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EFET publishes new Allowances Contract

EFET has recently published its new Allowances Appendix, version 2.0, July 2005, updating its previous first version. Version 1.0 was launched in March 2004 and has developed into one of the most popular contractual standards within the CO₂ trading community since its launch.

Following a study which identified legal basis risks when using different contractual documents in a string of trades, EFET, IETA (International Emissions Trading Association) and ISDA (International Swaps and Derivatives Association) have made a considerable effort to minimize, or eliminate the legal risks identified. IETA, ISDA and EFET have made efforts to bring their emission trading agreements closer in line with each other, and avoid basis risks.

Based on this effort, EFET has now succeeded to generally align the contractual language of its CO₂ Appendix with the IETA Emissions Trading Master Agreement Version 2.1 and ISDA standard documentation by finding a consensus in sensitive areas such as the calculation of the Excess Emissions Penalty (EEP) and compensation for the failure to deliver.

A copy of the new Allowances Appendix can be downloaded from the EFET Website under www.efet.org.