

## EU says half of countries trading carbon are poorly protected against fraud

The European Union has admitted half the 27 countries trading carbon are poorly protected against fraud, after a series of thefts forced it to ban spot trading on the €90bn (£76bn) market.



Under the flagship trading scheme, companies need permits to emit carbon dioxide as part of the global fight against climate change Photo: REUTERS



By [Rowena Mason \(http://www.telegraph.co.uk/journalists/rowena-mason/\)](http://www.telegraph.co.uk/journalists/rowena-mason/)

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Officials on Thursday revealed that 2m credits may have been stolen in total – more than four times the 495,000 allowances taken from the Czech registry this week.

They appeared not to rule out the suggestion that authorised traders were behind the thefts that appear to have taken place in a series of hacking raids across the Continent. Carbon allowances worth up to £28m are missing without a trace.

European Commission (EC) officials have criticised lax security at some national carbon registries and pledged to ensure that the problem is sorted out.

"It does not cost that much money to have checks in place, maybe a couple of hundred thousand euros, while potential losses could go into the millions of euros," said Jos Delbeke, head of the Commission's climate action

team.

EC spokeswoman Maria Kokkonen could not confirm whether trade would be closed for longer than the original week-long ban. "It depends [on] the action and the speed of reaction of the member states." An estimated 14 registries out of 27 do not have adequate systems at present, she said.

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[EU carbon market suspended over fraud fears](http://www.telegraph.co.uk/finance/newsbysector/energy/8269907/European-carbon-market-suspended-over-fraud-fears.html)

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Trevor Sikorski, a carbon analyst at Barclays Capital, estimated the value of disruption to the European spot market at €70m if the ban continues for a week.

Exchanges including London's ICE Futures, New York's Nasdaq OMX Commodities Europe and Paris-based Blue-Next banned trading in two contracts on Thursday. These are the European emissions allowance (EUA) daily futures and the United Nations carbon emission reduction (CER) daily futures contracts.

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

However, it has been plagued by fraud, with Europol estimating that criminals trying to play the system 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.

In another scandal to cause closures in some nations, online fraudsters targeted national registries through a "phishing" scam in February 2010. The criminals first sent official-looking emails to market participants requesting their login details, which they then used to steal emissions allowances and sell them on illegally.

And in December, 1m EU carbon allowances went missing from Romania's emissions registry, apparently because of a computer virus.

Carbon allowances are particularly susceptible to fraud because they are high-value, intangible and easily moved between different countries.



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