

EUA prices €/t 21.12.2018 12:53

| Product | Bid | Ask | Last | Change* |
|---------|-------|-------|-------|----------|
| Spot** | 24.10 | 24.16 | 24.06 | 8.89 % ↑ |
| Dec-18 | 0.00 | 0.00 | 24.26 | 9.60 % ↑ |
| Dec-19 | 24.47 | 24.50 | 24.46 | 8.91 % ↑ |
| Dec-20 | 25.03 | 25.11 | 25.06 | 8.50 % ↑ |

*Change compared to the previous report ** EEX spot

sCER prices €/t 21.12.2018 12:53

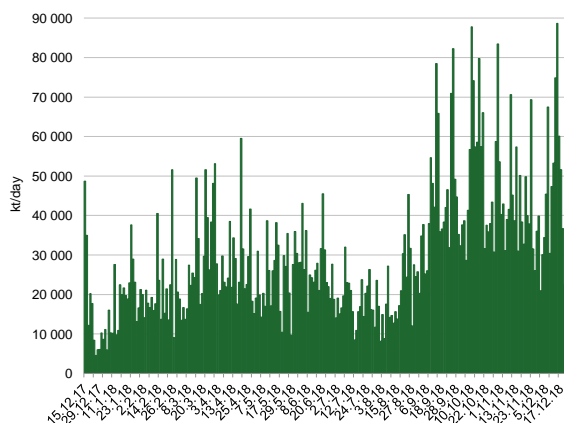
| Product | Bid | Ask | Last | Change* |
|---------|------|------|------|----------|
| Spot** | 0.00 | 0.30 | 0.26 | 0.00 % |
| Dec-18 | 0.00 | 0.00 | 0.26 | 3.85 % ↑ |
| Dec-19 | 0.20 | 0.26 | 0.25 | 0.00 % |
| Dec-20 | 0.17 | 0.25 | 0.25 | 0.00 % |

| Product | Spread | Change* |
|------------------------------|--------|----------|
| EUA Dec18-sCER Dec18 Spread* | 24.00 | 9.71 % ↑ |

*Change compared to the previous report **Last trade price

Daily traded EUA volume, ICE Futures Europe*

*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 21.12.2018 12:53

| Product | Unit | Prices* | Change* |
|------------------------|---------|---------|-----------|
| ENO Q4-2018 | €/MWh | 55.85 | 8.50 % ↑ |
| ENO 2019 | €/MWh | 46.40 | 5.17 % ↑ |
| ENO 2020 | €/MWh | 37.55 | -0.13 % ↓ |
| ENO 2021 | €/MWh | 34.63 | -1.36 % ↓ |
| EEX, Base load Cal-19 | €/MWh | 55.48 | 3.80 % ↑ |
| Brent crude | \$/bbl | 54.80 | -9.87 % ↓ |
| Natural gas UK (Q4-18) | p/therm | 67.92 | 2.95 % ↑ |
| Coal CIF ARA API2 2019 | \$/t | 87.80 | -0.91 % ↓ |

*Change compared to the previous report **Last trade price

Market Analysis

During week 50 the emission price fluctuation continued to be strong. On Monday the emission price opened clearly bearish with the weak development at the stock market, but later on Monday the price turned bullish, when the Britain's Parliament vote against Brexit draft agreement, that was considered to be almost certain, was delayed. Towards the end of the week the emission price increase was strengthened. The reason was mainly the weak supply in the future, when the auction break starts and the MSR starting next tightens the supply more permanently. The support to price was caused also by the more positive market sentiment, when the trade tensions between China and the U.S. was considered to be reducing. The closing price of the week was 23,37 € and at the weekly level the emission price increased even by 3,01 €.

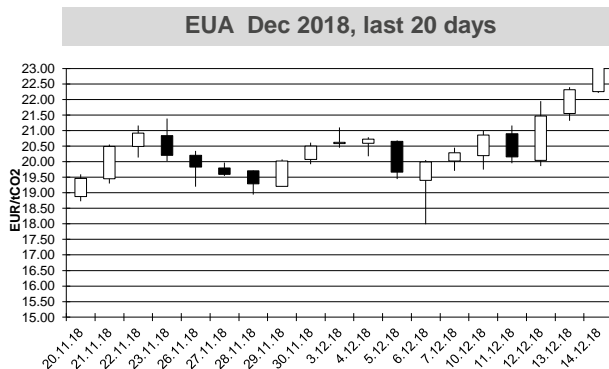
At the beginning of this week the emission price continued to be very strong. Upward pressure in price has been maintained by very strong technical outlook, break in auctions and MSR starting next year. In addition to this, there will be no auctions in Britain during the first quarter of next year due to uncertainty on Brexit. The stock market development and oil price development has continued to be weak, which turned the emission price bearish on Thursday.

During week 50 the ICE Futures Europe exchange trading volumes increased compared to previous week. The average volume was about 64 million. On Thursday the volume increased to 89 million.

Market View

The concerns on economic slowdown have kept the stock indexes in a bearish trend. On Wednesday downward pressure to indexes was also caused by U.S Federal Reserve Bank's decision to increase the key interest rate. However, the Federal Reserve decreased the next year's path of interest rate due to weaker economic outlook and the financial market fluctuation. Therefore the Federal Reserve increases the interest rate on twice next year. The defeatist stock market and the oil price decrease affected the emission price on Thursday. Weak oil price has reflected only moderately to coal price, when in Europe the actors are replenishing the stocks when the water level in river Rhine has increased. The water level increase has enabled the river transportation with full cargos.

Due to holiday season the auctions are on break and the next auctions will be held in January 7th. In addition to this, due to MSR the decreasing auction volumes cause upward pressure. The Britain's auction break during the first quarter next year due to uncertainty on Brexit also supports the emission price. We expect the emission price to continue in a bullish trend. However, the uncertainty on Brexit blurs the outlook and causes price fluctuation and possibly downward pressure due to upcoming vote. Britain is expected to vote on Brexit draft agreement on the third week in January. Currently the voting for draft agreement seems unlikely.



Black candles indicate days with closing price below opening price.
White candles indicate days with closing price above opening price.

| CDM pipeline | 21.12.2018 12:53 | |
|---|------------------|--------|
| | Amount | Change |
| Number of projects** | 8456 | -9 |
| Registered projects* | 7755 | 1 |
| Volume of the pipeline by the year 2020, MtCO2e** | 10614 | -54 |
| Issued CERs, MtCO2e* | 1787 | 7 |

*Change compared to the previous report.

**Pipeline: UNEP/Risoe is updated monthly. Registered projects and issued CERs: UNFCCC

| Upcoming events | |
|-----------------|--|
| Date | Event |
| week 3 | Britain's vote on Brexit draft agreement |

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Sources:

- [1 Carbon Pulse news](#)
- [2 Carbon Pulse news](#)
- [3 BNEF news](#)

On Agenda: Europe

Nine member states have pledged to co-operate to strengthen EU carbon prices to help meet the goals of the Paris Agreement. Such mechanisms could include national carbon price floors for electricity generation to complement the EU ETS, or carbon pricing in non-ETS sectors. Behind this statement is the group of climate and energy ministers from Denmark, France, Finland, Ireland, Italy, the Netherlands, Portugal, Sweden, and the UK.¹

The UK government has confirmed that it will not hold any EUA auctions in Q1 2019 when the Brexit is in a process. The Britain is supposed to be in EU ETS until the end of the current phase (2013-2020). However, under a 'no-deal' Brexit the UK would leave the ETS on March 29th, 2019 and would replace its participation in the market with a £16/ton carbon tax from April 1st.²

On Agenda: Global

Solar-panel makers have lost much of their market value during this year although at the same time the number of installations of solar-panels hit the new record. The reason for this is that most makers are having to sell solar modules for below cost to compete with Chinese supplies. The strong competition has decreased the prices of solar-panels, but on the other hand, decreased the margin for solar-panel makers.³

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