

Market Analysis

Emission allowance prices rose 10% last week. On Monday, the emission allowance price opened lower than the closing price on Friday but started to rise driven by stronger fuel and stock markets. The upward trend continued on Tuesday, but Wednesday saw a minor correction downwards. Thursday saw a rise of €1.89, driven by the large gap between the auction price and after market price together with strong fuel markets and the technical picture. On Friday, there was a slight downward correction and the emission allowance price closed on the day at €24.16/t, a rise of €2.16/t on the week.

This week, emission allowance prices have been rising, but a slight downward correction was seen on Thursday. This week's auction availability is 16.24 Mt. Auction availability will remain fairly steady until August. Demand varied at auctions last week, Thursday's auction price settled at 31 euro cents higher than the aftermarket price at the time. Last week, trading was slightly brisker than normal: Trading in EUA futures averaged about 36 Mt a day on the ICE exchange.

Market View

The weather in Europe remains very warm this week, which may have slightly lifted demand. However, the weather will turn cooler and normalize in Central Europe during the following week and there is a fairly low risk of heatwaves during the coming month. Wind power production is likely to remain weak but solar power production will compensate this.

The stock markets have been again showing a slight softening with new coronavirus infections. Growing infections have been detected in the United States and South America as well as to some extent in Germany. The euro area Merkt PMI has risen from a level of 31. in May to 46.9, implying improved confidence in market conditions with the dismantling of coronavirus restrictions. However, production remains low and has fallen further, mostly because of the pandemic. Last week, fuel prices were strong but stock market sentiment seems to spread to these markets and recent days have seen a slight fall. Higher coal prices have kept margins unattractive for coal condensing power.

Germany has put forward an idea for the price of emission allowances, an idea that is said to have gained traction in Brussels, even though the Commission has historically been against the idea.

Emission allowance prices are technically on a very robust upward trend. However, there is a risk of a downward correction, especially as the RSI will near the overbought limit if the rise continues. The current week approached the February peak of €25.86/t. In addition to this, resistance levels are €25.45/t and €26/t. Support for the emission allowance price is at €25/t, €24.68/t, €24/t and €23.60/t. We expect emission allowance prices to remain strong and to move between €24 - €26/t.

EUA prices €/t 26.6.2020 10:01

Product	Bid	Ask	Last	Change*
Spot**	25.03	25.06	25.03	9.75 % ↑
Dec-20	25.10	25.12	25.10	9.72 % ↑
Dec-21	25.42	25.45	25.42	9.52 % ↑
Dec-22	25.84	25.87	25.84	9.40 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 26.6.2020 10:01

Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.21	0.25	0.25	4.00 % ↑

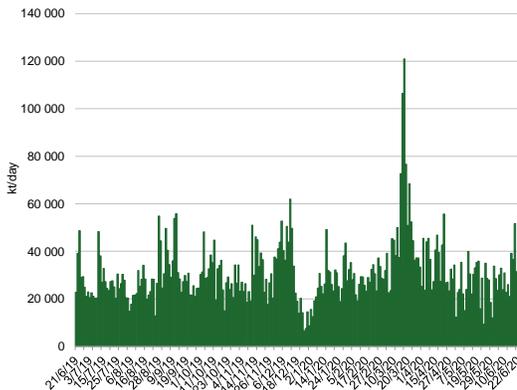
Spread Change*

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	25.42	9.52 % ↑

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

Daily traded EUA volume, ICE Futures Europe*

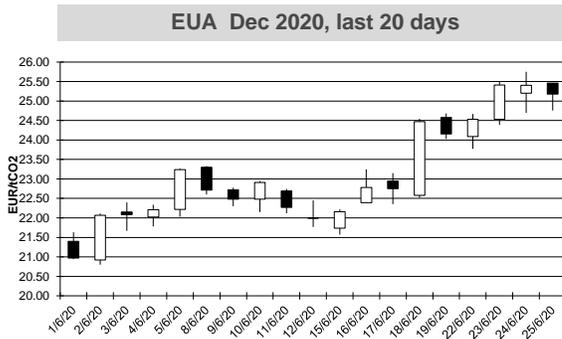
*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 26.6.2020 10:01

Product	Unit	Prices*	Change*
ENO Q3-2020	€/MWh	10.40	-33.65 % ↓
ENO 2021	€/MWh	24.93	4.53 % ↑
ENO 2022	€/MWh	25.90	2.51 % ↑
ENO 2023	€/MWh	27.15	2.10 % ↑
EEX, Base load Cal-21	€/MWh	40.35	3.05 % ↑
Brent crude	\$/bbl	41.36	1.47 % ↑
Natural gas UK (Q2-20)	p/therm	14.75	2.16 % ↑
Coal CIF ARA API2 2021	\$/t	56.70	3.88 % ↑

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



On Agenda: Europe

The European Commission is working on a proposal for a legal act aimed at encouraging greenhouse gas emission reductions across the EU. The plan is to start the programme in 2023 and to use so-called nature-based solutions. The programme is part of the European Commission's solution for a net zero carbon European Union by 2050. Farmers and foresters can be seen as participating in creating the right emission reductions. The proposed legal act must be reviewed with the European Parliament and the Council of Europe. It is not currently thought likely that the programme will be linked to the EU ETS.¹

An IEA report expects energy demand in the European Union to fall 10% in 2020, almost double the fall compared to the financial crisis of 2008. So far this year, a reduction of 5% was seen during the first quarter. In Italy, weekly energy consumption has at times been 75% lower compared to a year earlier. There has been a significant growth in the share of renewable energy since low demand has kept coal and gas condensate production low. Use of coal decreased by 20% during the first quarter of the year.²

A survey commissioned by the IETA shows that the coronavirus pandemic will put pressure on ETS prices over the next two years. Also price expectations for the upcoming decade have fallen. Respondents expect EU ETS prices to average €31.71 for the fourth trading period, which is a decrease of 12% compared with the findings of last year's survey. The estimate for the end of the third trading period, i.e. the next six months, has fallen to €20.85/t, compared to the corresponding figure of €27.33/t a year ago. The survey took place on 1-24 April, when the emission allowance price varied between €17-€22. Since then the price has risen to a level of €25/t during the current week. The respondents thought that the voluntary emission reduction market would fare better, with 91% of respondents seeing growth continuing on the voluntary market from five to ten years.³

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

CDM pipeline	26.6.2020 10:01	
	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
24.-25.6.2020	ENVI committee - vote on checking the regulation on marine emissions
Q3-20	Completion of an impact assessment on increasing the greenhouse gas reduction ambition from 50% to 55% for 2030

Contacts:

Markus Herranen
Toni Sjöblom
Laura Pokka
E-mail: firstname.lastname@gasum.com

Sources:

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

Terms of delivery: The Emissions Trading Weekly (the "Review") is delivered via email to the Buyer's contact persons as an Adobe Acrobat pdf-document. All rights to the Review are reserved to Gasum Portfolio Services Oy. The Review, parts of the Review and the username and password that enable access to the Review, shall not be redistributed by the Buyer in any form to any third party, including subsidiaries, partly-owned companies and owners. Redistribution of the Review in any form is illegal and Gasum Portfolio Services Oy will fully enforce all available legal remedies in the event of such redistribution.

Gasum Portfolio Services Oy disclaims all warranties as to the accuracy, completeness or adequacy of information in the Review and does not assume any responsibility of delays in delivery of or access to the Review. The Buyer assumes full responsibility and risk of, and Gasum Portfolio Services Oy shall not be liable for, any loss which results from any transactions or decisions made by the Buyer on the basis of the Review supplied by Gasum Portfolio Services Oy. The Buyer shall accept sole responsibility for and Gasum Portfolio Services Oy shall not be liable for the use of the Review by the Buyer (or any user) and the Buyer shall hold Gasum Portfolio Services Oy harmless and fully indemnified against any claims, costs, damages, loss and liabilities arising out of any such use.