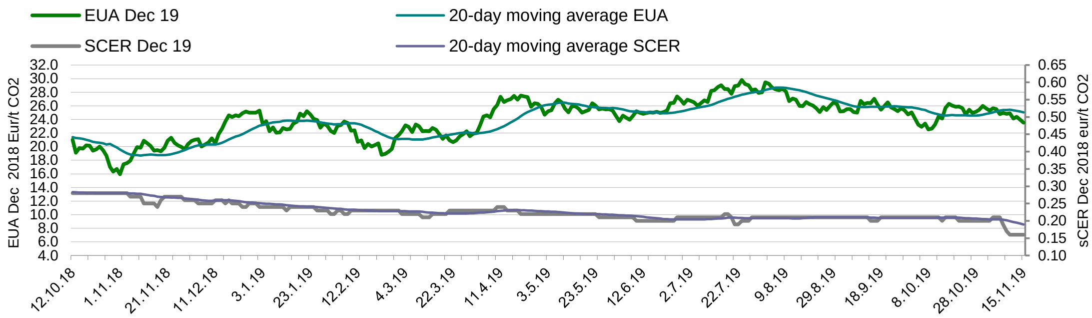
Gasum Emission Trading Weekly 46

15.11.19 © Gasum



EUA prices €/t		15.11.2019 12:36		
Product	**Bid**	**Ask**	**Last**	**Change***
Spot**	23.47	23.50	23.55	-9.64 %
Dec-19	23.48	23.50	23.48	-9.92 %
Dec-20	23.62	23.64	23.62	-9.91 %
Dec-21	23.85	23.88	23.90	-9.71 %

*Change compared to the previous report ** EEX spot

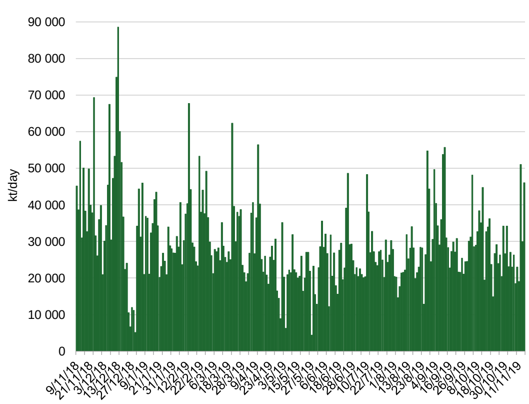
sCER prices €/t		15.11.2019 12:36		
Product	**Bid**	**Ask**	**Last**	**Change***
Spot**	0.00	0.21	0.16	-25.00 %
Dec-19	0.15	0.18	0.16	-31.25 %
Dec-20	0.14	0.16	0.15	-33.33 %

Product	Spread	Change*
EUA Dec18-sCER Dec18 Spread*	23.32	-9.78 %

*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		15.11.2019 12:36	
Product	**Unit**	**Prices***	**Change***
ENO Q1-2020	€/MWh	42.65	-4.34 %
ENO 2020	€/MWh	37.10	-0.89 %
ENO 2021	€/MWh	34.35	0.44 %
ENO 2022	€/MWh	32.85	-0.61 %
EEX, Base load Cal-20	€/MWh	45.35	-2.76 %
Brent crude	$/bbl	61.83	-1.29 %
Natural gas UK (Q1-20)	p/therm	43.50	-5.75 %
Coal CIF ARA API2 2020	$/t	63.55	-1.02 %

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

Market Analysis

Last week, emission allowance prices fell. The prices have still been fluctuating around €25/t. On Monday, the week opened to a slight upward correction after the previous week's falling candles and rose to €25.63/t. On Tuesday, emission allowances tried to climb over the support level of €26/t but, as the support level held, closed on a downward trajectory. On Wednesday, weak auction results also pushed the secondary market down to below €25/t, the level above and below which trading has been seesawing, closing at €24.79/t. Direction was being sought for the last two days. On Thursday, the prices corrected slightly upwards. On Friday, in turn, emission allowances dipped, closing at €24.84/t. At the weekly level, emission allowance prices were down by €0.45. Last week, the bid-to-cover ratio still remained below 2 at most auctions.

In the early part of this week, emission allowances were seeking direction on Monday. On Tuesday, emission allowances fell as the cancellation of German EUAs appears unlikely. Emission allowances slid to €24.12/t at the ICE, dropping out of the €24.30–€26.45/t fluctuation range seen in recent weeks. There is no Wednesday auction this week, with the week's auction volumes totaling 11.1 million tonnes.

Market View

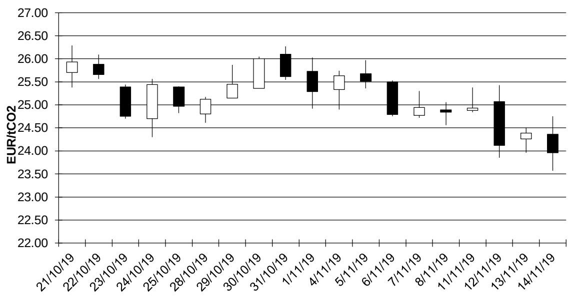
The energy market will not be providing much direction for emission allowances in the coming weeks. European weather is expected to stay coolish until the end of next week. On the other hand, wind power production is forecast to remain low for the next couple of weeks in Central Europe. In the gas market, progress is expected to be made in the Ukraine-Russia transit agreement negotiations. European industrial output has been a bit better than expected and rising slightly for a second consecutive month.

Germany's coal phase-out bill has been seen as having a bearish effect on emission allowance prices. Coal closures without EUA cancellations can be seen as a surplus increase in the market, which would push prices down. If, however, Germany decided to cancel EUAs in the future, the market would become a great deal tighter. However, the decision appears to have been postponed until after Germany's own Market Stability Reserve (MSR) review, i.e. until 2022. The EU's review of the MSR will take place before that, by 2021, and will therefore possibly already have removed allowances from the market before the German review.

There will be a three-week break in auctions from December 16 onwards. This may potentially push prices up on the secondary market.

Support levels for emission allowances are found at €24.30/t and €23.66/t, as well as at the October low of €22.03/t. Resistance levels are found at the 50-day and 200-day moving averages, which are close to each other at €25.11/t and €25.16/t. Resistance is also brought by €26.23/t. We expect emission allowances to be seeking direction within the €24.30–€25.50/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	15.11.2019 12:36	
	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
December 2019	Ursula von der Leyen as the president of the European Commission
12.12.2019	UK general elections
2.-13.12.2019	COP25 -meeting in Spain

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Sources:

1 Montel news

2 Montel news

3 Bloomberg news

On Agenda: Europe

Germany's coal exit may have a bearish effect on emission allowances as Germany does not currently appear to be intending to cancel EUAs. The bill detailing Germany's coal exit plan is very vague as regards the possibility of the cancellation of EUAs linked to coal plant closures. Germany is planning to phase out coal by 2038, with 4 GW to be taken offline by the end of 2020. Germany has a total of 42 GW of coal-fired capacity. The bill mentions that the government intends to assess the effects of the Market Stability Reserve (MSR), and the possibility of the cancellation of EUAs is mentioned in this context. The cancellation option has been included in national legislation, but the first review is not until August 2022. [1]

The Swiss ETS will be linked with the EU ETS from January 1, 2020. Emissions from aviation and power stations will also be included in the Swiss ETS, making it compatible with the EU ETS. Switzerland's domestic scheme would also have a national carbon price floor for new fossil power plants. The price floor at CHF 96 per ton (€88.03/t) is designed to prevent the construction of new plants burning fossil fuels. The Swiss government intends to replace the falling share of nuclear power by hydropower and other renewables. [2]

On Agenda:Global

In the Australian outback, a solution is being sought to the biggest challenge relating to renewable energy. One of the first power parks combining 43 megawatts of wind and 20 megawatts of solar with a 2-megawatt Tesla lithium-ion battery will start up in Queensland. The Kennedy Energy Park aims to solve the problem of how to firm up intermittent renewable power so that lights stay on when the sun does not shine or the wind does not blow. This may also be a precursor of what is to come; plunging renewables costs are opening up markets and new avenues are being sought to combat falling margins. Combining wind and solar creates savings in connection costs to the network while enhancing grid utilization as wind and solar power are usually generated at different times. The park also has potential to supply more power than the 50-megawatt transmission line can handle, so the battery will allow the excess power to be stored. [3]