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European Commission, DG TREN
European Commission, DG ENVI
EU Members States

7 November 2008

Dear representatives of the European Commission and EU Member States,

The European Federation of Energy Traders ("EFET"), representing more than 90 energy trading companies in 21 European countries, calls on EU Member States that have not yet issued 2008 EU Allowances ("EUAs") and on the European Commission to ensure that EUAs will be issued as soon as possible, but in any event before 1 December 2008.

The delay by the EU Member States in issuance of the EUAs could potentially cause severe problems. This is because the majority of concluded EUA trade agreements have 1 December 2008 as settlement date and consequently the late issuance of EUAs by the EU Member States will cause a shortage of issued EUAs for 1 December 2008 deliveries. This will severely harm the reputation of the European Emission Trading Scheme ("EU ETS") and liquidity in the secondary market going forward. As the EU Member States had planned to issue the EUAs by 1 March, 2008 the market and the industry standard contracts (ISDA Allowances Appendix/EFET Allowances Appendix and the IETA Emissions Trading Master Agreement) the industry uses for EUA trades have taken into account a possible delay. Non the less while a reasonable delay is covered in the contracts even in the first year of the 2nd trading phase a delay of 9 months could not have reasonably been foreseen.

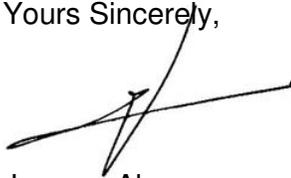
EFET is concerned that many of the authorities only consider the yearly EUA redemption on 1 April to be an important reference date. Taking this date into account the perception of these authorities is that 13 months of delay in EUA issuance would cause no harm to the market. This perception is not based on the real market circumstances. Therefore we want to stress that the delay in issuance of EUAs causes severe market disruption, as not enough liquidity will be available for settlement of trade contracts on 1 December 2008. The consequence of this could be that traders who encounter losses due to late issuance by their relevant EU Member States authorities might claim

damages from these authorities as a consequence of defaulting, because they cannot deliver the EUAs, under EUA trading contracts.

At this point we do not see any obstacles that would cause further delay in the issuance of the 2008 EUAs by the relevant EU Member State authorities.

Besides, even if there would be an obstacle, issuance of *provisional* EUAs should be considered. EFET therefore hopes and trusts that the EU Member States and the European Commission will put all efforts in bringing about EUA issuance before 1 December, enabling the emissions market to function properly and to avoid late EUA issuance causing damage.

Yours Sincerely,



Jan van Aken
EFET Secretary General

