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## The Impact of European Union Emissions Trading Scheme (EU ETS) National Allocation Plans (NAP) on Carbon Markets

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### ABSTRACT

This paper empirically examines the extent to which participants in the carbon market perceive EU ETS NAP and Verifications announcements to possess informational value. The study directs its attention to carbon returns and volatility movements around official EU ETS PHASE II announcements. Following Mansanet-Bataller and Pardo (2007), we adapt an event study methodology which caters for the peculiarities of our data, using a Regression and Truncated Mean Model approach. Further, we source the earliest date a certain announcement is publicly released from both official and news sources, and examine both Phase I & II front futures and sole Phase II prices. We find that Phase II announcements have an influence on both Phase I & II front futures and sole Phase II futures carbon returns. In addition, we find that the announcements have no significant impact on volatility. Together, the findings suggest a systematic leakage of information across all types of announcements, consistent with Mansanet-Bataller & Pardo (2007).

### KEYWORDS

Emissions Trading, Carbon Futures, Information Asymmetry

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