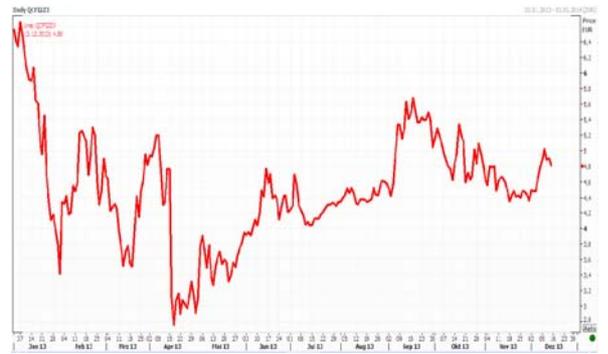




- CO2 Monitoring Concept and ETS Report Generation
- CO2 Registry-Services for enterprises
- CO2 Certificates Purchase/Sale EUA, aEUA, CER, ERU
- CO2 Certificates Swap, Spot- and Forward Trading
- CO2 Portfoliomanagement and consulting
- For Information using the Freecall 0800 590 600 02



EUA DEC13 01.01.2013 - 14.12.2013 Source: ECX

## Emission News 11-2013

### Practical Information for Emission Trading

Edition 16.12.2013

## Meaningful and accurate treatment of remaining CER/ERU - Deadlines and Problems in CO2 Account Closures

Many operators have taken the recommendation by the national authorities at end of 2012 to close its KP registry accounts in order to save account fees from 2013. Apparently for operators that have followed this advice this may turn out to be a mistake, because residual stocks of grey CER/ERU at EU accounts are creating problems.

Furthermore, operators that have left (or are excluded from) emission trading in the new trading period are faced with the task to close their accounts in accordance with the statutory time limits within 40 days.

This will then mean that these operators have to decide whether they want to spend a great deal of time and expense for any residual certificates to be derecognised correctly or to delete them and to deal any subsequent problems with the accounting treatment of the process thereafter. These problems and possible solutions on this issue are reported this [Emission News 11-2013](#).

### Still, uncertainty regarding the use of grey CER/ERU

Also in the third commitment period (VP) of the EU system of tradable emission rights (EU-ETS), which goes from 2013 to 2020, credits from the UN climate change projects (CER and ERU) can be used. However, compared to the second VP (2008-2012), the conditions changed significantly.

In general, the options of use have been severely limited. In particular, not all CER/ERU issued by the UN can be used to exchange them for EU emission allowances (EUA/aEUA) by operators of stationary installations and aircraft.

The criteria for the admissibility of an exchange are very complex, but the actual understanding of the criteria for recognising the convertibility should by since mid-2013 no longer be necessary. Reason for this is that the software of the Union Registry, it can automatically detect and display separately for the account holder.

### Green and Grey CER/ERU are now "eligible" and "ineligible"

Since 18.07.2013 the register indicates the holders of the EU-ETS-accounts in a separate column, whether held in the account CER/ERU into EUA/aEUA exchangeable ("eligible") or not ("ineligible"). In this respect therefore the previously known name green/grey CER/ERU is detached (green = valid for delivery from 2013 to 2020, grey = valid for delivery only to 2012). After an update of EU registry system on 11.21.2013 it was supposed to be only two classifications "eligible" and "ineligible".

For this, the EU Commission had provided in a press release in mid-September 2013 exam time until 15.11.2013, in which there were also so-called "pending" CER/ERU, that is CER/ERU, whose status has not been definitively established. The



open question about these "pending" certificates was whether these CER/ERU have been issued before or after the 31.12.2012 from non-EU countries. Now is the "pending" status for still continuing a larger number of CER/ERU, because this status has not yet been clarified.

These are in particular those ERU that are issued only after the 31.12.2012, and which is to test only at the request of the current owner in Article 58 (2) of the Union Registry Regulation intended form and procedure.

The European Commission has this received numerous such requests, but this could edit unconfirmed suspicions by not exhaustive because the information required for this purpose have not been provided by the UNFCCC Secretariat for unknown reasons fully available. It is also not known when this will probably be the case. It can take weeks and months, this still. Is problematic from the perspective of the national register now, that is why before completion of the final valuation of the CER/ERU by the European Commission not to in Article 58 (3) of the Union Registry Regulation envisaged procedure to remove non-convertible CER/ERU from the ETS-accounts can be set in the Union Registry in motion. This in turn can be used for individual operator mean that they must at least accept additional costs in respect of account, since (indicated by the initial identifier EU -100 ...) only convertible CER/ERU may be held at the EU-ETS-accounts.

This is also the reason why the long-awaited "Conversion Function" in the register software has not yet been provided, so that "eligible" CER/ERU can be converted into EUA/aEUA.

#### **40 days time limit for the removal of grey CER/ERU ("ineligible")**

When the final assessments of the CER/ERU are completed, the EU Commission in accordance with Article 58 (3) national administrators of the ETS-accounts (for example in Germany DEHSt, Poland KOBIZE, Spain RENADE) a list of the notify ETS-accounts on which CER/ERU are not exchangeable and there is no longer any points. Have based on these lists, the national administrator to ask the owner of the ETS-accounts, a so-called KP- account (Account Koyoto Protocol) indicate to be transferred to these

"ineligible" CER/ERU. KP-accounts for operators can be identified by the account number that begins with the individual country identifier, for example DE -120 ..... or PL -120 ..... or as persons account ( DE -121 .... or PL -121 ... ).

If the account holder fail to comply within **40 working days**, the national administrator shall be ex officio to transfer these CER/ERU to a respective, national KP- account of the country.

#### *Infobox*

#### *Register Accounts and Transfers at the End of Year*

*Some plant operators see the current moderate prices for the Certificates as an opportunity to perform before the year 2013 a purchase of certificates or minimise the operating profit. Here, then from a tax point of the invoice date will not only important but also the delivery of the certificates.*

*For this reason, it should be noted that transactions are yet to be 2013 credited to a beneficiary account to Friday, must be initiated 27.12.2013 before 16.00 (provided that they are transaction time of 26 hours are subject to). Since in the register is legally possible that tests of transfer will also need 24 again, a transfer should be initiated timely.*

*Want to take for account holders for the purpose of preparation of financial statements to access their account, it should be noted that the register accounts will be closed rule from 30.12.2013 at 13.00 hours to 01.01.2014 up to 9.00 hours.*

The EU Commission has, inter alia, in a press release dated 15.11.2013 promised to announce more details about this procedure prescribed on 20.12.2013. This also means that the EU Commission clearly in the process assumed that up to this date, the tests of exchangeability of ERU will be completed. In the meantime, however, doubted whether this time the deadline is met, because also the national administrator to date not received any further preliminary information. Of course, the ETS-account holders can make an appropriate transfer of CER/ERU to a KP- account even earlier, when they no longer want to participate longer this impasse, as these CER/ERU have anyway in the EU-ETS no value.

This raises of course the question on which KP-account this transaction should be made. Although initially each plant operators had received in addition to his ETS-account also a KP-account set up, but it was useful as a rule, to conclude this KP-account nor in 2012 at the otherwise payable for



him account management fees to avoid for the 3.VP and keep only be EU-account open.

### Account charges for CO2 Register Accounts

The respective national legislation in the Member States of the EU specifies which registers accounts for which fees are charged. A distinction is usually whether it is operator holding accounts, aircraft operator holding accounts or any person accounts or trading accounts. From the perspective of an operator is relevant whether that only one account in the EU-ETS has (EU -100 – XXXXXX-0-YY) or even (yet) a KP-account (DE-120-XXXXXXX-0-YY or PL-120-XXXXXXX-0-YY).

- For plant operators, that EU-ETS-accounts for example are toll-free in Germany, in Poland they cost 25 EUR/year (new installation unique 100 EUR) in other countries are again other fees. On the other hand costs a KP-account in Germany 400 EUR (per trading period), in Poland, but also only 25 EUR/year (new installation off additional 100 EUR) .
- For aircraft operators, that EU-ETS-accounts for example are toll-free in Germany, in Poland they cost as much as 100 EUR/year (new installation unique 100 EUR) in other countries are again other fees. One KP-account in Germany costs 400 EUR (per trading period), in Poland but only 25 EUR/year (new installation off additional 100 EUR).
- For individuals accounts and merchant accounts in force in the EU countries very different fees. In Germany these are, for example, 400 EUR per period and in Poland 25 EUR/year plus time bonus of 100 EUR.

In any case, it should be carefully considered whether a reopening of a KP-account is absolutely necessary and worth the effort.

### Problem case “Exit from the EU Emissions Trading”

In previous chapters we dealt with plant operators who had their KP-account closed in 2012 or 2013 and now hold on their EU-account or grey CER/ERU. These are currently referred to as "ineligible/pending".

Now it we are describing another, smaller group of operators which are excreted in 2011, 2012 or in 2013 from emissions trading. This could be done by the complete closure of a facility or by falling below the limits for a obligation of emissions

trading, such as plant capacity <20MW. If there are still certificates are located in such a case on the account, then some must be observed. Regardless to which operator holding account (or aircraft operator holding account) is, so KP-account or EU-account this is in accordance with Registry Regulation 389/2013 Article 28 in the following year at 30.06. to close.

This means for example that an emission charge system that is 31.12.2012, resigned from the emissions trading their account closed at 30.06.2013 gets (if the account balance is zero). If the balance is not zero, then the account holder 389/2013 Article 32 shall be set according to a grace period of 40 days, he must vacate his or her account within this. In the event that he fails to comply with this request, it will be "expropriated" because the certificates are transferred to the nation-state.

*"In case the account holder has not complied with within 40 working days, the administrator shall transfer the allowances or Kyoto units to its national holding account".*

Whether or not on account earmarked for closure there still reside certificates that:

- grey ("ineligible"), that means are worthless
- grey green ("ineligible/pending"), that means are worth worthless or possibly 15Cent/t
- green ("eligible"), that means 15-30 Cent/t are worth
- or whether it is EUA/aEUA for 4-5 EUR/t

does not matter. These have gone in any event within 40 days of demand.

The screenshot shows a transaction summary with the following details:

- Transaktions-Nr.: EU140376
- Eingabe: 11/12/2013 15:54:49
- Transaktionstyp: 03-00 Externe Übertragung Kyoto-Zertifikate
- Auftraggeberkonto: EU-100-5019432-0-54 (DE)
- Empfängerkonto: DE-121-0022235-0-16
- Kommentar: Übertragung 761 graue ERU-Zertifikate an Emissionshändler.com Personenkonto Michael Kroschew

Summary table:

Einheitstyp	Anzahl
ERU von AAU	761 der Projekte UA1000506

Reservierte Einheitstypen table:

Einheitstyp	Zu übertragende Anzahl	Projektnummer	Track	Berechtigung zum Halten im EU-ETS
ERU_FROH_AAU	761	UA1000506	TRACK_1	Schwebend / nicht zugelassen im EU-ETS

Example of a transfer of 761 "non-authorized/ineligible" Ukrainian ERU the project number UA1000506 to a KP-account DE -121-5022235-0-16 from Emissionshändler.com®

This is particularly difficult or even impossible if the registry account has only one account



representative. Reason for this is that the prior establishment of a trust account (the recipient of the certificates) is required to transfer to a third party. For successful establishment, however, requires two authorised representatives. Then to initiate this process of setting up a second AR, costing up to 20 days and a lot of effort.

### What courses of action arise in a period of 40 days?

Subsequently, the choices for closing the account in case of an exit from the emissions trading or for the use of grey ("ineligible/pending") ERU/CER with continued membership of the EU Emissions Trading Scheme are listed.

- 1) In case of stock of "ineligible/pending" CER/ERU certificates on an **EU-ETS-account** there exist the following options:
  - a) Transfer of certificates to the own existing KP-account (Requires an account representative)
  - b) Transfer of certificates on a KP-account of a customer (Prerequisite: a furnished KP-trust account of the buyer)
  - c) Opening of a new KP-account (Prerequisite: two account representative) and then a transfer of the CER/ERU
  - d) Deletion of certificates (Requires an authorised representative)
    - Allow certificates as lie sleeping until they are "dispossessed" (no prerequisites)
- 2) In case of stock of "ineligible/pending" CER/ERU certificates on a **KP-account** there exist the following options:
  - a) Transfer of certificates on a KP-account of a customer (Prerequisite: a furnished KP-trust account of the buyer)
  - b) Deletion of certificates (Requires an authorised representative)
  - c) Leave worthless certificates lie just where they are and discuss the next steps with the financial auditor, (not a prerequisites)
- 3) For the closure of the operator account or accounts because of a previously **exit out of emissions trading** and also for all types of certificates there exist the following options:
  - a) Sale of certificates (Prerequisite: existing trust account)
  - b) Deletion of certificates (Requires an authorised representative)
  - c) Leave certificates as they are until they are "dispossessed" (no prerequisites)

### Infobox

#### **In January 2014: Creation of the Message for Operation and annual Report**

*Plant operators should call before Christmas to remind you that at the beginning of January 2014, annual MzB (Communication for operation) must be created.*

*According to the relevant EU laws and the national implementation of these laws is the requirement to submit the MzB for any operator of a facility which free allocation in the 3rd trading period 2013-2020 and operate a facility subject to emissions trading.*

*This obligation also exists in principle, if there is no change in the operation was found and also when no CO<sub>2</sub> was emitted. This release includes all the operating allocation elements and their activity rates in the past and future as well as any technical changes to system components or the operation of the plant or individual system parts.*

*The MzB for the years 2013 to develop by 2020 in a software management system provided for this purpose (FMS) by each operator and **to 31.01.** leave a year for the previous year (§§ 19 - 22ZuV2020).*

*In the case of incorrect, not consistent or not timely fill out the FMS form a reduction of the allocated free emission rights is possible: a so-called ex-post-correction. An ex-post-correction can be made even if the capacity of the plant has been reduced.*

*Even then, at first created in the summer of 2014, it made sense for many operators to transfer the tasks of creating the MzB to an external consultant in order not to be subject to involuntary allotment reduction or to miss the chance of an allocation increase.*

*Since then equal to the MzB of CO<sub>2</sub> annual report 2013 for stationary operators and for aviation operators has to be created, it makes sense to use this option accompanied by the creation of the MzB together to an external service such as Emissionshändler.com® forgive, even to internal staff shortages to avoid.*

*To request a quotation or further inquiries, interested operator contact as possible before the end of the year Emissionshändler.com® under +49 (30)398872110 or [info@emissionshaendler.com](mailto:info@emissionshaendler.com).*

### What happens to grey CER/ERU certificates or certificate remnants in case of account closures?

CER/ERU that are classified as "ineligible/pending" may no longer be held at the EU accounts. An appropriate period of 40 days will begin soon to run. In this respect, operators can now make an appropriate transfer if they still have a KP-account. However, it should previously be asked the question what these CER/ERU are to be held as if they have no value in the EU-ETS and no more are also eligible for an exchange in the EUA in question.



While it is possible to "delete voluntarily" this CER/ERU. This feature is available in each KP-account and in each EU-ETS-account. For this, the CER/ERU so would not have to be transferred to a KP-account. According to the "delete" the CER/ERU although these are "away" as if bills have been shredded, but it remains the proper accounting treatment of this process with the operators.

It should be noted at this point that the CO<sub>2</sub> allowances in the rule according to value, by sentimental value (1 EUR) or zero value in the balance sheet are recorded.

A simple deletion would have the effect that this would have to be explained in a balance with all the knock-on effects.

In each case of the three scenarios listed above, the following findings arise:

- The period of 40 days applies either way. This means that operators should act immediately, even if they still have the hope that significant amounts of currently "ineligible/pending ERU will get a value provided once the status switches to "eligible".
- The possibly scheduled deletion of a still existing KP-account should definitely be postponed
- The establishment of a new KP-account should be well considered economically
- The options "Delete" or "Expropriation" should be very carefully considered, as they initially appear to a company as easily, but they can draw in respect of balance sheet larger problems.
- A sale - even the smallest amounts of grey CER/ERU-is a viable alternative, since a sale by putting up a bill can be recorded on the balance sheet clean (for example, a Euro ) and must not be reported as possibly loss.

### Summary of remaining stock of grey CER/ERU and the closure of the register accounts

Holders of **EU-register accounts** on which remainders of grey/ineligible CER/ERU are present should consider action in accordance with the options set by us as soon as possible, as the corresponding certificates stocks should be removed from the account. The statutory time limit of 40 days will begin after assessment of Emissionshändler.com® in January or February 2014 to run. If not own KP-account is no longer

present seems to be the only safe alternative, this clean and sorted for sale to avoid any subsequent unpleasant tasks and problems that result from an uncontrolled deletion or state "expropriation" of its own balance sheet can.

#### Infobox

#### Adoption of grey/ineligible CER/ERU and EUA Remaining Stocks

*Emissionshändler.com® as a dealer offers to all German and Polish plant operators to take over their remnants of grey CER/ERU. Also remaining stocks of green CER/ERU or EUA/ aEUA are welcome to be adopted.*

- *For the acquisition of grey/ineligible/pending CER/ERU Emissionshändler.com® pays 0.5 Euro Cents/t, a maximum of 250,00 EUR per operator, with a minimum total of 1.00 EUR*
- *For the acquisition of green/eligible CER/ERU Emissionshändler.com® pays 9 Euro Cents/t, but at least a total of 1.00 EUR*
- *For the acquisition of EUA or aEUA Emissionshändler.com® pays the current market price less fees by arrangement (depending on the quantity)*

*Should the seller be a company which is already **eliminated from emissions trading** and **only grey/ineligible/ pending or green/eligible CER/ERU** then it depends on the amount, whether this transaction can be conducted by Emissionshändler.com® without fees.*

*In any case, the seller receives a word template as a file, with which he can create an invoice for **a minimum of 1.00 EUR** to Emissionshändler.com® in the event that it is CER/ERU.*

*If the account holder need help in setting up the necessary trust account, **DE-121-5022235-0-16** from Emissionshändler.com®, a free help and solution is offered, even if only **one** authorised representative to the operator is present.*

*To request a sales form or questions, interested system operators shall apply Emissionshändler.com® under [info@emissionshaendler.com](mailto:info@emissionshaendler.com) or Tel. +49 (30)-398872110*

Owner of **KP-register accounts** on which remainders of grey/ineligible CER/ERU are present should also consider whether to the CER/ERU should just leave on their KP-account proceed according to our above recommendations for EU accounts or register . While on the KP-account threatens no time limit and the grey CER/ERU can be there indefinitely, but this triggers do not definitively the problem of what to do with them. Thus, here is a clean sale with an invoice to



recommend, albeit without the pressure of a time limit by the legislature.

Plant operators who have retired from emissions trading and have to **close their EU-registered account** (possibly also a KP-account) and still have a certificate in hand, in any case, have the period of 40 days after notice to the authority to be followed for the removal of all types of certificates. Again, it is recommended for the account holder necessarily to thoroughly examine the consequences of ill-considered or deletion of a "dispossession" of allowances for the effects on a balance sheet. As previously usually a smaller amount EUA remains in such cases for sale, it can be sold together with any CER/ERU remaining stock to a dealer. Even if it but should only act less like 10t CER/ERU itself, is the account holder helped enormously if this can create an invoice to the dealer that has a minimum value of 1 EUR (see Infobox site before).



**We wish all our readers and their families a Joyful Christmas many gifts and a healthy and happy New Year 2014**

### Disclaimer

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All price curves shown here are based on data from the ICE London, generated from a Reuters information system.

### Our offer

Please contact us without obligation at +49 (0)30-398 8721-10 or [info@emissionshaendler.com](mailto:info@emissionshaendler.com) as well as via mail or find out more about the Internet services under [www.emissionshaendler.com](http://www.emissionshaendler.com).

Kind emission regards

Michael Kroehnert



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