

The Telegraph

European carbon market suspended over fraud fears

The European carbon market has been thrown into turmoil after the scandal-hit scheme was suspended for a week over suspicions of fraud.



Companies need permits to emit carbon dioxide, and polluters are granted a certain number of emissions allowances that can be traded Photo: REUTERS



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More than €2bn (£1.7bn) of trade is likely to be disrupted after the European Commission said it would prevent transactions until January 26.

The suspension follows allegations that 475,000 carbon credits worth €7m were stolen in a hacking attack on the

Czech carbon register. It appears that the intangible allowances were bounced between eastern European countries before disappearing without a trace.

France's Bluenext exchange was the first to close its platform, while Austria, Poland, Estonia and Greece also shut their registries for trade.

This is not the first challenge to the credibility of the €90bn annual market in carbon allowances

Under the flagship scheme, companies need permits to emit carbon dioxide as part of the global fight against climate change and polluters are granted a certain number of emissions allowances that can be traded.

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But it has been plagued by fraud, with Europol estimating that carbon trading criminals trying to play the system may have accounted for up to 90pc of all market activity in some European countries during 2009. Fraudulent traders mainly from Britain, France, Spain, Denmark and Holland pocketed an estimated €5bn. Carbon allowances are particularly susceptible to fraud because they are high value, intangible and easily moved between different countries.

The Commission said on Wednesday it "will work to ensure that this transitional measure can be lifted swiftly for all those registries with adequate security measures".

Kjersti Ulset, manager for the European carbon market at Point Carbon, said: "Hacking attacks of this type have also occurred elsewhere within the European Union in the recent past.

"Although such incidents are negligible in terms of actual market impact, they will over time undermine the credibility of carbon trading as a policy measure to reduce emissions in Europe. Immediate actions to improve the security of EU registries are thus needed."