

EUA prices €/t 11.12.2019 13:23

Product	Bid	Ask	Last	Change*
Spot**	25.05	25.09	25.02	2.08 % ↑
Dec-19	25.06	25.08	25.06	2.27 % ↑
Dec-20	25.23	25.25	25.25	2.34 % ↑
Dec-21	25.45	25.49	25.49	2.28 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 11.12.2019 13:23

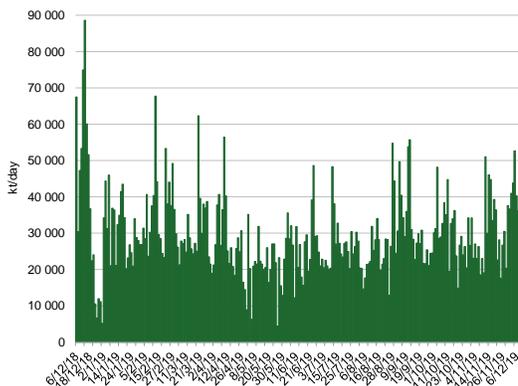
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.19	0.19	0.00 % ↑
Dec-19	0.20	0.22	0.21	9.52 % ↑
Dec-20	0.15	0.22	0.20	10.00 % ↑

Product	Spread	Change*
EUA Dec18-sCER Dec18 Spread*	24.85	2.21 % ↑

*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 11.12.2019 13:23

Product	Unit	Prices*	Change*
ENO Q1-2020	€/MWh	40.70	-6.88 % ↓
ENO 2020	€/MWh	35.80	-3.35 % ↓
ENO 2021	€/MWh	34.55	-0.58 % ↓
ENO 2022	€/MWh	32.80	-0.15 % ↓
EEX, Base load Cal-20	€/MWh	43.27	-4.11 % ↓
Brent crude	\$/bbl	64.01	4.81 % ↑
Natural gas UK (Q1-20)	p/therm	37.55	-10.34 % ↓
Coal CIF ARA API2 2020	\$/t	59.35	-5.90 % ↓

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

Market Analysis

Last week, emission allowance prices were seeking direction. Prices dropped on Monday in the wake of the weak auction outcome and the weak gas price. As the prices dipped below €25/t, technical selling also pulled emission allowances down to the €24.33/t level. On Tuesday, the prices declined further to €24/t due to the weakness of the fuel market. Wednesday saw an upward price correction due to a stronger auction and the bullish oil market. On Thursday, the prices were seeking direction near €25/t, and Friday saw a slight price hike. The prices closed at €24.94/t, down 28 cents at the weekly level. ICE volumes for the DEC-19 products were high last week, totaling around 25 million tons daily. During the current week, emission allowance prices climbed on Monday due to the German news.

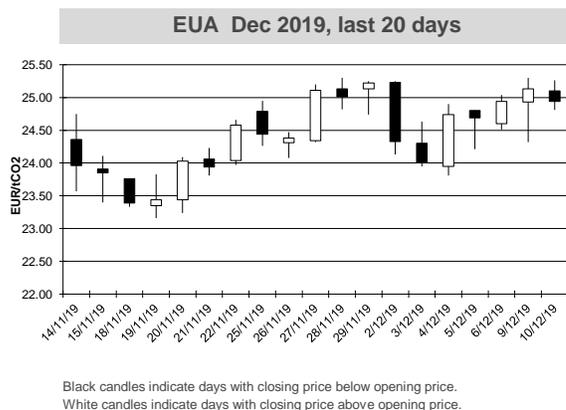
Market View

The price of gas has remained low, and the mild weather is not providing support for emission allowance prices, either. Central European wind power production is also projected to be high in the current week, reducing the demand for emission allowances.

This week features a few events that may affect emission allowance prices. The UK general election is held on Thursday, which is likely to have an impact on prices, depending on the result. Opinion polls are showing a strong lead for the Conservatives, suggesting that Boris Johnson is on course to win a parliamentary majority, which would potentially mean the approval of the Brexit deal by the January deadline. The expiry of the DEC-19 option is, however, likely to keep the prices close to €25/t, particularly in the early part of the week. On Wednesday, the new European Commission will unveil the European Green Deal and the timing of the EU's long-term climate targets. Only the Monday emissions auction will take place next week before the start of the three-week auction pause. Auctions will resume again on Tuesday, January 7, with 8.5 million EUAs available at that week's auctions. The price impact of the auction pause is likely to be low, however.

Over the longer term, Germany's coal phase-out may have a bullish effect on prices. According to the latest bill, Germany intends to cancel EUAs as part of its plans to exit coal-fired power production by 2038. The exact number is yet to be published but, according analysts, 210–250 million EUAs would need to be canceled to match the volume of coal phased out. The first cancellations would take place immediately after the closure of the first coal-fired plants, and the volume would also depend on the effectiveness of the Market Stability Reserve of the EU ETS.

Technically, emission allowances have remained bearish. We expect the prices to approach the €25/t level, but price volatility may be seen towards the end of this week. The support level of €24.55/t and the resistance level of €25.5/t are near. Support for emission allowance prices is also provided by the level of €23.95/t and resistance by the October high of €26.27/t. We expect emission allowance prices to be moving within the €24/t–€26/t range.



On Agenda: Europe

Luxembourg is going to introduce a carbon tax. Due to be effective in 2021, the tax will cover diesel, gasoline, fuel oil and natural gas. At the start, the tax will be €20 per ton and will then increase by €5 per year in 2022 and 2023. The additional €100 million generated in revenue is going to be distributed among carbon neutrality projects and the country's poorest households most affected by the tax. According to the government, the purpose of the tax is also to combat fuel tourism where international transport companies have benefited from the country's lower fuel prices.¹

Denmark has adopted a law to cut carbon dioxide emissions. The aim is to reduce emissions by 70% by 2030 compared with the 1990 level.²

CDM pipeline 11.12.2019 13:23

	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

On Agenda: Global

At the COP25 talks in Madrid, there has been a lot of debate over Article 6 of the Paris Agreement, but no decisions have been reached so far. Article 6 offers an opportunity for global cooperation for countries to reach their emission targets. Plenty of disagreements still persist over issues such as the Share of Proceeds (SOP), the avoidance of double accounting, the use of Kyoto units (CERs and ERUs) in the future, and the general reduction of global emissions. The EU's position has been to discontinue the use of CDMs in the future, while an opposing view is held by Brazil in particular. Even if an agreement was to be reached in Madrid concerning the rules on market mechanisms, it would still take a few years to make the system operational. COP25 has also brought together the finance ministers of 51 countries, who reaffirmed their commitment to action against climate change through financial means.³

Upcoming events

Date	Event
31.12.2019	The deadline for submitting the national energy and climate plans
2.-13.12.2019	COP25 -meeting in Spain

Contacts:

Markus Herranen

Toni Sjöblom

Laura Pokka

E-mail: firstname.lastname@gasum.com

Sources:

[1 Carbon Pulse news](#)

[2 Bloomberg news](#)

[3 Carbon Pulse news](#)

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