries.

The value of the 2010 CER/EU Allowance swap Thursday blew out by €0.11, climbing from €2.21 at the close of trading Wednesday to €2.32 Thursday reflecting contangoed 2010 EUA prices on the day and slightly declining 2010 CER values.

December 2010 CERs were quoted at €13.50 at the close of trading, down €0.03 on the day.

EUROPE

UK nukes ... from page 1

the proposal will go forward in the normal way," he added.

"We are committed in the Liberal Democrat side of the coalition that we will not vote against that. So if there is the majority in parliament in favor of a particular proposal—and there are an awful lot of ifs' here—then new nuclear will go ahead," Huhne said.

While compromises had been made by both sides on a range of issues to achieve the coalition accord, there was complete agreement on the rejection of public money for new nuclear plants, he added.

"First and foremost there is absolutely no disagreement between us on the key principle that there will be no public subsidy.

"Now if it turns out that for the first time in decades a consortium is prepared to build a nuclear power station without public subsidy then that will in all probability go ahead but I think there are a lot of ifs there and I do think this is a way forward which allows the integrity of the Conservatives and Liberal Democrat positions to be maintained," he added.

Huhne underscored his support for renewable power sources such wind, waves and tidal, and said much more progress had to be made.

"We literally have an abundance of potential for renewable energy, but yet we have one of the worst records of any country

Generating fuel cost comparisons, Europe (May 13)

Fuel	/MWh	Plus CO ₂	Total /MWh	Profit/Loss		
				in £	in €	in \$
UK Baseload (£)						
Gas						
Next month	25.55	5.20	30.75	8.40	9.83	12.48
Next Q	25.90		31.10	8.60	10.07	12.78
Coal						
Next month	24.66	13.71	38.37	0.78	0.91	1.15
Next Q	25.44		39.15	0.55	0.64	0.81
NW Europe Baseload (€)						
Gas						
Next month	28.90	5.48	34.38	12.12	10.35	15.37
Next Q	28.99		34.47	12.28	10.49	15.57
Coal						
Next month	28.90	16.06	44.96	1.54	1.32	1.96
Next Q	29.81		45.87	0.88	0.75	1.12
NW Europe/UK Peak load						
Fuel Oil 1%S				NWE €	UK £	
Next month	100.29	12.03	112.32	-55.82	-51.07	
Next Q	101.76		113.79	-54.04	-52.18	
Fuel Oil 3.5%S						
Next month	95.80		107.83	-51.33	-47.24	
Next Q	97.02		109.05	-49.30	-48.12	
Gasoil 0.1%S						
Next month	138.98		151.01	-94.51	-84.11	
Next Q	137.81		149.84	-90.09	-82.96	

Note: Based on typical kg CO₂/mmBtu rates of 101.5 for coal, 55 for natural gas, and 72.5 for oil; and on generating efficiencies of 49% for UK gas plant, 54% for western Europe gas plant, 34% for all coal plant, and 32% for all oil-fired plant. Benchmark coal and distillates are priced at ARA. Details of methodology at www.platts.com

in the European Union of generating electricity from renewables," he said.

"We've got to get renewables way up, we've got to make sure we are much more energy efficient," he added.

Huhne's appointment was welcomed by the Renewable Energy Association, but the lobby group said further policy detail was urgently needed.

"The appointment of Chris Huhne should be good news for the renewables industry and we congratulate him," said REA chief executive Gaynor Hartnell.

"However, today's announcement lacks detail on a number of key areas, particularly renewable heat and renewable transport. We look forward to receiving further information shortly," she added.

The REA said issues still outstanding included details on how the new renewable heat incentive to be introduced in April 2011 will be implemented and funded and a

confirmation that the current Renewables Obligation for large-scale renewables will remain alongside the new electricity feed-in-tariffs. — *Darren Stetzel and Paul Whitehead*

Suspension from Kyoto emissions trading looms for Bulgaria

Sofia — Bulgaria will likely be suspended from greenhouse gas emissions trading as of June 30 for failing to comply with UN recommendations, Environment Minister Nona Karadzkhova said Thursday.

The UN Compliance Committee of the Kyoto Protocol has taken a preliminary decision to revoke Bulgaria's accreditation to trade in GHG emissions, which is likely to be definitively confirmed on June 30, the minister said.

Bulgaria's previous government had not complied with the committee's recommendations to bring its system for recording GHG emissions up to scratch, she said, blasting the previous administration for its "criminal inaction."

The ruling will deprive Bulgaria of its right to sell an annual 40 million surplus sovereign pollution rights under Kyoto — known as Assigned Amount Units or AAUs — which were expected to generate up to 500 million Leva (€256 million, \$322 million) and which the government was counting on to battle the budget deficit.

It would also jeopardize companies' trading of surplus EU Allowances under the EU Emissions Trading System, which the European Commission just approved in late April.

Karadzkhova expressed hopes Thursday that industries would be able to trade at least some of their surplus carbon credits by June 30, when the ban would come into force.

The government, however, would not be able to do this as parliament has yet to pass key legislation regulating carbon trading.

Karadzkhova said she hoped to restore the country's accreditation as early as November.

Under the Kyoto Protocol, Bulgaria agreed to cut its GHG emissions by 8% compared with its 1990 level by 2008-2012 and emit no more than 130 million metric tons of CO₂ equivalent emissions per year.

Polish companies against EC's 30% emissions cut: industry group

Warsaw — Polish industries are opposed to the European Commission's proposal to hike the EU's CO₂ emissions reduction target from 20% to 30% by 2020, because it could slow the country's economic development and prompt plants to move abroad where climate rules are not binding, a Polish industry association said Thursday.

"We are of the opinion that it is a dangerous initiative for the competitive edge of Polish and European industries," said

EUROPEAN EXCHANGE DATA

ECX/ICE Emissions data, May 13

Settlement	Price (€/mt)	Volume (mt)
EUA spot	15.66	383,000
CER spot	13.55	0
Futures		
EUA Dec 2010	15.82	7,087,000
EUA Dec 2011	16.20	1,146,000
EUA Dec 2012	16.90	1,535,000
EUA Dec 2013	17.96	1,080,000
EUA Dec 2014	18.96	0
CER Dec 2010	13.47	383,000
CER Dec 2011	13.05	112,000
CER Dec 2012	12.69	344,000

Nordpool Emissions data, May 13

Settlement	Price (€/mt)	Volume (mt)
EUA spot	NA	NA
CER spot	NA	NA
Futures		
EUA 2010	NA	NA
EUA 2011	NA	NA
EUA 2012	NA	NA
EUA 2013	NA	NA
EUA 2014	NA	NA
CER 2010	NA	NA
CER 2011	NA	NA
CER 2012	NA	NA

EEX Emissions data, May 13

Settlement	Price (€/mt)	Volume (mt)
EUA spot	NA	NA
EUA Carbox auction	NA	NA
European Carbon Futures (Early December)		
EUA 2010	NA	NA
EUA 2011	NA	NA
EUA 2012	NA	NA
European Carbon Futures (Mid December)		
EUA 2010	NA	NA
EUA 2011	NA	NA
EUA 2012	NA	NA
Certified Emission Reductions Futures (Early December)		
CER 2010	NA	NA
CER 2011	NA	NA
CER 2012	NA	NA
Certified Emission Reductions Futures (Mid December)		
CER 2010	NA	NA
CER 2011	NA	NA
CER 2012	NA	NA

Climex Spot Emissions data (€/mt), May 13

	Closing price	Change
EUA spot	15.49	-0.47
CER spot	0.00	NA

Forum CO₂, an association which groups 12 industrial sectors including electricity and heat generating companies.

“The plan may slow development of industries, trigger leakage of many plants abroad and cause many negative economic consequences,” the Warsaw-based group said.

The statement came two days after EU Climate Action Commissioner Connie Hedegaard made a statement promoting the deeper emissions cut.

The Forum CO₂ statement was sent to Poland’s environment minister Andrzej Kraszewski, economy minister Waldemar Pawlak, and chairman of the European Parliament Jerzy Buzek.

Kraszewski earlier said that his government would be against the increased target of 30%.

“We call on the European Commission to stop producing this kind of initiatives which create additional business risks and social tensions,” said Forum CO₂.

“It would be better if the EC focused on negotiations leading to conclude the international agreement specifying a long-term global climate policy.”

According to Forum CO₂, the launch of the proposal by the EC came at the most inappropriate time.

“It is a destabilizing proposal which has surfaced in a time when the macroeconomic situation of the EU member states is difficult and when all the countries are trying to overcome the global financial crisis,” it said.

The EC broadly considers that ambitious emissions reduction targets will help spur the development of low-carbon industries, making Europe a leader in new growth sectors.

Environment ministry spokeswoman Magda Sikorska said the government is expected to make clear its official position on the issue at the next weekly session on May 18. — *Bogdan Turek*

German opposition party SPD in talks with Greens after state vote

London — Germany’s main opposition party, the SPD, has started coalition talks with the Green party to form a new regional government in the state of North Rhine-Westphalia, but needs wider support as a so-called ‘red-green’ coalition is still one seat short of a majority.

Chancellor Angela Merkel’s CDU plunged to its worst result in over 60 years in Sunday’s state vote,¹ while its current coalition partner at both federal and regional level, the liberal FDP only got 12 seats, falling below the vote for the Green party.

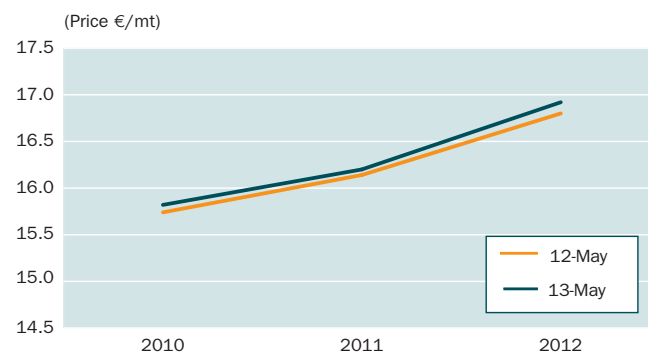
SPD and Green party chiefs said late Wednesday in Dusseldorf that they would first invite the FDP and then the Left Party for further talks to gain majority support in North Rhine-Westphalia, German media report Thursday.

However, the FDP has rejected the prospect of any talks with an SPD/Green alliance unless they categorically exclude negotiations with the radical Left party, the head of the

Bluenext Emissions data, May 13

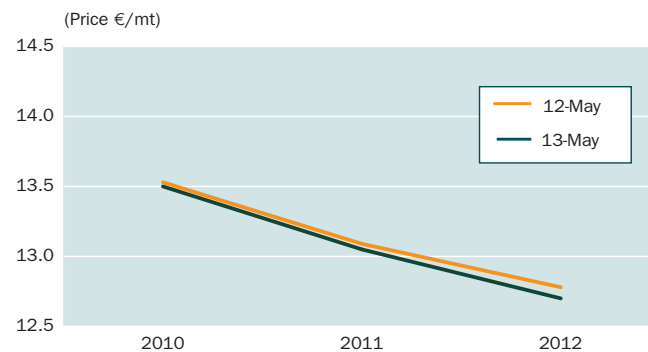
Settlement	Price (€/mt)	Volume (mt)
EUA spot	15.65	760,000
CER spot	13.55	0
Futures		
EUA 2010	15.77	0
EUA 2011	16.14	0
EUA 2012	16.83	0
CER 2010	13.43	0
CER 2011	13.00	0
CER 2012	12.63	0

EUA forward curve



Source: Platts

CER forward curve



Source: Platts

liberal faction in the Dusseldorf-based assembly said Thursday.

The new Left party has for the first time gained seats in the assembly, but has been shunned so far by mainstream political parties due to its radical policies and alleged links to the former communist party in East Germany.

Should the SPD and the Greens fail to achieve wider support, a so-called ‘grand coalition’ between SPD and CDU will be the most likely outcome, according to media reports.

In any case, the CDU’s defeat in Sunday’s elections means that Chancellor Merkel’s federal coalition has lost its majority in parliament’s upper chamber, the Bundesrat, which may undermine her government’s plans to extend the lifespan of

Germany's nuclear power plants.

However, opinion is split between legal experts whether a reversal of Germany's nuclear-phase-out law needs the approval of the Bundesrat. The law was enacted in 2002 by Chancellor Schroeder's SPD/Green coalition without going through the Bundesrat.

The federal government currently models four nuclear-extension scenarios including a 28-year extension until 2050, but will not decide on the matter until October, when it plans to present a new national energy concept. — *Andreas Franke*

AMERICAS

IOUs urge passage of US Senate climate bill

Washington — The Edison Electric Institute, Duke Energy and FPL Group Wednesday came out in support of moving landmark legislation this year to put a price on US industry emissions of greenhouse gases with provisions to ease the transition to low-carbon fuels and hope to find ways to sway lawmakers to advance the bill.

Senators John Kerry, a Massachusetts Democrat, and Joe Lieberman, an Independent Democrat from Connecticut, unveiled their 987-page bill with fanfare from the large electric utilities that have negotiated cost-containment measures, tax breaks and incentives.

Tom Kuhn, president of EEI, the investor-owned electric power sector, Duke Energy CEO Jim Rogers and FPL Group CEO Lew Hay flanked Kerry and Lieberman as well as the environmental organization and business leaders during a news conference to present the bill that sets GHG reduction targets of 17% below 2005 levels by 2020 and 80% by 2050.

Kuhn and Rogers highlighted the positive elements of the bill but conceded that there is room for improvement if the bill is to garner the support of Republicans and moderate Democrats to achieve the 60 votes it must have to clear the Senate.

"We need to find ways to attract Republicans" and sell the legislation to 15-17 moderate Democrats from fossil-fuel-producing states, Rogers told reporters following the news conference.

Kuhn and Rogers praised South Carolina Republican Lindsey Graham for his early contributions to the bill, including funding for CO₂ capture and sequestration technology. But Graham abandoned the bill in April after a riff with Senate leaders over immigration reform legislation, leaving the climate bill without a GOP cosponsor.

"It is important to get a bill that does have bipartisan support," Kuhn said. "Every energy-and-environment legislation that passed in the last 20 years passed with bipartisan support. I think there are going to have to be lot of discussions with various senators."

The bill takes a sector-by sector approach to cap GHGs

starting with electric power in 2013. Electric utilities would be able to trade emission allowances to help them meet a tightening emissions cap. The bill provides free tradable allowances to cover all the sector's carbon emissions for the program's first couple of years and sets a \$12-\$25/ton price collar around the allowances in the carbon market, two key requests made by EEI.

Compared to the climate bill that passed the House of Representatives in 2009, Kerry-Lieberman provides more free allowances to the electric power sector and a collar around the carbon price for utilities not included in the House bill.

The bill's price collar, however, "escalates fairly high" at 5% with inflation and the allocation formula to utilities of 75% based on a power plant's historical emissions and 25% on their retail volume differs from the 50-50 split agreed to by EEI, Kuhn said. But the issues are not showstoppers, he said.

"The industry as a whole gave me permission to stand up here and support it moving forward and that included all aspects of the companies that were part of our negotiations from the start," Kuhn said.

Rogers also said that the bill "needs some work" but Kerry and Lieberman provided the right structure for business certainty during a transition to a low-carbon economy.

"The bill has the right framework but I still think there is room to tweak a little here, tweak a little there because you need that room to tweak to bring different people on board," said Rogers.

Once lawmakers understand the bill's transition mechanisms to protect consumer costs, they are "going to get comfortable that a vote for this won't undermine their ability to get reelected," said Rogers.

Exelon CEO John Rowe on Wednesday put the odds of the Senate passing energy and climate change legislation this year at less than 25% "but more than 5," but also said that "those odds can change if a few people want them to."

He made his comments to reporters after a speech at the Washington think-tank Resources for the Future. Rowe said he was invited to join Kerry and Lieberman at the unveiling of the bill, but it conflicted with his commitment to the RFF policy leadership forum.

"I think the odds are very small since Senator [Lindsey] Graham felt unable to work on it more at the present time, but he still's got his heart in it and if Senator Graham comes back it still could happen," Rowe told reporters.

But the 13-member Midwest Climate Coalition said it would be "imprudent" to take a position on the legislation. The group includes Alliant and Integrys.

"We strongly believe that senators from the Midwest should also know how their constituents and local economies

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will be impacted by this bill in 5, 15, and 25 years by seeking the state-specific answers to these important questions before pledging their support," the coalition said in a statement.

— *Cathy Cash*

US EPA says regulation of GHGs to begin in 2011

Washington — The US Environmental Protection Agency on Thursday said it will begin regulating in January greenhouse gas emissions from permitted facilities – including coal-fired utilities and refineries — that increase those emissions by at least 75,000 tons per year.

The agency said that the facilities will be required to include GHGs in their Clean Air Act permits for other pollutants. In July 2011, the rule will be extended to cover all new facilities with GHG emissions of at least 100,000 tons/yr and modifications to existing facilities that would increase GHG emissions by at least 75,000 tons/yr.

To receive a permit, operators must demonstrate they are using the best available control technologies to minimize GHG emission increases when their facilities are built or significantly modified.

When EPA first proposed the so-called tailoring rule, it set the threshold at 25,000 tons/yr, but increased the baseline to

avoid covering many small facilities.

The proposal will cover facilities that are responsible for 70% of GHG emissions from stationary sources. — *Gerald Karey*

IN-BRIEF

■ Israel's Environmental Protection Ministry has issued a tender to find a company to advise it on implementing technology for reducing air pollution from public transport as well as utilizing CDM credits as part of an effort to switch to electric transport, according to a ministry spokesman. The ministry said Thursday that by next year it plans to impose strict standards on polluting buses and taxis under the country's Clean Air Law. Initially public transport in the Tel Aviv region will gradually switch to non-polluting vehicles over the next few years. As part of the measures being planned, Environmental Protection Minister Gilad Erdan plans to introduce the use of hybrid or electric taxis in Tel Aviv. During a visit to China last week Erdan visited BYD, the world's second largest battery manufacturer to discuss the company's latest developments in the electric vehicle field. The Chinese company has upgraded its batteries and they now have a 330 kilometer range. The switch to non-polluting public transport in Tel Aviv is part of a plan that will include all of Israel's major cities in the coming years.