

Market Analysis

Last week, emission allowance prices were seeking direction within the €23.23/t–€24.23/t range. On Monday, the emissions market was seeking direction in the wake of the oil market above and below €24/t, but ended up on a downward trajectory below that level. The decline continued on Tuesday despite the Fed's interest rate cut. On Wednesday, improved auction demand at the UK auction pushed prices up to a level just below €24/t. On Thursday, direction was being sought within the day and on Friday, too, the uncertainty was keeping prices at levels not changing much from the day's opening. On Friday, emission allowance prices closed at €23.42/t. At the weekly level, emission allowance prices were down by €0.19.

Last week's auction demand was slightly weaker, with the bid-to-cover ratio rising a bit above 2 only at the Tuesday and Friday auctions. The UK auction on Wednesday was the only one settling above the secondary market. This week there will be 15.8 million EUAs auctioned.

Market View

Emission allowance fundamentals are very weak. The coronavirus is hurting the world market. Brent oil plunged by up to a quarter on Monday, the biggest drop seen since 1991. At the OPEC+ talks Russia rejected the plan to curb oil output to reduce oversupply in the market. Oil prices have plummeted as the coronavirus is affecting the world economy and demand for energy. In response to Russia's rejection, Saudi Arabia has launched a price war. The weakness of the oil market has also been reflected in the stock and bond markets, but the upwards corrective move indicates the calming of the market sentiment. The oil market is likely to remain weak, and the effect may be reflected via TTF gas also in emission allowances. Europe's mild and windy weather is not supporting emission allowance prices over the short term, either.

The European Commission unveiled its climate law proposal on Wednesday. The law is criticized as being insufficient for reasons including it not yet setting any target for 2030 and for lacking concrete measures. The 2030 target will be addressed again in the autumn after an impact assessment. Some EU countries are against a stricter target while others are clearly in favor of it. Around 70% of the free allocations have currently already been distributed to emitters by EU member states and the UK. Spain, Finland and Portugal are yet to allocate their allowances.

Emission allowance prices have continued on a downtrend. On Monday this week, the €22.26/t support level was tested, but the level held and the day saw a climb above €23/t, a level still providing support for emission allowances. In addition to that, support for emission allowance prices can be found at €23.34/t and €22.36/t as well as €20.90/t. Resistance to emission allowance prices climbing is provided by the levels of €23.60/t, €24/t, €24.17/t and €25/t. We expect emission allowance prices to remain within the €22/t–€24/t range.

EUA prices €/t 11.3.2020 11:59

Product	Bid	Ask	Last	Change*
Spot**	23.68	23.70	23.68	0.97 % ↑
Dec-20	23.72	23.74	23.72	0.93 % ↑
Dec-21	23.90	23.93	23.90	0.92 % ↑
Dec-22	24.11	24.17	24.11	0.91 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 11.3.2020 11:59

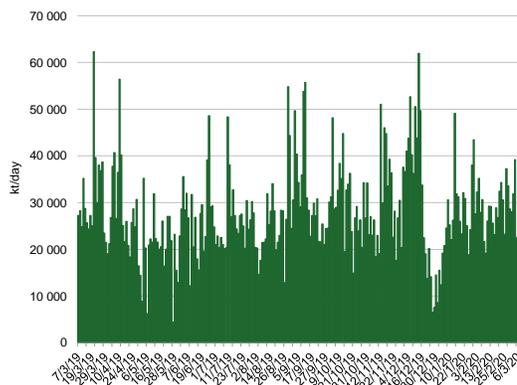
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.22	0.25	0.25	4.00 % ↑

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	23.90	0.92 % ↑

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

Daily traded EUA volume, ICE Futures Europe*

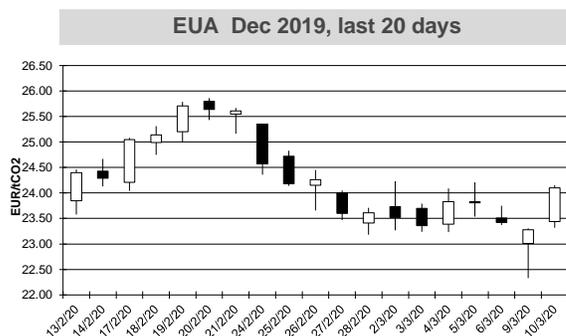
*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 11.3.2020 11:59

Product	Unit	Prices*	Change*
ENO Q2-2020	€/MWh	11.75	-1.96 % ↓
ENO 2021	€/MWh	25.80	-0.58 % ↓
ENO 2022	€/MWh	27.79	-1.40 % ↓
ENO 2023	€/MWh	28.60	-1.40 % ↓
EEX, Base load Cal-21	€/MWh	40.03	-0.42 % ↓
Brent crude	\$/bbl	36.30	-46.83 % ↓
Natural gas UK (Q2-20)	p/therm	22.92	1.41 % ↑
Coal CIF ARA API2 2021	\$/t	55.90	-1.43 % ↓

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



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

CDM pipeline	11.3.2020 11:59	
	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
13.3.2020	Discussion on eligibility of CORSIA compensation units
31.3.2020	Clarification of emissions submitted to FINETS system
May 2020	MSR update for 9/2020 - 8/2021

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Sources:

- [1 Bloomberg news](#)
- [2 Reuters news](#)
- [3 NY Times news](#)

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On Agenda: Europe

Germany's climate targets for 2030 will probably not be reached. According to an analysis by the Institute for Applied Ecology (Oeko-Institut), Germany's emissions will only be reduced by 51% by 2030 instead of the 55% target set. Germany needs to slash 70 million tonnes more of emissions, but all of the largest sectors of the economy are behind their emission reduction targets. The emission reduction target set for 2020 will not be reached, either. Germany strives to go carbon neutral by 2050, in line with other European countries. Last year, the Merkel government adopted legislation putting national carbon pricing on heating and transport emissions. ¹

On Agenda: Global

Global emissions from the energy sector fell by 2% due to reduced use of coal in Europe and the USA, according to a report from the climate thinktank Ember (formerly Sandbag). Power from coal plants fell by 3% at the global level, the biggest drop since 1990. The trend in China was the opposite, however, and China made up half of the world's coal generation. According to an International Energy Agency (IEA) report, global energy-related carbon dioxide emissions flatlined at the annual level. ²

The coronavirus may have a negative effect on aviation emissions if airlines have an influence on the matter. Despite emissions from aviation being reduced over the short term as flights are restricted due to the coronavirus outbreak, airlines are now inclined to slow their future long-term efforts to curb climate change. Financial pressure has pushed airlines such as Air France-KLM towards calling for EU countries to delay the introduction of the aviation tax. According to the International Air Transport Association (IATA), environmental taxes would add to airline hardship. Aviation generates 2–3% of global carbon dioxide emissions, and the rate is projected to triple by 2050. ³