

Market Analysis

Last week, emission allowance prices fell. The spread of the coronavirus epidemic has affected emission allowance fundamentals and further provided direction for emission allowances, too. On Monday, emission allowances opened below the previous closing price and sank below the shorter moving averages. The decline continued on Tuesday, but Wednesday saw the market seeking direction and rising a little as a result of a stronger auction. Thursday saw a dip below €24/t. Friday was bullish at the intraday level but closed at the same level. Emission allowances closed at €23.61/t on Friday. At the weekly level, emission allowance prices were down by €2.

Last week, the auction bid-to-cover ratio rose above 2. Particularly strong were Wednesday's Polish auction and Friday's German auction, with the auction prices settling slightly above the secondary market. The UK auctions restart this week, raising the auction supply to a total of 16.2 million tonnes. This is around 0.4 million more EUAs than last week.

Market View

Support for emission allowance prices is still weakish. Germany's wind power production will decline from the previous weeks to a level below normal, but the weather in Europe will still be warmer than normal or close to normal levels. The spread of coronavirus outbreaks outside China triggered crashes in the financial markets last week, with the fuel and energy markets following suit. Prospects of fiscal stimulus measures made the markets bounce back again this week; this and the situation concerning the virus epidemic are likely to set the direction of the financial and fuel markets in the coming weeks. The German and Italian economies are projected to shrink in 2020; this may also affect the demand side of the EU ETS market. The OPEC+ meeting takes place this week, with decisions on new oil output cuts on the agenda.

The UK auctions restart on Wednesday, increasing the entire year's auction supply. Also on Wednesday, the European Commission will release its law proposal concerning the carbon neutrality target for 2050. According to the Commission, the law does not include any interim target for 2030. In the future, the Commission wants the right to review the climate targets every five years so that the official legislators will not actively oppose the decision. This week will also see start of stakeholder hearings concerning the fuel tax and the Carbon Border Adjustment Mechanism (CBAM), or carbon tariffs.

The downtrend of emission allowance prices has continued, with the MACD also signaling a bearish trend. Emission allowance prices have dropped below €23.60/t. €23/t has been a very strong support level since the start of the year. Support for emission allowance prices can be found at €23.34/t and €22.90/t as well as €22.26/t. Resistance to emission allowance prices climbing is provided by the levels of €23.60/t, €24/t and €25/t. We expect emission allowance prices to remain within the €23/t–€25/t range.

EUA prices €/t 4.3.2020 12:40

| Product | Bid | Ask | Last | Change* |
|---------|-------|-------|-------|---------|
| Spot** | 23.55 | 23.58 | 23.55 | -4.37 % |
| Dec-20 | 23.59 | 23.61 | 23.59 | -4.37 % |
| Dec-21 | 23.77 | 23.80 | 23.77 | -4.42 % |
| Dec-22 | 23.99 | 24.02 | 23.99 | -4.34 % |

*Change compared to the previous report ** EEX spot

sCER prices €/t 4.3.2020 12:40

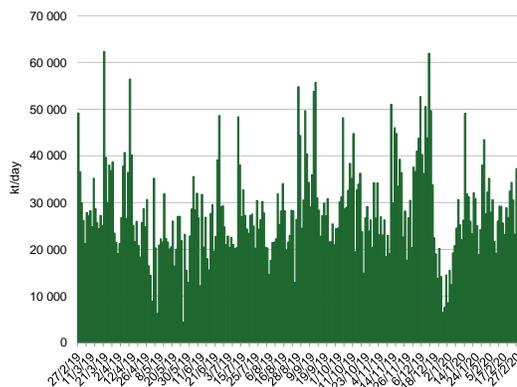
| Product | Bid | Ask | Last | Change* |
|---------|------|------|------|---------|
| Spot** | 0.00 | 0.00 | 0.00 | 0.00 % |
| Dec-20 | 0.22 | 0.24 | 0.24 | 0.00 % |

| Product | Spread | Change* |
|------------------------------|--------|---------|
| EUA Dec20-sCER Dec20 Spread* | 23.77 | -4.33 % |

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

Daily traded EUA volume, ICE Futures Europe*

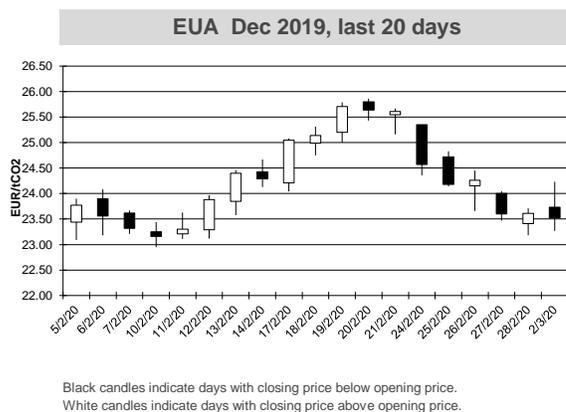
*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 4.3.2020 12:40

| Product | Unit | Prices* | Change* |
|------------------------|---------|---------|----------|
| ENO Q2-2020 | €/MWh | 11.80 | -18.64 % |
| ENO 2021 | €/MWh | 26.11 | -3.41 % |
| ENO 2022 | €/MWh | 28.35 | -3.88 % |
| ENO 2023 | €/MWh | 29.08 | -0.58 % |
| EEX, Base load Cal-21 | €/MWh | 40.96 | -1.34 % |
| Brent crude | \$/bbl | 52.56 | -7.25 % |
| Natural gas UK (Q2-20) | p/therm | 23.48 | 6.69 % |
| Coal CIF ARA API2 2021 | \$/t | 57.50 | -0.43 % |

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



On Agenda: Europe

Montenegro has introduced legislation to limit greenhouse gas emissions and to launch an emission trading scheme for large industrial emitters. Montenegro is seeking EU membership and the decision is part of a program to extend EU energy policy to would-be members. The Montenegro legislation specifies the operators obliged to participate in the market and sets a minimum price of €24 per tonne of carbon dioxide. The legislation also establishes a stabilization reserve and the method of recording allocated emission credits, their transfer and use. The funds raised from the auctions will be used for environmental protection measures, renewables support and the financing of new innovations. Montenegro also aims to add new wind and solar capacity to meet the EU's renewable energy targets.¹

| CDM pipeline | 4.3.2020 12:40 | |
|---|----------------|--------|
| | 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

The coronavirus may affect global climate talks. The UN COP26 summit is scheduled for Glasgow in November this year. The climate summit is vital as it is seen as one of the last chances to reach a mutual agreement on global climate targets. Although the actual summit is not due to take place until November, the round of global diplomacy is already underway. Both travel restrictions and the demands put by the management of the coronavirus crisis on government resources are feared to hamper preparations. China is a key player in the climate talks, but with the coronavirus taking hold across the country, climate issues may be less of a priority. Italy also plays an important role as it is a co-host of COP26 and pre-meetings are planned there. According to experts, the preparations are already being affected and, if the situation persists, there will be an even bigger impact. According to the European Commission, there has been no significant impact on the preparations for the time being, and contacts are maintained with China via videoconferencing and diplomatic channels.²

| Upcoming events | |
|-----------------|--|
| Date | Event |
| 13.3.2020 | Discussion on eligibility of CORSIA compensation units |
| 31.3.2020 | Clarification of emissions submitted to FINETS system |

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Sources:

[1 Reuters news](#)

[2 The Guardian news](#)

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