Emission Trading Weekly 15

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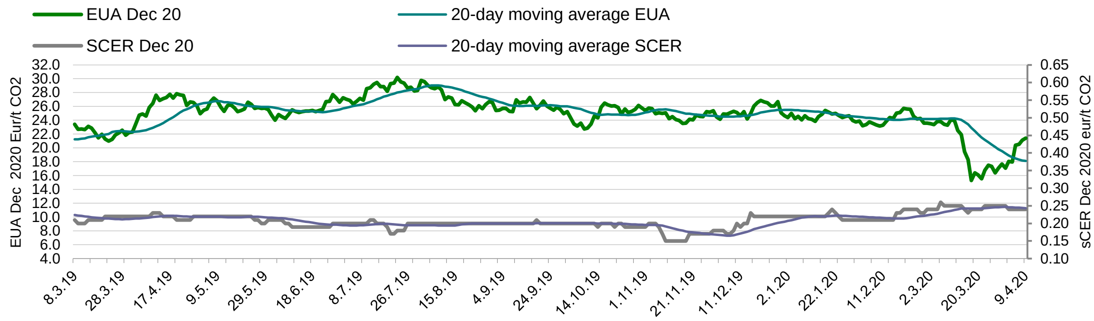


EUA prices €/t		9.4.2020 13:56		
Product	**Bid**	**Ask**	**Last**	**Change***
Spot**	21.32	21.36	21.32	21.86 %
Dec-20	21.43	21.46	21.43	21.65 %
Dec-21	21.80	21.85	21.80	21.42 %
Dec-22	22.20	22.27	22.20	21.08 %

*Change compared to the previous report ** EEX spot

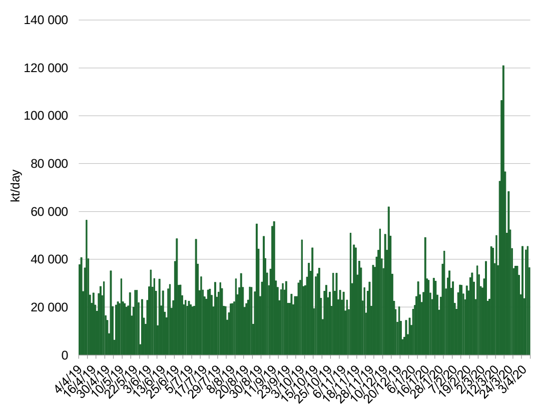
sCER prices €/t		9.4.2020 13:56		
Product	**Bid**	**Ask**	**Last**	**Change***
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.20	0.24	0.24	-4.17 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	21.80	21.42 %

*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		9.4.2020 13:56	
Product	**Unit**	**Prices***	**Change***
ENO Q2-2020	€/MWh	9.50	10.53 %
ENO 2021	€/MWh	22.60	15.84 %
ENO 2022	€/MWh	25.75	11.26 %
ENO 2023	€/MWh	27.50	10.91 %
EEX, Base load Cal-21	€/MWh	38.80	7.40 %
Brent crude	$/bbl	33.68	25.62 %
Natural gas UK (Q2-20)	p/therm	20.27	4.80 %
Coal CIF ARA API2 2021	$/t	55.75	0.99 %

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

Market Analysis

Emission allowance prices have shown a sharp upturn and are only €2 lower than at the start of the Covid-19 crisis. The lowest emission allowance prices were seen on March 23, when the stock markets touched a low. Last week, emission allowances began to recover from their low earlier in the week. On Monday, the price of emission allowances rose even though the stock market and energy market were on a downward trend. The reason was considered to be operators' enthusiasm to buy at the earlier price fall, a reduction in outlook positions ahead of the publication of actual emissions for 2019 and rights to purchase emission allowances as the deadline for surrendering allowances approaches. The sharp rise continued on Tuesday. The actual emissions for 2019 published on Wednesday were below those forecast, but the impact on prices remained small. On Thursday, prices continued to rise as the oil market strengthened following information about the Opec+ emergency meeting. On Friday, prices remained unchanged and the week closed at just under €18, a gain of some 10% on the week.

Monday this week saw a sharp rally driven by the stock market and energy markets as the number of Covid-19 cases fell in Italy and Spain. The price of emission allowances rose north of €20 and also the closing of earlier positions taken in support of the decline also added momentum to the rise. The rise on Tuesday morning leveled off towards the evening as the pull on the stock markets came to a stop. Wednesday saw the price of emission allowances reach almost €21, but there was no appetite to challenge Tuesday's highs.

This week's auction volume is 14.6 million allowances, which is lower than normal since the Easter break has reduced auctions. For the same reason, there will be fewer auctions next week, when the volume will be 14.3 Mt. Market trading has been only slightly brisker than normal at around 35 Mt, whereas when prices were retreating three weeks ago intraday trading of more than 100 Mt was seen.

Market View

The Covid-19 crisis continues to be a strong driver also on the emission allowance market, where clear hope has been seen even though the situation is by no means over as far as the real economy is concerned. Emissions in 2019 were down some 8.5% year on year and an even further fall is expected this year through industry as restrictions and a weaker economy hit hard. Emissions in the energy industry also remained on a downward trend as the price of renewable energy and gas remained cheaper than coal in electricity production. Today, Opec+ is discussing cuts in production and if the talks are successful, this would further support the energy markets.

The surrender by the end of this month of emission allowances against 2019 emissions has also lent support to the emissions market. However, more important is the MSR structure built into the emissions trading system which allows for surplus allowances to be removed also in emergency situations. So far, the mindset regarding the 2030 and 2050 targets has remained ambitious, but the financial crisis has resulted in the first voices of dissent beginning to be heard.

Technically, emission allowances are very strong as the indicators show a rise. The closest support level for emission allowances is €20/t and the resistance level is in the shape of Tuesday's high at €21.74. We expect the price of emission allowances to slightly soften again since the real economy is largely closed in Europe and we expect the price to move between €18/t - €22/t.

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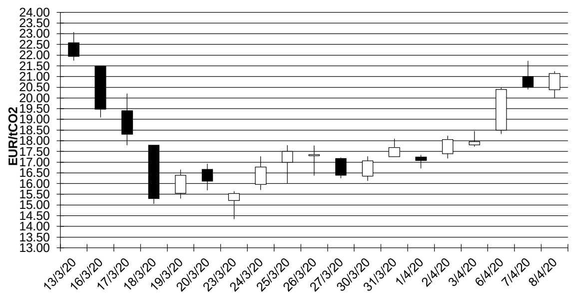
EUA Dec 2020, last 20 days



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

CDM pipeline	9.4.2020 13:56	
	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
30.4.2020	Surrender a number of allowances equal to total emissions in 2019
May 2020	MSR update for 9/2020 - 8/2021

On Agenda: Europe

Preliminary information shows that emissions in the European emission trading sector contracted by some 8.7% in 2019. Emissions were 1,535 Mt, down 147 Mt. The energy sector - where emissions contracted some 14% with increased use of renewable energy and the decrease in the price of natural gas meant a wide choice of alternative fuels to coal - accounted for most of the fall. Industrial emissions were down 21.2Mt or 2.7%. [1]

The Covid-19 crisis will see emissions decrease sharply this year. Analysists have forecast that emissions will decrease sharply this year through industry following restrictions and financial woes because of the Covid crisis. The affordable price of gas makes it a viable alternative to coal. The forecasts show an even greater range, 140 Mt – 388 Mt, than normal. The median forecast is a decrease of around 15% compared to 2019. [1]

Free allocation for 2020 is proceeding and 79.5% of the allocation has now been completed. According to last Friday's data, also Finland had completed 74.6% of the initial free allocation. For some operators, free allocation will make surrender easier by the end of the month. [3]

Estonia has submitted an official application to withdraw from emissions trading at least temporarily. Their aim is to achieve a fall in the price of electricity to support the economy during the Covid-19 crisis. In practice, withdrawal from emissions trading provided by EU law is unlikely to be successful, but this is a strong indication of the challenges facing the EU's emissions targets as the economy weakens. Poland, Hungary and the Czech Republic, for example, have earlier objected to a tightening of the 2030 emissions targets. [4]

On Agenda:Global

Covid-19 has meant that the Glasgow COP26 scheduled to take place in November this year has been pushed back to 2021. While no new date has yet been given, actors believe that it will be pushed pack to May-June 2021. [5]

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Sources:

1 Carbon Pulse news

2 Montel news

3 Carbon Pulse news

4 Carbon Pulse news

5 COP26 news