Europe needs an emissions permit price floor as used in the U.K. to make gas-fired power a profitable alternative to more-polluting coal plants, Verbund AG (VER)'s chief executive officer said.

Rising carbon prices will push up the cost of coal-fired power generation, boosting the incentive to operate cleaner gas-fed stations, Wolfgang Anzengruber, head of Austria's biggest utility, said in a Sept. 3 interview in Cologne, Germany. Verbund will decide by the middle of next quarter whether to close its 848-megawatt gas plant in Mellach, Austria, which only started producing power in July 2012.

Utilities from RWE AG (RWE) to EON SE have been shutting gas-fired generators as the falling cost of pollution makes coal plants more profitable to operate, even though they produce twice as much greenhouse gas. The cost of emitting a metric ton of carbon dioxide in Europe has slid 85 percent since 2008, reaching a record-low 2.46 euros ($3.24) a ton in April.

"With carbon prices at record lows, there is no incentive to run a gas-fired plant," Anzengruber said. "Operators need an emissions price of around 35 euros a metric ton to produce power from a gas plant rather than from a coal plant."

The U.K. set a floor on carbon prices in April to encourage investment in clean-energy projects by making it more costly to burn fossil fuels. The minimum price of 4.94 pounds ($7.70) per ton of emissions will climb to 18.08 pounds for the year through March 2016, Britain's Treasury said in March.

Price Floor

"I personally expect that some EU countries will implement an emissions price floor similar to the one we have in the U.K.," Verbund's Anzengruber said. "But it is hard to say when, as it is a political decision."

In Germany, the opposition Green party wants to introduce a floor of around 15 euros a ton if they win the country's Sept. 22 elections, Jens Kendzia, a party spokesman, said yesterday by phone from Berlin.
European Union emission permits for delivery in December fell 0.9 percent to 4.53 euros a metric ton at 7:52 a.m. on the ICE Futures Europe Exchange in London.

The dark-spark spread, the profitability of coal-fired plants relative to stations fueled by gas, climbed to 26.73 euros a megawatt-hour on Aug. 7, based on German power, gas, coal and carbon prices for next year. The spread stood at 26.66 euros as of 8:50 a.m. Berlin time.

Next-month gas for delivery in the Netherlands, a benchmark for continental Europe, fell 0.1 percent to close at 26.32 euros a megawatt-hour yesterday, according to broker data compiled by Bloomberg.

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Carbon taxes to ensure the profitability of a favored industry segment? Seems like Industrial Policy in sheeps’ clothing. It also seems illegal.

Now that the Monstrous Lie of Global Warming is coming unraveled, CO2 is just another hook on which tax-hungry pols can hang a another new tax. Force-feeding gas into the electric generating sector will certainly increase costs to higher value-added users of gas who could provide greater economic benefits for the same amount of gas.

Further, Europe is a high-cost market for gas, so the tax would have to be very high in order to have the intended effect. High enough for the peasants and merchants of Europe to descend on Brussels and
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