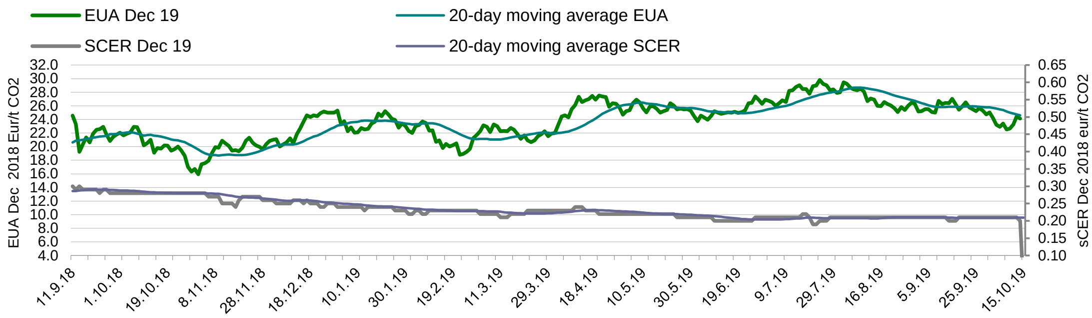
Gasum Emission Trading Weekly 42

16.10.19 © Gasum



EUA prices €/t	16.10.2019 12:08				
Product	Bid	Ask	Last	Change*	
Spot**	25.32	25.36	25.26	2.22 %	↑
Dec-19	25.32	25.35	25.33	2.33 %	↑
Dec-20	25.51	25.55	25.50	2.08 %	↑
Dec-21	25.88	25.92	25.85	1.90 %	↑

*Change compared to the previous report ** EEX spot

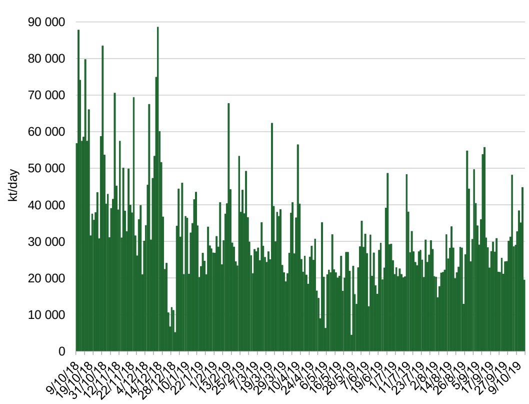
sCER prices €/t	16.10.2019 12:08			
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.21	0.21	0.00 %
Dec-19	0.17	0.22	0.21	0.00 %
Dec-20	0.15	0.22	0.20	0.00 %

Product	Spread	Change*	
EUA Dec18-sCER Dec18 Spread*	25.12	2.35 %	↑

*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		16.10.2019 12:08		
Product	Unit	Prices*	Change*	
ENO Q1-2020	€/MWh	41.67	-1.39 %	↓
ENO 2020	€/MWh	35.60	1.26 %	↑
ENO 2021	€/MWh	33.68	1.57 %	↑
ENO 2022	€/MWh	32.56	0.34 %	↑
EEX, Base load Cal-20	€/MWh	48.42	0.91 %	↑
Brent crude	$/bbl	58.64	-0.10 %	↓
Natural gas UK (Q1-20)	p/therm	50.16	-6.17 %	↓
Coal CIF ARA API2 2020	$/t	68.80	3.78 %	↑

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

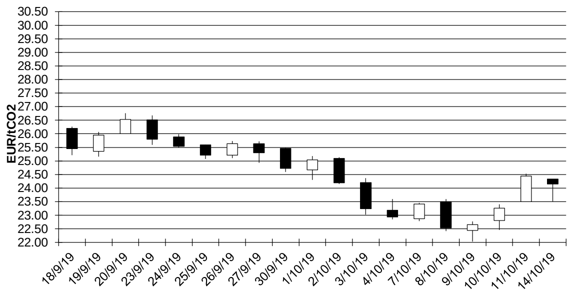
Market Analysis

Last week, emission allowance prices were bullish. On Monday, recoil from the previous week's bearish prices could be seen in emission allowance prices, which recovered to above the €23/t level. On Tuesday, Brexit concerns maintained the downtrend of the emissions market and emission allowance prices dropped to a six-month low. After Tuesday, emission allowance prices took another upturn. On Wednesday, there was first an intraday price drop close to the support level of €22/t. The support level held, however, and the prices closed at an upward trajectory driven by the price of oil and by Brexit news. On Wednesday, the auction result was also strong. On Thursday, emission allowance prices climbed further after the Nordic electricity markets closed; the Brexit news pushed the prices back above the €23/t level. The meeting of the British and Irish prime ministers went better than expected and a Brexit deal appeared to be one step closer. On Friday, the prices continued to climb as the oil market jumped after the Red Sea tanker attack and as the Brexit news remained positive. On Friday, emission allowances closed at €24.44/t, and at the weekly level the prices were up €1.54 or more than 6%. Auction demand was slightly on the increase last week; demand at two auctions was close to the annual average while still remaining below average at three auctions.
This week's auction volumes total 11.1 million tonnes, down 4.7 million tonnes from last week. On Monday this week, emission allowance prices took a downturn.

Market View

Germany has submitted its climate plan for parliamentary approval. Focusing on reducing the carbon intensity of transport and heating in buildings in particular, the bill will introduce a fixed carbon dioxide price starting at €10/t and intended to reach €35 by 2035. Despite rumors and criticism, the carbon dioxide price was not changed.
The attack against an Iranian oil tanker in the Red Sea lifted crude oil prices slightly. This, however, was followed by a price drop, which may be caused by the U.S.-China trade talks still falling short of a comprehensive deal. Chinese export figures appear weak, and the threat of recession caused by the trade war is still looming.
This week bringing clarity as regards Brexit is also likely to give direction for emission allowance prices. Therefore we expect emission allowance prices to be taking direction from the Brexit developments in the current week. With the threat of a no-deal Brexit still on the table, downward pressure is created on emission allowance prices. If a deal appears possible, emission allowance prices may recover.
The current downtrend of emission allowances began around mid-September. Last week's rising candles could predict a turn in the trend, but the turn may be prevented by the strong support levels and market uncertainty. The closest strong support level for emission allowance prices can be found at €23.66/t, which is where the summer's uptrend started. Other support levels are found at €22.03/t and €21.36/t. Resistance levels are found at the psychological level of €24.50/t, the 200-day moving average of €24.88/t and the psychological level of €25/t. We expect emission allowance prices to be moving in the €22–€26/t range.

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	16.10.2019 12:08	
	Amount	Change
Number of projects**	8374	-6
Registered projects*	7808	0
Volume of the pipeline by the year 2020, MtCO2e**	515	0
Issued CERs, MtCO2e*	2000	15

*Change compared to the previous report.

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

Upcoming events

Date	Event
17.-18.10.2019	The last EU meeting before the Brexit at the end of October
November 2019	Ursula von der Leyen as the president of the European Commission

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Sources:

1 Carbon Pulse news

2 Carbon Pulse news

3 Carbon Brief news

4 Guardian news

On Agenda: Europe

The Clean Development Mechanism (CDM) of the UNFCCC has issued 2 billion Certified Emission Reductions (CERs) since the first CER issue in 2015. The amount of voluntarily cancelled CERs has also risen to 1 million this month. The average price of projects has been around USD 1/t, which is around five times higher than the CER spot price at European exchanges. Emissions trading systems in the EU, Switzerland and South Korea use CERs as eligible trading units, but CERs will no longer be usable in for compliance with emission obligations in any form in the EU ETS after 2020. The CDM is calculated as having channeled at least USD 500 billion in investment for projects reducing greenhouse gas emissions. However, the future of the mechanism is now uncertain. The biggest buyers of CERs, such as the EU, appear to be in favor of ending the mechanism. In that case, CERs would not be transferred to the Sustainable Development Mechanism (SDM) currently being developed. The topic is likely to be discussed at the UN Climate Summit in Chile this December.[1]

CORSIA – the Carbon Offsetting and Reduction Scheme for International Aviation – is to be implemented in 2021, starting with a voluntary pilot phase. Making the resolution to implement CORSIA, the International Civil Aviation Organization (ICAO) Assembly did not decide on any longer-term goal for emission cuts, however. Many countries also supported the exclusivity clause under which CORSIA would be the only international market-based scheme for offsetting flight emissions. This would mean the exclusion of airfare and fuel taxes as well as the intra-EU flights that have been part of the EU ETS since 2012. According to a study, if the EU were to abandon aviation emissions trading and only rely upon CORSIA, European carbon dioxide emissions would increase by 683 million tonnes in 10 years. The European Commission will respond to the ICAO by December, having first examined the emission impacts of the scheme. [2, 3]

On Agenda:Global

Fossil fuel taxation will have to be raised to a level meaning up to a 43% jump in end consumer energy bills over the next decade, the International Monetary Fund (IMF) has said. According to the IMF, the battle against climate change could only be won if the average carbon tax levied by its member states increased from USD 2 per ton to USD 75 per ton. The IMF proposal is a fee-and-dividend model where higher energy bills would be compensated for by returning tax revenue back to consumers or the economy. Without compensation, the political backlash would be strong. A USD 75-a-tonne carbon tax would lead to an average of 214% increase in the cost of coal and a 68% increase in natural gas. According to the IMF, global warming causes damage to the global economy and engenders risk of natural disasters, such as rising sea levels. [4]