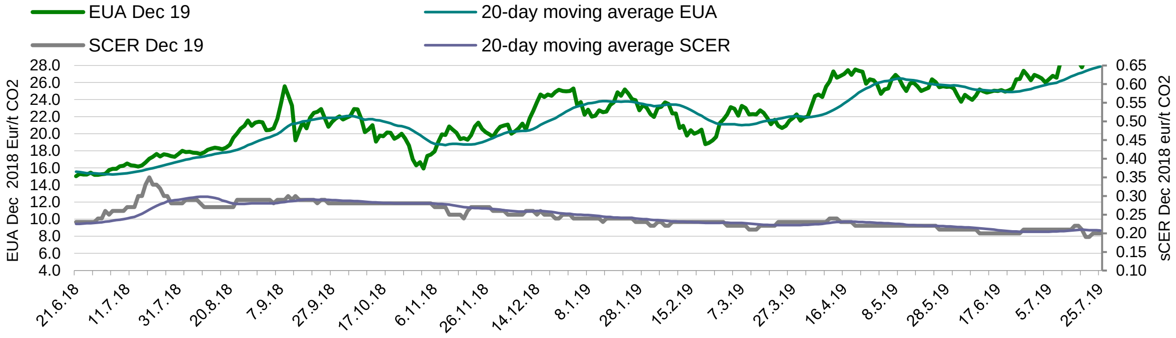
Gasum Emission Trading Weekly 30

26.7.19



EUA prices €/t		26.7.2019 11:54		
Product	**Bid**	**Ask**	**Last**	**Change***
Spot**	29.54	29.59	29.58	4.87 %
Dec-19	29.59	29.62	29.60	4.93 %
Dec-20	29.95	30.00	29.96	4.31 %
Dec-21	30.50	30.57	30.50	4.52 %

*Change compared to the previous report ** EEX spot

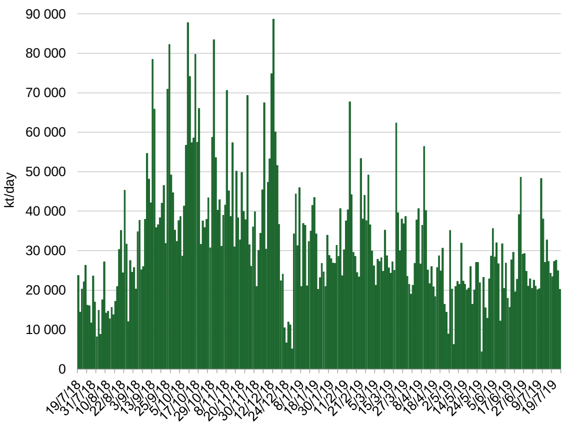
sCER prices €/t		26.7.2019 11:54		
Product	**Bid**	**Ask**	**Last**	**Change***
Spot**	0.00	0.26	0.21	0.00 %
Dec-19	0.17	0.22	0.20	-10.00 %
Dec-20	0.15	0.21	0.18	-11.11 %

Product	**Spread**	**Change***
EUA Dec18-sCER Dec18 Spread*	29.40	5.03 %

*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		26.7.2019 11:54	
Product	**Unit**	**Prices***	**Change***
ENO Q4-2019	€/MWh	44.10	2.83 %
ENO 2020	€/MWh	38.50	1.30 %
ENO 2021	€/MWh	34.80	0.57 %
ENO 2022	€/MWh	33.85	0.89 %
EEX, Base load Cal-20	€/MWh	52.78	2.03 %
Brent crude	$/bbl	63.54	-0.55 %
Natural gas UK (Q4-19)	p/therm	46.64	-2.94 %
Coal CIF ARA API2 2020	$/t	69.40	2.81 %

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

Market Analysis

At the start of last week on Monday emission allowances continued their rise from the week earlier in the wake of a gas price hike and reached yet another 11-year high. The prices tested the closest resistance level but could not squeeze over it. On Tuesday the prices took a downturn and on Wednesday they remained unchanged. The Thursday price decline halted at the support level and on Friday the prices took another upturn supported by weather forecasts of an impending heatwave. The Friday rise resulted in a 10-cent increase in emission allowance prices at the weekly level. The trading volumes for the DEC-19 product were 25.6 million on Monday and 21 million per day for the rest of the week.

During the current week, the rise that started on Friday has continued. On Monday, the rise was slower but on Tuesday emission allowances broke through the resistance level of €29.69/t and hit the new 13-year high of €29.81/t.

The heatwave forecast for Central and Northern Europe is lending support to emission allowance prices during the current week. Above-normal amounts of coal are likely to be fired as the Nordic hydro situation is dry and the low and warm hydro situation of the River Rhône is also keeping French nuclear power output low. This week's auction volumes on offer total 11.5 million tonnes as there is no Wednesday auction.

Market View

The following week's auction volumes will be 13 million tonnes as August's reduced auction volumes will be in effect. The reduced volumes will provide price support. In the fuel market, coal has rebounded from its downward price trajectory and the medium-term trend has taken an upturn. Oil price is supported by the growing tensions between Iran and Britain arising from the situation in the Strait of Hormuz. In general the demand for oil as well as coal is rather weak.

As anticipated, the Conservative Brexit hard-liner Boris Johnson has been appointed as the UK's prime minister. The concern in the emission allowance market as regards a hard Brexit has been that the market would instantly receive Britain's emission allowances in the event of a no-deal Brexit. The majority of UK players have already moved a great deal of their allowances to Continental Europe and the market has already made preparations for a hard Brexit. However, the market sentiment may still turn negative if no deal with the EU is reached.

The technical picture may take emission allowances to a slight downward trajectory once the heatwave is over. The RSI has risen over the 70% line and is providing a sell signal for the DEC-19 with these price levels. The resistance levels for emission allowance prices are the psychological level of €30/t, €30.3/t and the all-time high of €31/t. Support levels are found at €29/t, €28.47/t and €27.85/t. We expect emission allowance prices to be moving in the €28–€30/t range.

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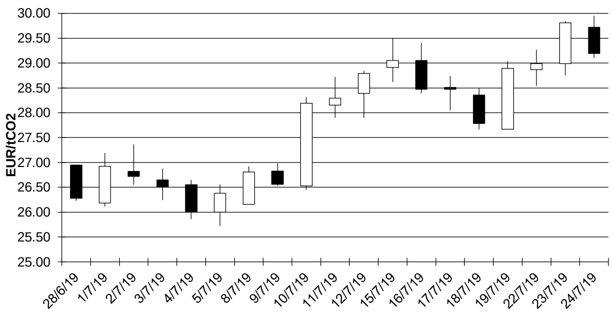
EUA Dec 2019, last 20 days



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

CDM pipeline	26.7.2019 11:54	
	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
22.-23.7.2019	ENVI -committee meeting
22.7.2019	The result of Britain's next Prime minister selection

Contacts:

Markus Herranen

Toni Sjöblom

Laura Pokka

E-mail: firstname.lastname@gasum.com

Sources:

1 Bloomberg news

2 Carbon Pulse news

3 IEA news

On Agenda: Europe

The gas price drop and the emission allowance price hike have made coal-fired power less profitable. In Italy, Spain, Germany and Britain the share of coal has declined in energy production. This is also the global trend. The developments in the energy economy are helping to reach the European Union's emission targets as coal is being replaced by gas and renewables on market terms. In countries including Italy and France, coal-fired output decreased by 40% year on year and in the UK the share of coal dropped from 35% to 4%. The price of gas is close to the decade's lowest levels due to an abundance of supply. Emission allowance prices have soared to record highs and are approaching the €30/t line, which is already starting to have major impacts on company strategies. Nevertheless, several countries are still dependent on coal-fired power, and there are enterprises which have hedged emission allowance prices for several years ahead, enabling coal-burning in the current situation, too.[1]

Boris Johnson won the race to become the Conservative leader and the new UK prime minister. Johnson has said the UK will leave the EU by the end of October – with or without a deal. In case of a no-deal Brexit, Britain will exit the EU ETS and the scheme will be replaced by a temporary carbon tax. Other post-Brexit options from 2021 onwards include remaining in the EU ETS, establishing a standalone UK ETS, linking the UK ETS to the EU scheme, or implementing a carbon tax. The UK ETS would have a price floor under which the price could not fall. Energy sector companies recommend the use of the latest EUA price as a reference for the price floor. Experts also recommend the linking of the scheme to the EU carbon market as a standalone UK ETS market would face thin liquidity and volatile prices.[2]

On Agenda:Global

The International Energy Agency (IEA) is monitoring developments in the Strait of Hormuz and is ready to act if needed. The Strait of Hormuz is a vital maritime transit route for world energy trade, with around 20% of global oil supply – around 20 million barrels of oil – transiting through the Strait each day. It is also the route for around of quarter of the global LNG trade. The supply of oil is currently good, with oil production having exceeded demand in the first half of 2019. OECD commercial stocks total 2.9 billion barrels, which is higher than the five-year average. IEA countries hold 1.55 billion barrels of public emergency oil stocks and an additional 650 million barrels are held by industry. These stocks are large enough to cover any disruptions in oil supply for an extended period. The IEA is ready to act quickly to ensure that global markets remain adequately supplied. [3]