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By Catherine Airlie | Bloomberg

UBS AG said European Union carbon permit prices could double by 2014 and triple by 2017 because its forward price curve "implies no recovery at all in gas prices until 2013, an unlikely scenario we think and not consistent with gas forwards."

"The reason for this anomaly is lack of liquidity in the CO2 forward curve beyond 2011. We believe the mispricing would become apparent in 2012, at the latest," the Swiss bank said in a research note today.

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