

EUA prices €/t 8.1.2020 12:08

Product	Bid	Ask	Last	Change*
Spot**	24.17	24.20	24.17	-3.31 %
Dec-20	24.28	24.30	24.28	-3.71 %
Dec-21	24.47	24.51	24.47	-3.56 %
Dec-22	24.75	24.83	24.75	0.08 %

*Change compared to the previous report ** EEX spot

sCER prices €/t 8.1.2020 12:08

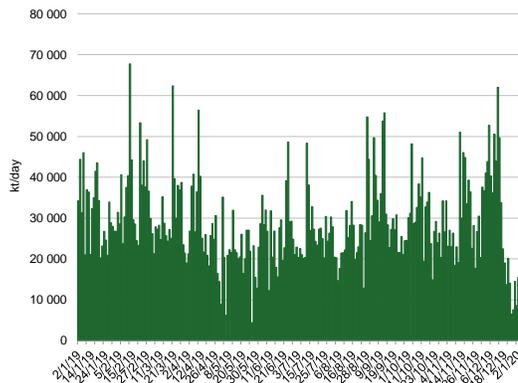
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.22	0.00 %
Dec-20	0.18	0.22	0.22	-4.55 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	24.47	-1.10 %

*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 8.1.2020 12:08

Product	Unit	Prices*	Change*
ENO Q2-2020	€/MWh	25.25	-0.59 %
ENO 2021	€/MWh	32.00	-5.47 %
ENO 2022	€/MWh	31.99	-2.06 %
ENO 2023	€/MWh	31.95	0.22 %
EEX, Base load Cal-21	€/MWh	44.79	-0.09 %
Brent crude	\$/bbl	68.70	4.77 %
Natural gas UK (Q2-20)	p/therm	28.98	-3.16 %
Coal CIF ARA API2 2021	\$/t	64.15	2.10 %

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

Market Analysis

Over the past weeks, emission allowance prices have been moving roughly in the €24–€27/t range. During the week beginning December 16, emission allowance prices recovered as the auction pause began and broke through several technical resistance levels. The Christmas week was considerably lower in terms of trading volumes and there were only three trading days on the exchange. At the beginning of the first week of the year, emission allowance prices took a slide due to the weak energy market and technical selling. The fall continued as the resumption of emission auctions was getting closer. Friday saw a slight upward correction. The rise was a reaction to the tensions in the Middle East. At the annual level, the emission allowance futures price dropped by 1.5%. Friday last week closed at €24.98/t. At the weekly level, emission allowance prices dropped by €1.72.

On Monday this week, emission allowance prices continued their decline. Emission allowance auctions restart on Tuesday this week, and 7.8 million EUAs will enter the market this week when taking into account allowances for the EU Innovation Fund that are not included in the auctions.

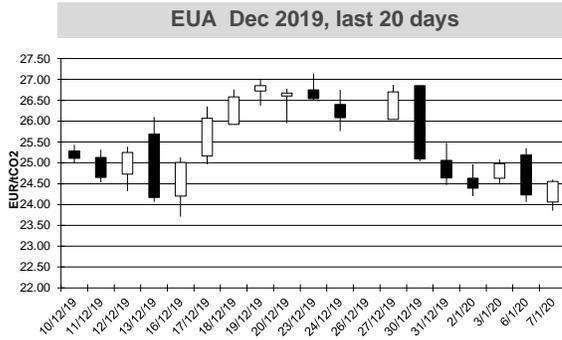
Market View

The outlook for emission allowances in the early part of the year is not price-supportive. Emission allowance prices have dropped now that the auction pause is coming to an end. The five-year gas deal reached between Russia and Ukraine at the end of 2019 can be seen as a bearish factor for the emission allowance market. Emission allowances have been following gas prices, and the gas deal secures the supply of gas in Europe, maintaining a moderate price level. The continuously mild weather is not bringing upward pressure on gas and emission allowance prices, either. Swings in the oil market may create volatility in the emissions market, too, if tensions in the Middle East escalate.

The timing of the auctions and free allocation of the UK's 2019 allowances is likely to be a significant factor affecting the emission allowance market. Historically, the EU has spread additional auctions over a longer period of time. The market is awaiting the auction announcement as the market entry of additional EUAs over a short period could push prices down.

Ursula von der Leyen is traveling to London on Wednesday for Brexit trade talks. Boris Johnson is determined not to extend the transition period, while von der Leyen does not see 11 months as sufficient to reach a trade deal.

Emission allowance prices were technically in an uptrend before Christmas, but the rise has turned into a fall and the current low is close to previous lows. Support for emission allowance prices can be found at €23.80/t, which has prevented a price drop for a few times over the past weeks. In addition to that, support is provided by the €23.30/t and €22.26/t levels. The closest resistance level can be found at €25/t, which is also near the 100-day moving average and the €25.50/t level. We expect emission allowance prices to be moving in the €23.80/t–€25.50/t range.



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

CDM pipeline	8.1.2020 12:08	
	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
8.1.2020	Collegial body of commissioners; on the list for example draft for fair transition mechanism
November	Law draft on carbon neutrality objectives 2050 to be presented

Contacts:

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

Sources:

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

On Agenda: Europe

The European Commission intends to halve the number of industries entitled to indirect cost compensation under the EU ETS. According to a leaked document, the number of such industries would decrease from the current 14 to 8 in the 2021–2030 period. Aluminum, steel and paper industries would remain in the list but industries including mining of chemical minerals, fertilizers, cotton and man-made fibers, mining of copper and iron ores, and plastics manufacture would face the risk of dropping out. New industries included in the list would be oil refining and wood-pulp production. The maximum rate of compensation for indirect costs is likely to remain at the current 75%. This compensation subsidy is used in 12 Member States. The European Commission is also looking into the introduction of carbon duties at borders as an alternative to carbon leakage management. This alternative would probably put an end to free allocation and indirect cost compensation.¹

Germany's carbon dioxide emissions fell by 7% last year and were down 35% compared with the 1990 levels. This means the country may still reach the target of a 40% reduction by the end of 2020. Higher prices in the EU ETS market have triggered a 20–30% decline in coal- and lignite-fired power generation in Germany. The low price of gas has also boosted fuel switches from coal to gas. Germany's new target is to phase out coal-fired production by 2038.²

On Agenda: Global

JetBlue intends to become the first carbon neutral US airline company. The company says it will offset the emissions of its domestic flights. It will also begin using sustainable aviation fuel on flights from San Francisco International Airport. JetBlue will use Neste biodiesel, a fuel that has up to 80% smaller carbon footprint compared to fossil jet fuel. JetBlue generates 8 million tons of carbon dioxide emissions. The projects to be used by the company for carbon offsetting include those focusing on forest conservation, solar and wind power development, and landfill gas capture. The airline notes that the expense of carbon offsets is likely to rise with demand and by purchasing them now it is locking in a hedge against rising CO2 prices.³

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