

PRESS RELEASE

Carbon Market Data publishes key figures on the European emissions trading scheme for the year 2007

Carbon Market Data, a European company providing carbon market research services, issued a data summary on the recent release of the EU Emissions Trading Scheme's 2007 verified emissions reports.

Based on Carbon Market Data calculations, the EU emissions trading scheme (EU ETS) installations were **long by 7.5 Mt** in 2007 (they emitted 7.5 million tonnes CO₂ less than they were allowed). This figure is derived from the verified emissions data submitted so far by approximately 94% of the 11300 installations currently included in the trading scheme. It shows that EU ETS installations emitted - on average - **0.39%** less CO₂ than the number of distributed allowances they received for free.

These data do not include Romania, Bulgaria, and Malta.

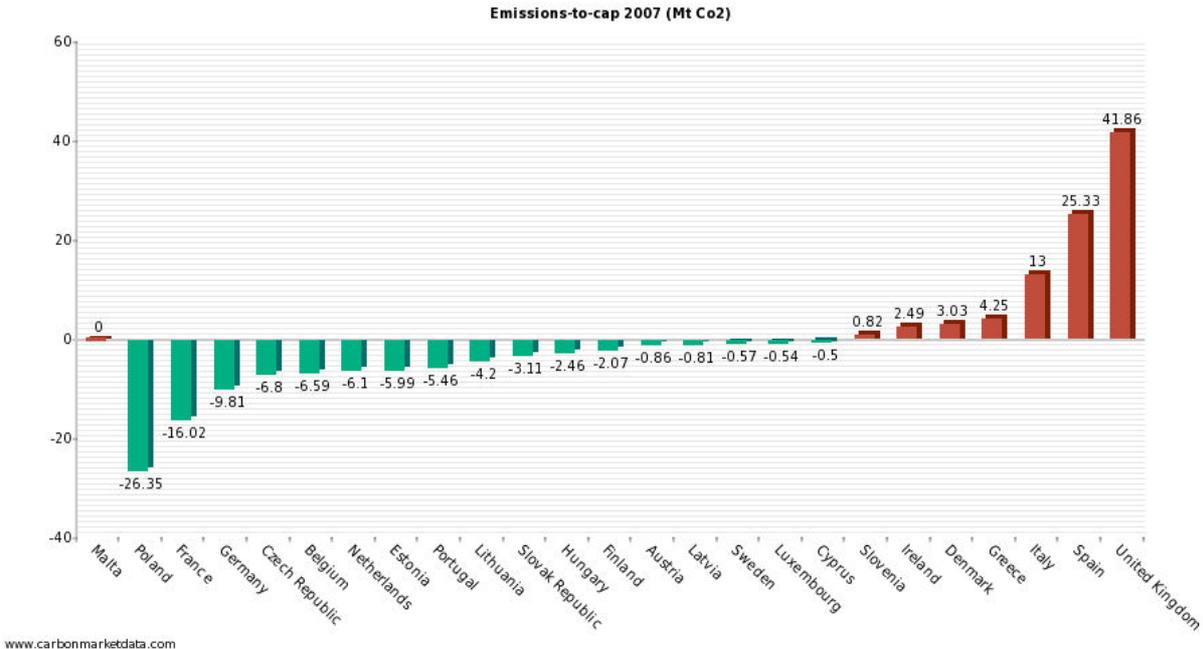
In 2007, the 25 countries with active registries allocated for free to their installations a total of **2074 million allowances** (an allowance is a permit to emit one tonne of carbon dioxide). Verified emissions data submitted so far show that these installations emitted during the same period **1908 MtCO₂**. This represents an average increase of **1.13%** per installation in 2007 over 2006 (this figure takes into account only the installations that have submitted their emissions report). Total emissions in 2007 are estimated at **2082 MtCO₂** (excluding Romania and Bulgaria). This figure includes new installations commissioned in 2007.

This increase in carbon emissions in the EU market is not surprising as the carbon price collapsed during the year 2007, ending close to zero euro. This relative absence of carbon constraint throughout the year seems to have had more impact on emissions trends than the mild climatic conditions observed during the 2007 winter.

In 2007, seven countries allocated to their installations – in aggregate - less allowances than they emitted: Slovenia (0.8 Mt), Ireland (2.5 Mt), Denmark (3 Mt), Greece (4.2 Mt), Italy (13 Mt), Spain (25.3 Mt), and the UK (41.8 Mt).

All the other countries allocated to their installations more allowances than the amount of carbon emitted in 2007. Poland (-26.3 Mt), France (-16 Mt), Germany (-9.8 Mt), the Czech Republic (-6.8 Mt), Belgium (-6.6 Mt), the Netherlands (-6.1 Mt) and Estonia (-6 Mt) are topping the league of countries with a EUA surplus, whereas Cyprus (-0.5 Mt), Luxembourg (-0.5 Mt), Sweden (-0.6 Mt), Latvia (-0.8 Mt) and Austria (-0.9 Mt) have, in absolute terms, a very small EUA surplus.

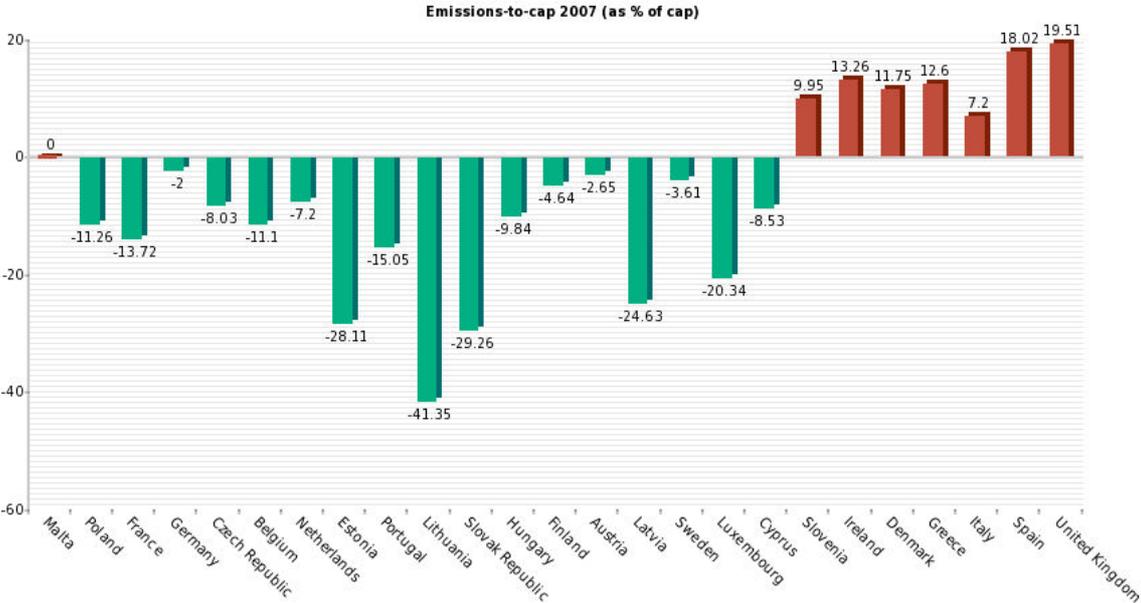
The graph below shows the EU ETS **emissions-to-cap** (the difference between the verified emissions and the distributed allowances) figures of the **25 countries** with active registries (the two Maltese installations have not yet submitted their emissions reports).



In the graph shown below are displayed the same **emissions-to-cap figures**, but this time expressed **in percentage** of the number of EU allowances distributed by each country.

United Kingdom and Spain saw in 2007 their emissions respectively at 19.5% and 18% above their national cap. It can also be noted that Germany, the third longest country in absolute terms (-9.8 Mt), emitted only 2% below its national cap.

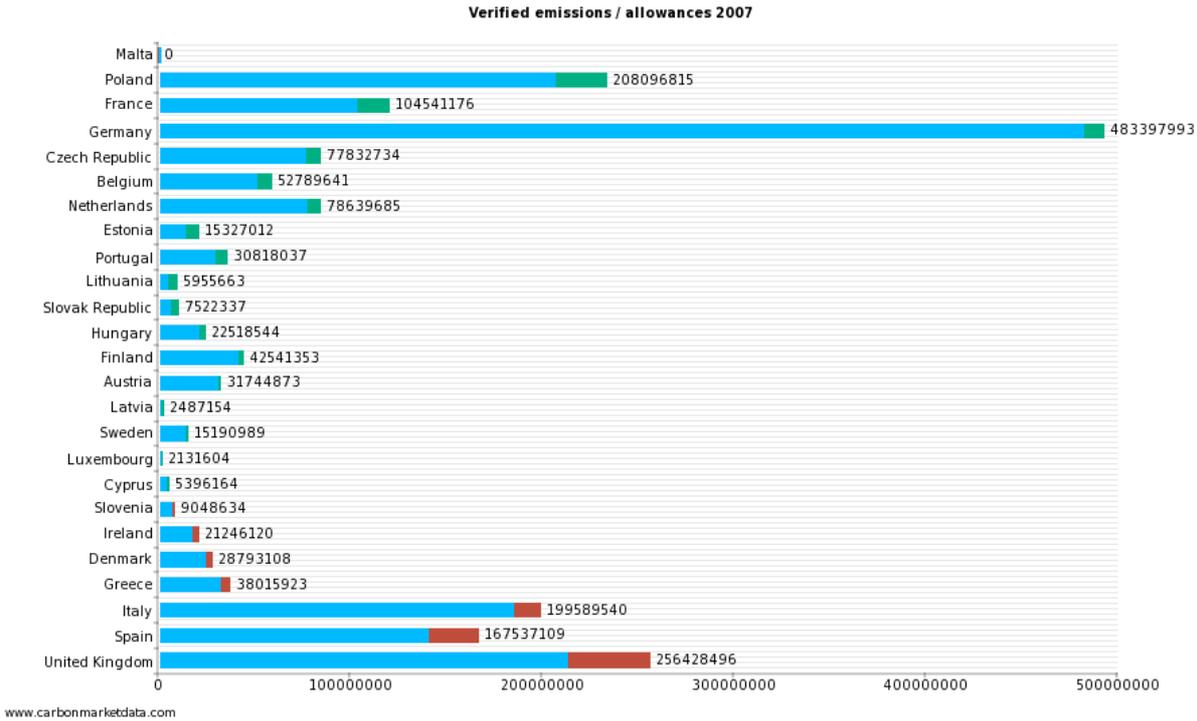
In terms of emissions evolution between 2007 and 2006, Estonia (+26.5%), Czech Republic (+5%), the Netherlands (+4.1%) and Spain (+4%) are topping the list of countries with rising emissions. Denmark (-9.74%), Lithuania (-7.85%), Sweden (-5.78%) and Portugal (-5.65%) are the best performers among countries that saw their emissions decrease in 2007.



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The graph below shows for each country the number of verified emissions versus the total number of distributed allowances for the year 2007. Countries are ranked according to their emissions-to-cap expressed in absolute terms.

The figure displayed represents the number of verified emissions; the red color represents the shortage in EUAs and the green color the surplus in EUAs.



Sectors

According to Carbon Market Data estimates, the combustion installations for the 25 countries with active registries were short in 2007 – in aggregate - by 38.7 million tonnes CO₂. This has to be compared with a shortage of 12 Mt in 2006. Emissions from the combustion sector grew by 1% over the previous year.

Europe-wide, the sector that had the biggest EUA surplus in 2007 – by far - is the iron and steel sector, that appears to be long by about 26 million allowances. This surplus helps iron and steel companies to face the increase in power prices. Though, for the year 2007, with a EUA price close to zero, this EUA “bonanza” would be without effect for the iron and steel companies that had not sold forward their surplus of 2007-vintage EUAs.

The sector with the second highest EUA surplus (in volume) is the refining sector (-7.4 Mt), of which emissions increased by 0.5% over 2006.

The table below displays the Europe-wide emissions-to-cap figures (in millions of allowances and in % of the total number of allowances distributed) per sector.

EU ETS sector	Combustion	Refining	Coke ovens	Roasting & sintering	Iron & steel	Cement & Lime	Glass	Bricks & ceramics	Paper	Other
Emissions-to-cap (Mt)	38.7	-7.4	-0.7	-0.3	-26.1	-0.7	-1.5	-2	-7.2	n.a.
Emissions-to-cap %	+2.9 %	-5.1 %	-3.2 %	-3.9 %	-17.7 %	-0.4 %	-8 %	-13.3 %	-21.2 %	n.a.
Emissions evolution (2007/06)	+1 %	+0.5 %	+3.6 %	+5.2 %	-0.5 %	+4.5 %	+0.3 %	+1.9 %	-2.6 %	n.a.

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Table 1: EU carbon trading data per sector for the year 2007

Iron & steel sector

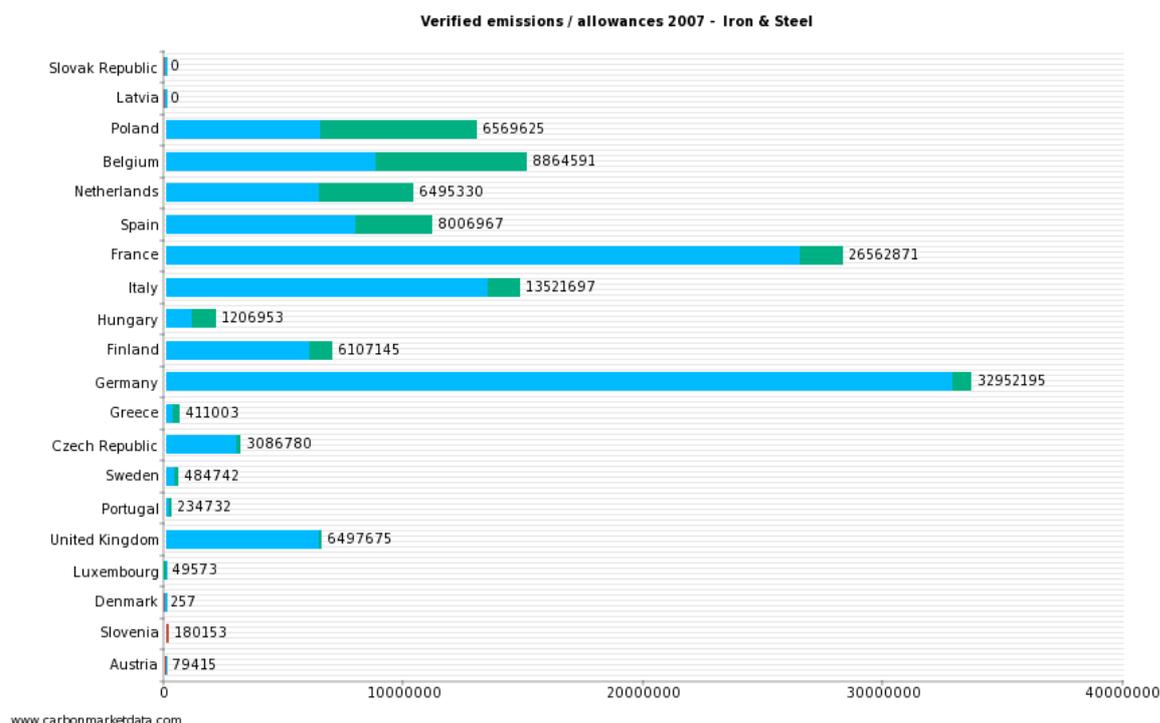
As explained above, the iron and steel sector was in 2007 the most overallocated sector in terms of volume, and was the second most overallocated sector in relative terms (% of cap).

It is therefore interesting to look at every country 's iron and steel sector allocation to analyse the differences in allocation, which might have consequences in terms of industry competitiveness (though it has to be noted that the big metal producers are likely to have installations in various European countries) and state aid rules.

As shown in the graph below, in terms of volumes, the biggest overallocation for metal producers occurred in Poland (6.5 Mt), Belgium (6.2 Mt), followed by Netherlands (3.9 Mt), and Spain (3.2 Mt).

Between 2006 and 2007, the highest increase of emissions from iron and steel installations occurred in Austria (+12 %), whereas the highest emissions decreases happened in Belgium (-11 %) and Finland (-6%).

Activity: Iron & steel



- **Important note:** New entrants data disclosure

Figures displayed in this press release do not include the EU allowances distributed for free to new entrants, as these data are not shown in the Community Independent Transaction Log (the EU carbon trading registry, also called CITL).

A “new entrant” is defined in the EU directive establishing the carbon trading scheme as a new installation, or as an existing installation that has experienced a change of its activity “in the nature or functioning or extension of the installation”.

As stated above, data on the number of EU carbon allowances distributed to these new entrants are not made available publicly in the EU carbon registry. Only the emissions reports of these installations are published. Therefore, it is difficult to assess the real state of the carbon trading market.

For instance, in 2006, in the United Kingdom alone, 12.5 million allowances were distributed to new entrants installations (this information was published recently in a report by DEFRA, the UK Environment ministry). This quantity of allowances represents more than 0.6% of the total number of allowances allocated to incumbent installations. If we realise that the UK allowances represent only 10% of all EU allowances, we can estimate that the amount of carbon allowances distributed to new entrants installations across the EU may have a significant impact on the equilibrium of the market.

As a matter of fact, the EU carbon trading market was in the first phase much more overallocated than it is shown in the CITL.

Therefore, we would like to appeal to carbon market players to lobby EU authorities for making the data on the new entrants allocations publicly available in the EU registry. This would provide a better information transparency in the EU carbon trading market, and would protect the credibility and environmental integrity of the scheme.

Note for journalists:

All data and graphs shown in this document are **available for free for publication** by any newspaper, magazine and information provider (electronically or on paper). Please state the source of the data - Carbon Market Data - together with the website address <http://www.carbonmarketdata.com> next to the graphs used and within the article.

CONTACT

For more information on Carbon Market Data, and our products and services, please contact:

Cédric Bleuez

Email: cedric.bleuez@carbonmarketdata.com

Tel: +33 (0) 9-64-48-90-30

<http://www.carbonmarketdata.com>

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