Carbon Monitor

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NZETS Slows – Prices Firm around 11.15 Euro or $20NZD

Reports from Westpac and OM Financial have NZU units firming to around the $20NZD mark in light trading.

At risk industries such as the fishing industry have received allocations of some 685,000 NZU units. These units are expected to be retained to cover emissions liabilities by those fishing companies that qualify as point of obligation and monetised (sold) by the others to offset their increased fuel costs. The majority of these units are expected to hit the market over time.

Other trade exposed or at risk industries are expecting further allocations.

The 'free' NZU allocations for pre 1990 forestry have commenced after the MAF road show outlining the policy and process.

These units, some 16mt after Government related allocations are removed are expected to put downward pressure on the NZU price. Whilst this may be true, with out large scale availability emitters are still faced with deadlines of 31st March 2011 and the surrender dates of May 2011. Given the pre 1990 allocation is dribbling out in small volumes and there is no guarantee of allocations before that time the market remains hesitant.

Westpac in its weekly report is suggesting a Mexican stand off between sellers anxious to achieve $24/$25 and the emitters wanting to pay less for NZU units. Supplied has dried up and transaction volumes are thin.

Part of this appear s to be based on market commentary that free allocations, particularly in the fishing industry will be sold off quickly once they were allocated. Carbon News reported in a special edition that the units had been allocated as of 1st October 2010.

One has to question this assumption in that the industries concerned, and fishing is a good example argued for free allocations to protect them from competitive pressures often from the export market where competitors are not subject to an ETS.

So if they sell for a large cash windfall are they

a. Doing so in expectations of prices dropping due to other factors?
b. They need cash now?

The only real option is that prices will drop with the pre 1990 16mt that will come on stream by November 2011. Problem is speculating prices for NZU will drop is not what the allocation was intended for. Rather it was provided to reduce uncertainty.

Pundits in the forest management sector who advocate selling have already made what appears to be a significant gaffe advocating selling of NZU before the market collapses. So far prices have firmed and there are no large allocations in the immediate future that would be sensible to sell.

More over the international market continues to firm and CDM or clean development mechanism credits from projects in the developing world now exceed $25 in price and according to Westpac do not make sense in the local market.

Given the $25 cap and holding costs for emitters paying more than $20 does not make economic sense according to OMF financial.

Australian Election Result

Julia Gillard and the ALP remain in power albeit with tenuous support from independents who have extracted compromises for their electorates.

Rhetoric around the CPRS and its future remains with alternate proposals rumoured. Without doubt the Green's support will also feature in the coming response and actions relating to climate change.

This time however with control of the upper house with the help of the greens measures are likely to pass into law.

What remains uncertain is how long the ALP will last in power and what will the compromises be to stay there?

Voluntary Emissions Trade Completed

EITG with other consortium members recently completed a trade of voluntary emission credits (VER) with a New Zealand emitter.

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Based on the PFSI standard and pre 2008 these voluntary credits were sold in September.

Details of the trade remain confidential but follow on from trades of similar units to the USA.

General voluntary market prices for similar credits are around $6-8 USD per tonne.

Forest Carbon Insurance Available

NZ carbon insurance has released a product that takes account of the cost of surrender of emissions units lost due to various events.

The types of risks available to forest owners can vary (dependant on where the forest is and exposure to fire, wind, volcanic activity etc), but may often include the choice of the following;

- Fire from any cause (other than excluded events i.e. war or nuclear)
- Malicious damage
- Impact (land vehicle or aircraft)
- Windstorm
- Volcanic Eruption
- Earthquake
- Hail

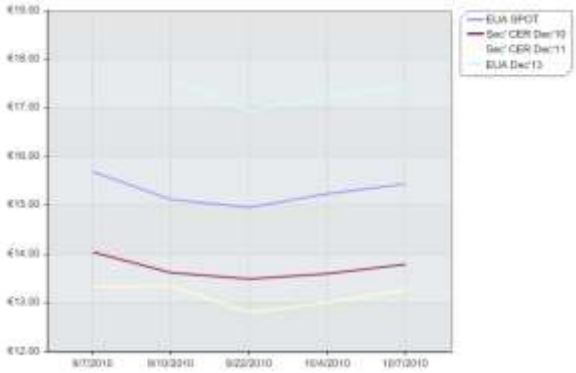
The policy as with most policies pays cash to compensate for the purchase of emissions units. Each year the insured needs to assess the value of the credits at risk and increase or decrease the level of cover. The effect is cumulative as the forest grows with the level of cover needing to generally increase over time.

For further information contact Geoff Manks www.nzcarboninsurance.co.nz +64 9 950 4902

EU Price Update

Early in September prices firmed from unexpected demand driven by uncertainty in the issuing of CER's

This settled mid month and again firmed towards the end of the month .CER prices hovered around 14 Euro and EUA between 15 and 16 Euro. EUA for 2013 remained strong over 17 Euro.



Source: www.cantorco2e.com

Ukraine AAU Deal Collapses

Point Carbon reported the Ukraine Government revoked regulations permitting the sale of around 150 million assigned amount units (AAU) one of the parties was a New Zealand limited partnership traced back to a UK mining company with links to the Ukraine and a New Zealand educated geologist.

Carbon Monitor raised questions back in 2009 as to this transaction and its origins. The transaction appeared to justify a price for the AAU due to the trade with the New Zealand. At the time 50mt of AAU was significantly beyond any projected need for New Zealand to meet its obligations.

Point Carbon reported Tawhaki had revisited its bid on at least one occasion.

It would appear that the transaction was of doubtful efficacy after all.

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'Carbon Monitor' is a client service of EITG.
EITG develops, facilitates and engineers Carbon Mitigation projects and strategies.

EITG corporate advisory provides high-level briefings and advice on building robust responses to emerging regulatory structures.

EITG Carbon Pool provides forest owners with a robust platform to access local and international markets while dealing with harvest and other liabilities.

EITG provides trading platforms and strategies based on extensive mitigation and avoidance platforms under JI and CDM, with matched offset packages for emitters.

EITG is part of an international consortium with representation in Asia/Pacific, UK, Europe, USA and South Africa

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This blog is designed to discuss all aspects of emissions trading and GHG as well as the Kyoto Protocol

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