

## EUA prices €/t 18.12.2019 12:17

Product	Bid	Ask	Last	Change*
Spot**	26.09	26.15	24.97	1.88 % ↑
Dec-19	0.00	0.00	25.00	2.04 % ↑
Dec-20	26.27	26.29	25.18	2.07 % ↑
Dec-21	26.47	26.52	25.34	1.70 % ↑

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

## sCER prices €/t 18.12.2019 12:17

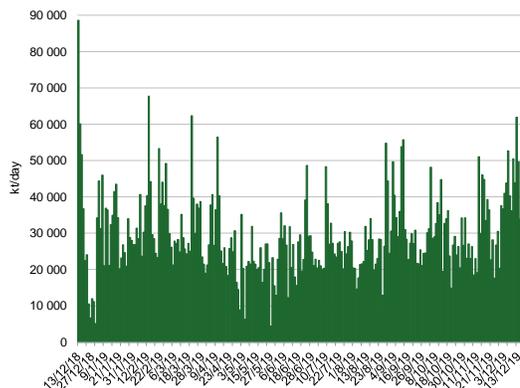
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.26	26.92 % ↑
Dec-19	0.00	0.00	0.26	26.92 % ↑
Dec-20	0.00	0.23	0.22	18.18 % ↑

Product	Spread	Change*
EUA Dec18-sCER Dec18 Spread*	24.74	1.78 % ↑

\*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 18.12.2019 12:17

Product	Unit	Prices*	Change*
ENO Q1-2020	€/MWh	42.00	3.21 % ↑
ENO 2020	€/MWh	36.26	1.43 % ↑
ENO 2021	€/MWh	33.75	-2.67 % ↓
ENO 2022	€/MWh	32.75	0.00 % ↓
EEX, Base load Cal-20	€/MWh	43.24	-1.09 % ↓
Brent crude	\$/bbl	65.62	2.03 % ↑
Natural gas UK (Q1-20)	p/therm	37.43	-2.54 % ↓
Coal CIF ARA API2 2020	\$/t	59.40	-1.01 % ↓

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

## Market Analysis

Last week, emission allowance prices fell. Monday's session was bullish despite an intraday dip below €24.50/t. Monday's closing at €25.12/t was corrected downwards on Tuesday to €24.94/t. On Wednesday, the expiry of the DEC-19 option pushed prices down to the closing level of €24.48/t. On Thursday, prices corrected upwards. On Friday, DEC-19 was swinging within the day around the €24–€26/t range and the day's volumes were also high at around 17 million. A greater part of the volumes – 26 million – were already being traded in the DEC-20 product, however. The UK election results pushed emission allowance prices up when the market opened, but the sentiment dropped the price during the day. Emission allowances ended up closing at €24.02/t, down 0.92 cents at the weekly level.

This week's auction supply only consists of the Monday's volumes of 3 million EUAs. The three-week auction pause begins on Tuesday this week, with the next auction not taking place until Tuesday, January 7. On Monday this week, emission allowance prices corrected upwards to €25.01/t. The DEC-19 expired on Monday at €24.86/t.

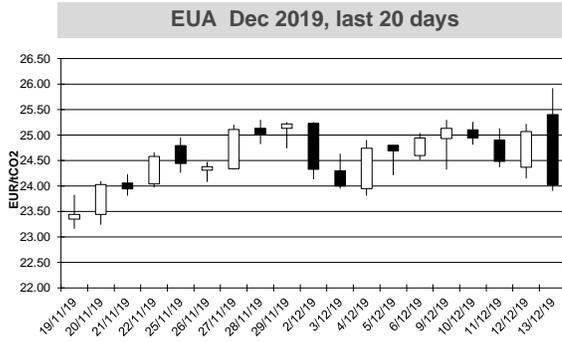
## Market View

Despite Poland's resistance, the leaders of the European Union have agreed on a 'climate neutral' target for 2050. The Czech Republic and Hungary eventually dropped their resistance, but Poland intends to reach the target at its own pace. The deal reached also authorizes the Commission to start drafting legislation enshrining the 2050 climate neutrality objectives.

The Conservatives won majority in the UK election on Thursday last week. This means Boris Johnson's Brexit vision is now a step closer to becoming reality by the January 31 deadline. The chance of a no-deal Brexit is now lower, which is regarded as a better option for the emission allowance market. However, the free allocation and auctioning of the UK's allowances for 2019 will still be a factor affecting emission allowance prices in early 2020. The allowances would probably enter the market by the end of April, which is when the UK would need to surrender its 2019 allowances back to the EU. The 2020 allowances would also enter the market at the same time. The market entry of large volumes over a short period of time is seen as having a bearish impact on emission allowances. The bearish effect may be slightly neutralized by the EEX announcement last week whereby the auctioning for the EU Innovation Fund will be slightly delayed. This concerns the auctioning of 50 million spot EUAs for 2020. The total amount of allowances to be auctioned for the Fund is 500 million. Over the long term, this may also be bearish news if the allowances are actually sold over a shorter timespan in the future.

Technically, emission allowances have remained bearish. The closest support level is the December low at €23.34/t. Support for emission allowances prices is also provided by the levels of €23.95/t and €22.26/t. Resistance levels are found at the strong level of €25.45/t, and at €26.10/t and €26.60/t. We expect emission allowance prices to be moving within the €23/t–€26/t range.

The next Emission Trading Weekly will be published during the week beginning on January 6.



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

CDM pipeline		18.12.2019 12:17	
	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: Europe

European wood pellet burning may exacerbate climate change. According to the climate change think tank Sandbag, replacing coal with wood fuel would destroy 2,700 km<sup>2</sup> of forest every year. Finland, Germany and the Netherlands have the largest fleets of planned biomass conversion projects. Put together, Europe's planned biomass conversion projects would require 36 million tonnes of wood pellets and would produce 67 million tonnes of carbon dioxide. The emissions would not be reabsorbed by growing forests over the timeframe that would be essential to reach the targets of the Paris Agreement. EU decision-makers regard biomass as a carbon-neutral renewable alternative. Extending the EU ETS to these biomass plants, too, would increase their costs. According to the report, coal-to-biomass projects should not be regarded as a renewable energy source unless the operators can demonstrate that they will lead to a net reduction in atmospheric carbon levels within a decade. According to Sandbag, projects that fail to meet this threshold should be subject to a carbon price.<sup>1,2</sup>

Germany is raising the price of emissions in its national non-EU ETS scheme. The price will be raised from the €10/t originally planned to €25 per tonne from the beginning of 2021. In 2022 the price would be €30/t, in 2023 €35/t, in 2024 €45/t and in 2025 €55/t. According to the previous plan, the 2025 level would have been €35/t. Although the mechanism is not directly related to the EU ETS, the change is a sign of Germany adopting a more ambitious climate policy.<sup>3</sup>

Upcoming events	
Date	Event
31.12.2019	The deadline for submitting the national energy and climate plans
8.1.2020	Collegial body of commissioners; on the list for example draft for fair transition mechanism

## On Agenda: Global

COP25 failed to reach a deal on international carbon market rules. The talks went overtime, lasting more than two weeks, but in the end the Article 6 rules of the Paris Agreement were still delayed until next year's COP26 in Glasgow. Carbon market advocates say trading mechanisms could shave USD 320 billion a year off the cost of reducing emissions. National plans to generate emission cuts are already banking on the existence of Article 6 mechanisms. Many nations and environmental groups were, however, skeptical at COP25 about involving market mechanisms. They see carbon trading as a distraction and want to see deeper and faster cuts in emissions.<sup>4</sup>

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### Sources:

[1 The Guardian news](#)

[2 Carbon Pulse news](#)

[3 Carbon Pulse news](#)

[4 Bloomberg news](#)

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