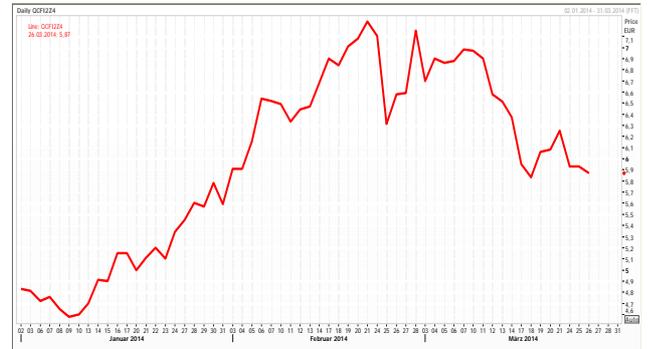




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## Emission News 04-2014

Practical Information for Emission Trading  
Edition 26.03.2014

EUA DEC14 01.01.2014 to 26.03.2014 Source: ECX London

# Exchange ability of CER/ERU now ready - New Registry Regulation 389/2013 operators can now cause problems

The at the 20. and 24.Mar.2014 carried out update in the CO2-register now brought operators the hoped-for clarity how an exchange of CER/ERU in EUA certificates to the investment account is carried out in practice. The already at beginning of March 2014 implemented exchange function can now be used even if the previously-established data of the assessments of CER/ ERU of each plant operator could not be processed on the 20.Mar.2014 by the EU registry system.

However, this small delay is likely to be less of a problem for several hundred account holders, since the practical implications of the new rules of the registry regulation and its implementation in the register software can do far greater damage than too late swapped certificates. The harmonisation and improvements listed in the far from operators rather less attention Regulation 389/2013 will be in April 2014 a higher number of account holders and their authorised representatives prepare partially massive difficulties to meet its legal obligations and to avoid heavy penalties. For this reason, in our **Emission Letter 04-2014** we will inform you about the main changes in a 1. part (Part 2 in our next **Emission Letter** on 08.Apr.2014).

### Exchange function is now available

The generally expected on 20.Mar.2014 available from 12:00 exchange function of CER/ERU into

EUA was in register initially unavailable. The force since that date version 6.2.5.4.r 9531 from 17. Mar.2014 had indeed successfully produced some new features again, but could the necessary national exchange tables only on Monday the 24.Mar.2014 uploaded successfully.

These national tables each contain the amount of CER/ERU that had already returned an plant operator in the EU in the period 2008-2012 to its respective national registry.

The for competent national authorities ("National Administrator" as DEHSt, KOBIZE, Renade, etc.) had reported their tables in accordance with article 59 of the EU-Regulation on the central administrator of the register, so that those checked for correctness, and then feeds it into the register system. Under EU rules, the use of CER/ERU in the period 2013-2020 for plant operator that were already in the previous period in emissions trading, the remaining available limit on exchangeable CER/ERU is now made visible until 2020 based on these tables.

Einheit	Zeitraum	Projektnummer	Trak.	Zugelassen im EU-ETS	Kontostatus	Reserviert für Transaktionen
EUA	2	UA1000260	TRACH_1	9.563	0	0
ERU aus AAU	1	UA1000260	TRACH_1	9.563	0	0

Name	Value
CER/ERU-Gesamt-Limit	24.063
Abgegebene CER/ERU für 2008-2012	25.500
Umgetauschte CER/ERU in 2013-2020	0
Ausgabe CER/ERU in Umtausch betriebsf. 0	
Verbleibende, noch austauschb. Limit	9.563

Open exchange potential of 9,563 CER/ERU in an plant )



Furthermore, can now be for the newly-down in the emissions trading since 2013 can be seen in the registry account how many CER/ERU can leave for 2013 (if emissions were already registered in 2013 by the verifier).

### Exchange of CER/ERU in accordance with Regulation 389/2013 according to the law

Regarding the use of international credits (CER/ERU) through exchange for certificates (EUA/ aEUA) provides for the EU-Regulation 389/2013 in Article 60, paragraph 1:

- *"An operator may request for exchange of an international credit for a general allowance pursuant to Article 11a paragraph 2 of Directive 2003/87/EC until 31. March 2015 and pursuant to Article 11a, paragraph 3 and 4 of that Directive until 31. December 2020. It shall propose a transfer of international credits from the relevant operator holding account to the EU International Credit Account for operators in the Union Registry."*

This exchange of CER/ERU, which must take place by 31.Mar.2015, however has some conditions, of which the following two paragraphs to the operators are relevant:

- *Paragraph 2, c) : "the number of units proposed in the transfer does not exceed the remaining credit entitlement pursuant to Article 61;"*
- *Paragraph 2, d): "all units proposed in the transfer are eligible for use pursuant to Article 11a and 11b of Directive 2003/87/EC, Article 58 of this Regulation and any measures adopted pursuant to Article 11a paragraph 9 of Directive 2003/87/EC."*

At referred to in paragraph 2c "number" has been previously performed here in emission letter. About the "usability" in accordance with paragraph 2d Emissionshändler.com® has already pointed out several times in past emissions letters.

What is relevant then the paragraph 3 of Article 60:

- *"Upon completion of the transfer pursuant to the first subparagraph of paragraph 1, the central administrator shall ensure that the Union Registry creates an equivalent number of general allowances on the EU Credit Exchange Account for operators and transfer, on behalf of the relevant competent authority, an equivalent number of general allowances to the operators holding account from which the transfer was initiated."*

What is to be controlled here convoluted strange is obvious how the exchange organised carried out.

To try this out in practice, Emissionshändler.com® has on a plant operator account for which he is as a authorised representative registered, has subsequently performed the exchange of ERU for EUA.

### Exchange of CER/ERU on the registry account in practice

To perform the exchange, the authorised representative is in the menu item account/account balance on the button "New transaction cause" and get away with it on the following picture:

The exchange function in the menu item "Accounts/Account balance/Transaction"

After another click on the lowest link "Exchange of CER/ERU for delivery in the EU-ETS" appears the menu page in which the representative can now the amount available of CER/ERU enter into the appropriate box.

The number of exchange certificates inside the formula

Here, it is clear that to be entered number of certificates to be exchanged must be less or equal to the number "Remaining, yet usable limit", otherwise an error message. In addition, the representative may choose from the menu on the right, which CER/ERU what project numbers he



wants to exchange. This is particularly important if he has called KP2CER that he currently does not or do not want to leave.

After another click on "Next" then the representative goes via a confirmation box to the electronic signature. After the signature he and further authorised representative gets a confirmation mail of the system, that now the second authorised representative of this register account has to confirm the exchange operations (instructions, see page 5 of this Emission Letter).

After the second representative has made through its register access confirmation to exchange, the system announces the message: "The transaction is executed immediately"

If you look at then the account balance, it can be seen that the number of certificates has remained the same compared to before (here 108.088), but there is only from EUA certificates.

Thus, this EUA can now be issued, but theoretically also sold (transferred).

Unit Type	Commitment Period	Project Number	Project track	Eligible	Ineligible	Balance	Reserved for transaction
General allowance	2					108,088	0

Name	Value
Entitlement	34,563
Surrendered International Credits in Phase 2	25,000
Exchanged International Credits in Phase 3	9,563
Pending exchanges	0
Remaining Entitlement	0

Picture of the account balance after the exchange transaction

### Deadlines for the exchange

The exchange of CER/ERU certificates is also dependent on deadlines.

Clear result of this previous practical exercise that the exchange process is connected without a waiting period.

The but on the subject of exchange of CER/ERU in EUA/aEUA relevant in every case the deadline is **31.Mar.2015**.

At this time must CER/ERU, the emission savings from the previous trading period originate, have been exchanged. This should apply to operators which have an open exchange potential from the period 2008-2012, not be the problem, so as to think this in mind and get in time these allowances

on the market. This especially true if the operator a higher, open exchange potential than he can return emission allowances in the years 2013. Should he go out here a previously worried stock of KP1 CER/ERU, then he can be in the coming years, only much more expensive KP2 CER get on the market.

### Infobox

#### Airline reporting on 31.Mar.2014 again obligation?

*On 19.03.2014 the surprise was perfect even for insiders of airline emissions trading in Europe:*

*The Environment Committee of the European Parliament voted against the previously negotiated compromise proposal and recommended a comprehensive solution for the scope of emissions trading for airlines than the previously found in the trialogue compromise.*

*However, the date of this opinion change leads at the affected aircraft operators to the highest uncertainty, since it also now again current date of submission of the annual report 2013 depends to the end of March 2014.*

*As the following on the vote of the Climate Committee, initially final vote in Parliament can now be done only after the 31.Mar.2014, now have - contrary to the compromise proposal- not only the reports are completed at the end of March but they are also verified by the auditor. Also needs to 30.Apr.2014 the delivery of the appropriate amount of certificates to be ensured and probably in many cases they are even bought yet before. This will not be done for most airlines in the EU calculation and therefore it is almost inevitable that will pull the output in these cases also the penalty of 100 EUR/t by itself.*

*For this reason, an immediate clarification of the EU commission would be necessary that the date of the delivery of reports in 2013 moved, and the delivery of the certificates also.*

*However, since this may be doubted, a forward-looking operating airline will now stock up once with certificates to secure delivery for 30.Apr.2014. If, however, then again apply the original plan, a reporting as a double report 2013/2014 for March 2015 would be necessary, with a delivery of two quantities report by April 2015.*

Much more differentiated it is likely to be seen when you look at the system of the exchange in the new plants. Since the reporting of emission amounts for 2014 must be made at the 31.Mar.2015 at the latest, it will be time hardly possible that an operator in the period after confirming its emission amount of 2014 by the verifier and after entry of this amount in the VET-table, but before the 31.Mar.2015 an exchange of KP1 CER/ERU can make in its registry account. In addition, it may be

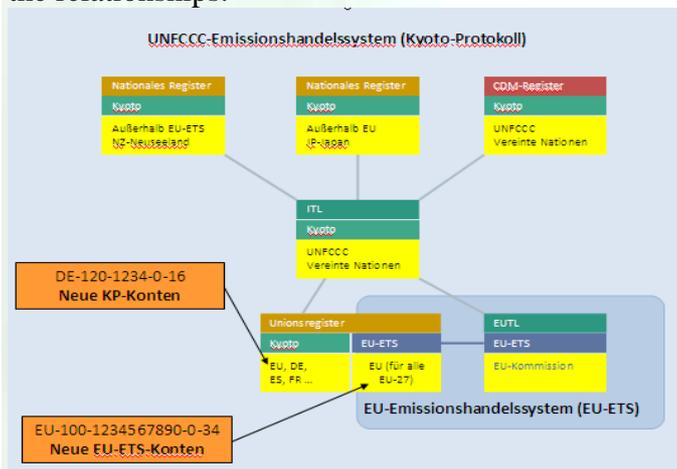


that only after an update of the register in the night of 31.Mar.2015 the VET-tables of all operators in the EU are updated together and thus an intentional exchange by the operator is not at all possible before.

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**The new registry regulation 389/2013 and the most significant impact on the CO2 account - Part 1** (Part 2 in the Emission-News 05-2014 on 07.Apr.2014)

To understand the impact of the new register decree of 02.May.2013 on account holders and agents, it is useful to present some concepts and to understand the relationships.



Dark blue area: EU- Emission Trading System EU-ETS

The EU-Emission-Trading-Scheme EU-ETS is included as part of the UNFCCC in emission trading system according to the rules of the Kyoto-Protocol. The union registry for the EU countries is connected by a communication link to the International-Transaction-Log ITL and also the main part of the European-Transaction-Log (EUTL). Article 7 of the registry regulation says here:

*"The central administrator and the member states shall ensure that the Union Registry and the KP-Registry shall maintain a communication link with the ITL for communication of transactions with Kyoto units."*

In the union registers are located including the EU registry accounts of the plant operators whose ID is at EU-100-XXXXXXX-0-YY and in some cases with plant operators also have a KP- account (Kyoto-Protocol-Account) to which, for example, grey/invalid CER/ERU can store or old CER that

no longer can be used to exchange them for certificates valid from 01.Apr.2015.

The EU-Emission-Trading-Scheme EU-ETS is under figuratively by the EU Commission. This has a central administrator set up to oversee the union registry and the EUTL and operates. The central administrator of the union registry shall remain under the many technical respects the national manager, these are the registration authorities in the EU countries (Germany: DEHSt, Poland: KOBIZE, Spain: Renade, etc.).

The national managers have many organisational tasks and must also be subordinated in accordance with the relevant national laws the orders and instructions of their national authorities, such as financial authorities, judicial authorities, environmental agencies, etc.

**Access to the register system as a precondition to all activities in the CO2 account**

Since the EU-ETS had to suffer greatly in the years 2009-2011 under the scams of various criminal groups and individuals, with the registry regulations 389/2013 further safety regulations have been implemented.

This sales tax fraud, theft, black money laundering and other offences continue to be prevented, or can be difficult, the requirements of account holders and agents are further increased and reached a level that partially meets at the affected plant operators and account holders on high incomprehension. These are, however, the requirements can not escape and therefore should the rule of regulation 389 shown on 60 pages know and observe for at least the most relevant points.

Below, therefore, an excerpt from the regulation of the main access rules:

**Article 94: Accessing accounts in the Registry**  
*Account representatives shall be able to access their accounts in the Union Registry through the secure area of the Union Registry. The central administrator shall ensure that the secure area of the Union Registry website is accessible through the Internet. (.....).*

**This means** that the upstream ECAS authentication system should be controlled and a permanent and safe access should be ensured at least in April of each year (delivery of certificates).



## Article 95 of the authentication and authorisation of an authorised representative in the Union Registry

**95,1:** *The central administrator shall ensure that the Union Registers issues each authorised representative and additional authorised representative a username and password to authenticate them for the purpose of accessing the registry.*

**This means** that the password has not expired and that the former first filing of any authorised representative has been done correctly from 20.Jun.2012.

**95,2:** *An authorised representative or additional authorised representatives shall only have access to the accounts in the Union Registry for which he is authorised and shall only be able to request the initiation of processes for which he is authorised pursuant to article 23 (.....).*

**This means** for example that an agent is not with the data of other agents may log into the register (IP-Addresses-Check!) and can not be perceived by another representative the tasks of an additional authorised representatives.

**95,3:** *In addition to the username and password referred to in paragraph 1 an authorised representative or additional authorised representative shall use secondary authentication to access the Union Registry (.....).*

**This means** that the mobile phone number of the authorised representative must be activated (separate confirmation by the national administrator that this mobile phone number a second time in the register can not be used by another duly authorised and have a continuous and reliable reception in the domestic mobile network, at least in April of each year should be ensured (delivery of certificates).

**95,4:** *The administrator of an account may assume that a user who was successfully authenticated by the Union Registry is the authorised representative or additional authorised representative registered under the provided authentication credentials, (.....).*

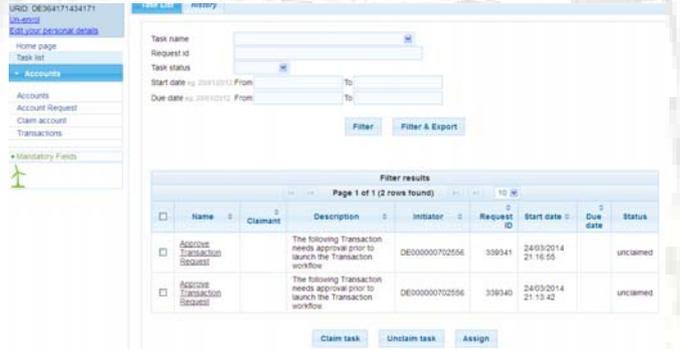
**This means** for example that an authorised representative should make sure an email address used as a user name that this email address is not another agent or a former (no longer authorised access) is assigned agent, as happened in cases of non-personalised e-mail addresses.

## The confirmation of transactions through a second account representative

Under the terms of the register are transactions (here the transfer of allowances to third parties) to

be confirmed by a second authorised representative unless a trust account yet. This principle means in practice that the affirmative representative knows what he has in the new register system where and how to do. Since many agents were not back in their registry account system since April 2013, Emissionshändler.com® below shows the confirmation process a transaction.

The authorised representative clicks in his account on the menu item task list.



A task is to find the menu item "To Do List"

There he finds the "task", which has been transmitted to him by his first authorised representative.

He may delegate this task now according to the three blue buttons below the set task "Apply", "Delivering" or "Assign".

**Infobox**  
**The deadline for objection against the allocation notice and correction factor**

*In the last week of March, the last periods of allocation notifications expire, which were shipped from the 17.Feb.2014 by the DEHSt.*

*Operators, who want to take action against insufficient allocations or have appealed against the correction factor by an average of 11,5% contradiction or want to do this still should know that a reasoned objection must be made within certain time limits. In this connection helps Emissionshändler.com® operators like with a recommendation for a chambers that is experienced not only in CO2 trading and environmental law but also has experts in administrative law.*

*In the case Emissionshändler.com® will work out technical (not legal) aspects, or with operators to work out the technical reasons for small allocations, we will look forward to your contact.*

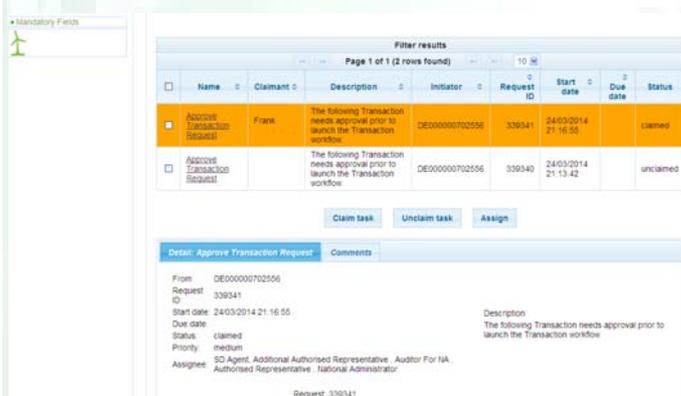
**Information at +49 30-398872110 and e-mail info@emissionshaendler.com.**

Prior to this, the authorised representative search his assigned task in the top panels of the menu item, if several tasks that it has been provided.



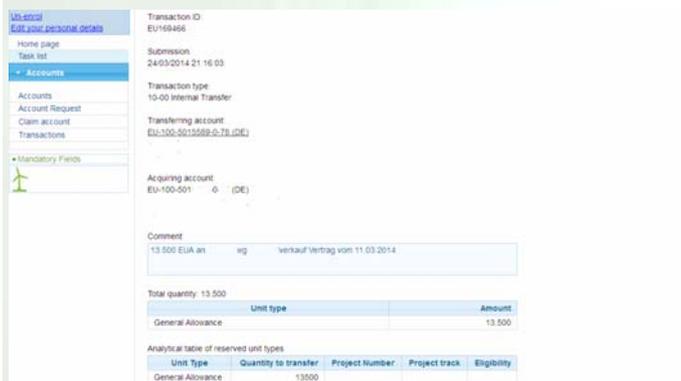
The meaning of the fields "Release" or "Assign" in each case is complex, in the normal case is only the "Apply" button will be used.

In this connection the authorised representative will put his check mark in the check box and on the link "Confirm Transaction" button, before he takes over the task. Then appears orange coloured the news that the task has been successfully transferred.



*The task has successfully taken*

After another click on the 6-digit task number of authorised representative can now fulfil its mission within the next several steps, to which he is prompted by the system, respectively.



*The tasks described and should now be approved*

After the representative checked the task with respect to the amount and type of certificates, the project number of the certificates, the correct recipient account and the sender account, he may yet to comment on this. After clicking "Confirm", it is then forwarded in the ECAS authentication system for electronic signature.

In this case, as well as when logging in at the beginning, the authorised representative should be particularly careful that he does not lock himself in three occasions incorrect entry of username, e-mail address, password and mobile phone number and get no access.

## Updating of account information and information on authorised representatives

The active updating of equipment and account data and the data of the authorised representative is an integral part of the registry regulation 389/2013. Failure to comply or only exceeded their dates, threatening the account holder or the account representative by the national administrator (DEHSt, KOBIZE, Renade, etc.) the closing of the register account. The three most relevant rules for updating are as follows:

**Article 25.1:** All account holders shall notify the national administrator within 10 working days of changes to the information submitted for the opening of an account. In addition, account holders shall inform the confirm to the national administrator by 31. December of each year that the information for their account remains complete, up-to-date, accurate and true.

This means that any changes to the known data of the plant, whose juridical representatives or their agents in accordance with Annexes VI, VII, VIII to regulation on pages 45-49 must be reported more or less immediately. Furthermore, this means that the national administrator, is a total message must be delivered at each end, which should, in principle, confirm the "no policy change" of data.

**Infobox**

**FMS electricity price compensation and the auditors**

*There are many of the aid beneficiary companies which are nearing the end of their work on electricity price compensation, there is the question of the audit by the auditor.*

*This can happen quite that after the experience of past years with so-called form-management- systems of one or other long-term WP-auditor of the company, this work would not be carried through or even that comes out in its determination of which the application is not consistent and/or is transparent.*

*For these two cases, it is advisable that Emissionshändler.com® in the former case the company recommends an experienced auditor who can this work (including VPS dispatch) take over. In the second case Emissionshändler.com® can temporarily take over even the correct preparation of the application and for creating fixed price offer.*

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**Article 25.3:** The notification of change shall be supported by information as required by the national administrator in conformity with this section. Within 15 working days of the receipt of



such a notification and supporting information, the relevant national administrator shall approve the update of the information. The administrator may refuse to update the information in accordance with Article 24, paragraphs 4 and 5 ( .....).

**This means** that a National Administrator changes also may decline and the agent or account holders may no longer make its activities in the register.

**Article 25.4:** *At least once every three years the national administrator shall review whether the information submitted for the opening of an account remains complete, up-to-date, accurate and true and shall request that the account holder notify any changes as appropriate.*

**This means** for instance that the National Administrator no later than every three years by account holders (legal entities, represented by the managing director / chairman, etc.) and account representatives expected that this their "expired" renew certificates. These are especially personal documents such as identity card and passport, their numbers will change and clearance certificates, the validity of which are 3-10 years. Furthermore, this can (in very precise interpretation of the Regulation) be the function in the company, the name (marriage, divorce, etc.) and especially the trade register entries with a change of the manager / executive committee. All other updatable and reportable changes, see also: Annexes VI, VII, VIII of the Regulation. Changes in the account and system data and the data of authorised representative can be made (with few exceptions) in the registry system on the menu item accounts.

Account Main	Holdings	Authorised Representatives	Additional Authorised Representatives	Installation	
Account Details	Contact Person Information	Compliance	Verifier	Trusted Accounts	Account Statements
<b>Account Details</b>					
ID	5014473				
Name	- Anlagenkonto				
Status	Open				
Type	Operator holding account				
Period	0				
Account group					
Account Opening Date	11/03/2009				
Account Closing Date	This account is still open				
<a href="#">Update Account Name</a>					

Update the data in the registry account

After clicking on the main menu item "Accounts" you can update the information regarding to the plant, to the account, the account holder, the contact person of the plant and to the account representative.

## End of Part 1 "The new Registry Regulation 389/2013 and the most significant impact on the CO2 account".

The sequel takes place in part 2 in the **Emission-News 05-2014** from 04.07.04.2014.

Here we will look at methods of accounting register, register account lockouts and register account closures. Furthermore, it comes to the establishment of a second or third authorised representative, the irrevocability of deletions as well as to the delivery of the certificates to 04.30.2014 and the alternatives in the event that timely delivery seems doomed to fail.

## Disclaimer

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The GEMB mbH assumes no responsibility for the accuracy and completeness of the information or its suitability for a particular purpose, either express or implied, This letter is not written with the intention that readers make an investment decision, a purchase or sale decision regarding a CO2 product or market and / or a contract decisions in all other respects active. All price curves shown here are based on data from the ICE London, generated from a Reuters information system.

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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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