

### EUA prices €/t 9.10.2019 12:16

Product	Bid	Ask	Last	Change*
Spot**	22.26	22.30	22.28	-10.86 %
Dec-19	22.27	22.30	22.30	-10.94 %
Dec-20	22.46	22.50	22.53	-10.83 %
Dec-21	22.81	22.87	22.63	-12.06 %

\*Change compared to the previous report \*\* EEX spot

### sCER prices €/t 9.10.2019 12:16

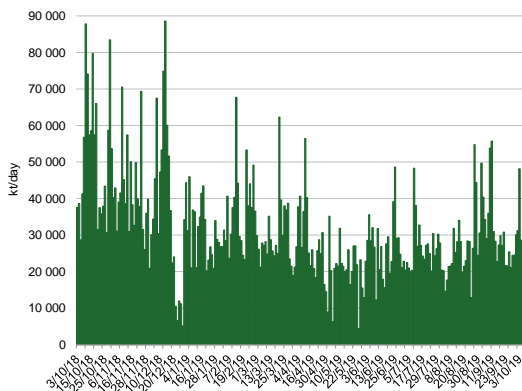
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.21	0.21	0.00 %
Dec-19	0.17	0.22	0.21	0.00 %
Dec-20	0.15	0.21	0.20	0.00 %

Product	Spread	Change*
EUA Dec18-sCER Dec18 Spread*	22.09	-11.05 %

\*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 9.10.2019 12:16

Product	Unit	Prices*	Change*
ENO Q1-2020	€/MWh	39.26	-7.62 %
ENO 2020	€/MWh	33.75	-4.15 %
ENO 2021	€/MWh	33.20	0.15 %
ENO 2022	€/MWh	32.35	-0.31 %
EEX, Base load Cal-20	€/MWh	46.62	-2.92 %
Brent crude	\$/bbl	58.34	-0.62 %
Natural gas UK (Q1-20)	p/therm	50.97	-4.49 %
Coal CIF ARA API2 2020	\$/t	67.50	1.93 %

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

## Market Analysis

Last week, emission allowance prices slumped to their six-month low. On Monday the prices slipped below the often-tested support level of €25/t – the first time since June. The prices corrected upwards on Tuesday as willingness to buy increased when the prices broke through the support level. This, however, was not enough as on Wednesday there was another slide on technical selling. On Thursday the slide continued and the intraday drop was more than one euro. On Friday the slide subsided slightly but did not come to an end. Friday closed at €22.94/t. At the weekly level, emission allowance prices were down €2.36. Last week's auction results still remained weak, with the bid-to-cover ratio exceeding 2 only at the Thursday auction. Daily volumes on the ICE for the DEC-19 product totaled around 20 million, except for Thursday's 40 million regardless of Germany's public holiday.

This week's auction volumes are 15.8 million tonnes thanks to Poland's bumper allowance auction. The volumes are slightly higher than last week. On Monday this week, emission allowance prices corrected upwards towards the €23.50/t level but sank again on Tuesday.

## Market View

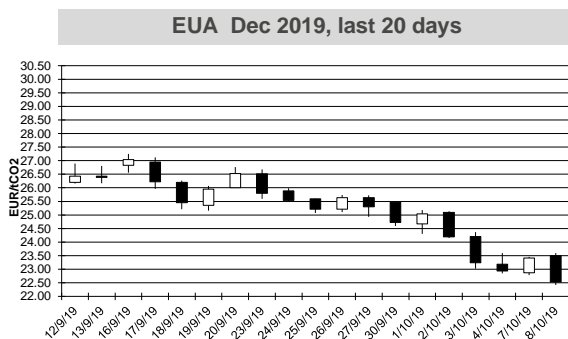
U.S.-China trade talks will take place towards the end of the current business week. Their outcome may shake the financial markets. The Brexit situation is still uncertain. The uncertainties are also pushing emission allowance prices down.

Analysts have lowered forecasts for emission allowance prices as the threat of a no-deal Brexit is still hanging over the market. According to a Reuters survey, the prices are expected to average €26.13/t in Q4/2019. This means a 3.4% drop compared with the July forecasts. Forecasts for 2020 and 2021, however, are still higher at an average of €34.50 and €36.79, respectively. According to Carbon Pulse surveys, the forecast for 2020 is €29.70/t. The biggest reason given for the price drop is the favoring of gas in the fuel dispatch order, with coal already being down by more than a fifth this year.

Estonia has decided to back the target of a carbon-neutral EU by 2050, with Poland, the Czech Republic and Hungary now the last three EU countries blocking the target. Holding the EU Presidency, Finland is seeking a deal on the matter by the end of the year.

The front-year fuel switching cost is close to the emission allowance price and any decline in emission allowances might provide an incentive for coal-fired production. Gas is still going to be favored in the dispatch order over the front quarters.

Emission allowances are technically bearish. The RSI for the DEC-19 is around 30, signaling overbuying. This may still provide price support this week. The closest strong support level can be found at the March low of €20.50/t. Other support levels are found at €21.60/t as well as €22.48/t. Resistance levels are found at the psychological level of €24/t as well as at €23.66/t and €25/t. We expect emission allowance prices to be moving in the €22–€24/t range.



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

CDM pipeline	9.10.2019 12:16	
	Amount	Change
Number of projects**	8380	-76
Registered projects*	7808	53
Volume of the pipeline by the year 2020, MtCO2e**	515	408.86
Issued CERs, MtCO2e*	1985	198

\*Change compared to the previous report.

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

Upcoming events	
Date	Event
9.10.2019	The release of the German governmental law draft
17.-18.10.2019	The last EU meeting before the Brexit at the end of October

**Contacts:**

Markus Herranen  
Toni Sjöblom  
Laura Pokka  
E-mail: firstname.lastname@gasum.com

**Sources:**

- [1 Sitra news \(in Finnish\)](#)
- [2 Carbon Pulse news](#)
- [3 Talouselämä news \(in Finnish\)](#)

**Terms of delivery:** The Emissions Trading Weekly (the "Review") is delivered via email to the Buyer's contact persons as an Adobe Acrobat pdf-document. All rights to the Review are reserved to Gasum Portfolio Services Oy. The Review, parts of the Review and the username and password that enable access to the Review, shall not be redistributed by the Buyer in any form to any third party, including subsidiaries, partly -owned companies and owners. Redistribution of the Review in any form is illegal and Gasum Portfolio Services Oy will fully enforce all available legal remedies in the event of such redistribution.

Gasum Portfolio Services Oy disclaims all warranties as to the accuracy, completeness or adequacy of information in the Review and does not assume any responsibility of delays in delivery of or access to the Review. The Buyer assumes full responsibility and risk of, and Gasum Portfolio Services Oy shall not be liable for, any loss which results from any transactions or decisions made by the Buyer on the basis of the Review supplied by Gasum Portfolio Services Oy. The Buyer shall accept sole responsibility for and Gasum Portfolio Services Oy shall not be liable for the use of the Review by the Buyer (or any user) and the Buyer shall hold Gasum Portfolio Services Oy harmless and fully indemnified against any claims, costs, damages, loss and liabilities arising out of any such use.

## On Agenda: Europe

The EU ETS needs to be reformed, concludes a study commissioned by Finnish Innovation Fund Sitra. To fix the climate crisis, the EU emission reduction targets must be increased. The reform of the EU ETS needs to start immediately. The emissions trading system is at the core of the European climate policy and the emission targets will not be reached without a significant reform of the system. The study suggests a combination of three policy options as the reform of the EU ETS needs to be considerable. The first policy option is strengthening the EU ETS cap in line with enhanced climate targets. Enhancing the Market Stability Reserve (MSR) and introducing a carbon price floor would also reduce the surplus in the market. <sup>1</sup>

Carbon border taxes may be introduced in response to escalating international tensions over trade and business and legislators warming up to the idea. Paolo Gentiloni, Italy's commissioner-designate for the economy portfolio, has said that efforts will be made to be very quick and effective on the carbon border tax and to make sure the levy will be compatible with WTO rules. Carbon border taxes could eliminate the need for free allowances to industrial companies involving a risk of carbon leakage. <sup>2</sup>

## On Agenda: Global

Decarbonization is at its lowest rate since 2011. The PwC Low Carbon Economy Index 2019 shows that, despite political commitment, the rate of decarbonization has slowed. Carbon intensity fell by 1.6% last year while the rate seen in 2015 was 3.3%. To meet the national targets set in the Paris agreement, the decarbonization rate of the G20 economies should average 3% per year. This means the rate should be five times higher than the current decarbonization rate. Last year, global GDP grew by 3.7%. Energy consumption also rose by 2.9% due to the resurgence of industries. The increasing energy consumption is still met by fossil fuels, which increased global emissions by 2% last year. <sup>3</sup>