

EUA prices €/t 1.2.2019 13:28

Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	22.14	-6.59 %
Dec-19	0.00	0.00	22.30	-6.64 %
Dec-20	0.00	0.00	22.71	-6.38 %
Dec-21	0.00	0.00	23.27	-6.53 %

*Change compared to the previous report ** EEX spot

sCER prices €/t 1.2.2019 13:28

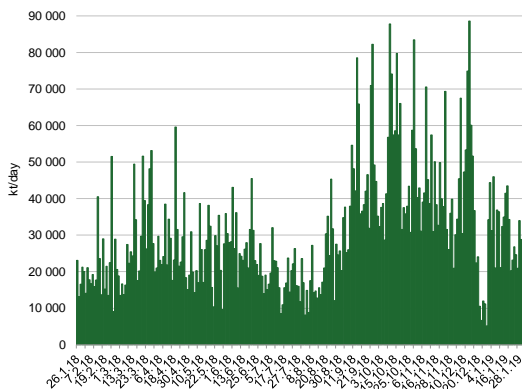
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.26	0.22	-9.09 %
Dec-19	0.00	0.00	0.22	-9.09 %
Dec-20	0.00	0.00	0.22	-9.09 %

Product	Spread	Change*
EUA Dec18-sCER Dec18 Spread*	22.08	-6.61 %

*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 1.2.2019 13:28

Product	Unit	Prices*	Change*
ENO Q2-2019	€/MWh	46.10	-8.35 %
ENO 2020	€/MWh	37.95	-3.56 %
ENO 2021	€/MWh	34.32	-2.71 %
ENO 2022	€/MWh	33.90	-0.15 %
EEX, Base load Cal-20	€/MWh	48.77	-4.82 %
Brent crude	\$/bbl	60.93	-1.25 %
Natural gas UK (Q2-19)	p/therm	49.07	-6.16 %
Coal CIF ARA API2 2020	\$/t	85.00	0.00 %

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

Market Analysis

The emission price turned bearish at the beginning of week 4, when during the weekend the weather forecasts had turned milder in Europe. The milder weather forecasts caused downward pressure also to fuel prices and the electricity market. However, the weather type seemed likely to stay colder than normal also in the future, which supported the emission price again after Monday. Additionally, weak wind power situation and high electricity demand supported the emission price. At the end of the week the slightly milder weather forecasts and the approach of strong technical resistance level in price turned emission price bearish. The closing price of the week was finally 23,93 € and at the weekly level the emission price was 0,93 € lower.

During this week the emission price has been decreasing when the weather forecasts have turned milder. Also the German power market has been decreasing due to weaker fuel prices. Downward pressure has also been caused by the German coal phase-out commission's proposal to close down coal and lignite capacity gradually by 2022,2030 and 2038. There have been discussions on the possibility to compensate the closings to producers and also cancel the allowances for the corresponding amount. However, the final decisions on this are not yet made.

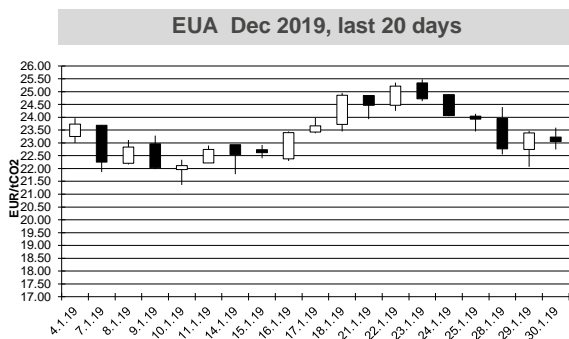
Last week the trading volumes increased. The average trading volume last week was about 37 million allowances per day. On Thursday the volume increased to about 44 million.

Market View

Downward pressure to emission price has been caused by decreasing electricity market. At the electricity market the downward pressure has been caused by weaker fuel prices and milder weather forecasts. The milder weather forecasts have caused downward pressure to coal price, when the demand outlook is not as strong and the coal stocks are in good level. Downward pressure to the coal price has also been caused by the approaching Chinese New Year, which reduces the global coal market significantly.

In the short term we expect the emission price to continue slightly bearish with the quiet coal market and weaker electricity market. In the longer term we expect the emission price to continue bullish due to scarce auction supply. Uncertainty on emission price is still maintained by the Brexit. Germany's proposal to close down coal capacity is decreasing for emission allowance demand, but the proposal to annul the allowances is limiting the effect. The uncertainty on the implementation of the proposal is, however, significant and for example the discussions on the amount of annulled emission allowances are likely to fluctuate the emission price. The emission price is technically so far in the variation range of 21,3-26,0 €/t. The breaking of the variation range would give technical clarity on the direction.

On Agenda: Europe



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

Germany's government-appointed coal commission has agreed on an exit timetable for the country that would culminate in phasing out the fuel by 2038. In addition, the commission proposes that the country would cancel a quantity of EUAs based on the shuttered capacity providing in theory a neutral signal for the EU carbon market. These recommendations, if adopted, would ensure that Germany is on the way meeting its 2030 climate goals referring to the country's domestic goal to cut 1990 levels by 55% by 2030. Additionally, the target would enable the 95 % decrease in emissions by 2050. The panel said €40 billion should be budgeted to coal phase-out and the transition phase. In addition to this, annual funding of at least €2 billion is proposed to compensate the additional costs for electricity producers, consumers and the industry.¹

CDM pipeline	1.2.2019 13:28	
	Amount	Change
Number of projects**	8456	-9
Registered projects*	7755	1
Volume of the pipeline by the year 2020, MtCO2e**	10614	-54
Issued CERs, MtCO2e*	1787	7

*Change compared to the previous report.

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

According to the thinktank study, EU emissions are expected to be decreased 3 % last year compared to previous year. The reasons for this are the increase in renewable energy share and the decrease in coal share. Additionally, the hydropower production increased from 2017. The study was finished 3 months before the European Commission releases the realized emissions from last year.²

Upcoming events	
Date	Event
1.2.2019	Germany's coal commission is supposed to propose the plan on coal phase-out
30.4.2019	Due date for applications for next phase free allowances

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Sources:

- [1 Carbon Pulse news](#)
- [2 Montel news](#)

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