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Klimawandel als Risikofaktor bei Kapitalanlagen

Standard & Poors

Emissions Trading: Carbon will become a taxing
issue for European Utilities

Content of EU Emission Trading directive

- ◆ Utility sector contributes one third of total EU GHG emissions
- ◆ EU Emission Trading Directive (in order to meet Kyoto protocol)
affected sectors: energy, iron & steel, paper & pulp, minerals
- ◆ Milestone: March 2004 to define (on national level) implementation regarding (among others)
 - Allocation of emission rights
 - Allocating initial emission rights (grandfathering)
 - Base year for calculating emission rights
- ◆ Companies can either reduce the CO₂ emissions, pay fines or buy additional carbon credits
- ◆ Companies who fail to reduce have to pay 40 EUR per ton of CO₂ in 2005, increasing to 100 EUR in 2008
- ◆ Estimated price per ton of emissions reduction about 5 to 20 EUR

Impact of EU Emission Trading directive

Credit quality of European generators and suppliers **could be negatively affected if companies are unable to pass these costs through to end-users** (depending on national regulation)

- ◆ Directive will change the power sector's cost structure
 - Reduce the competitiveness of coal-fired generation in favor of gas-fired production
 - Increase gas in fuel mix at the expense of coal
 - Requires additional investments in generation and transmission in order to increase efficiency (CCGT)

- ◆ Political decisions will influence impact on nuclear and renewables but modern coal plants might still have a chance

- ◆ Open question how „new“ EU countries will be included

- ◆ Consequence for utilities: potential for downgrading of utilities with high level of CO₂-emissions in fuel mix