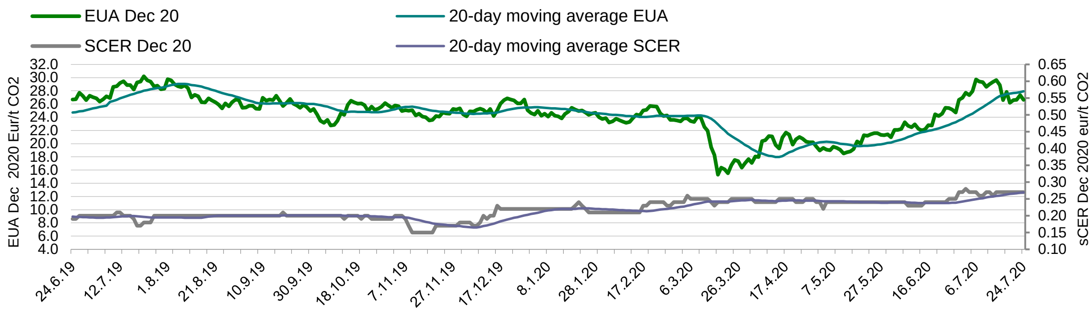
Gasum Emission Trading Weekly 30

24.7.20 © Gasum



EUA prices €/t		24.7.2020 10:07			
Product	Bid	Ask	Last	Change*	
Spot**	26.65	26.69	26.65	-7.99 %	↓
Dec-20	26.75	26.77	26.75	-7.96 %	↓
Dec-21	27.12	27.16	27.12	-7.85 %	↓
Dec-22	27.64	27.68	27.64	-7.96 %	↓

*Change compared to the previous report ** EEX spot

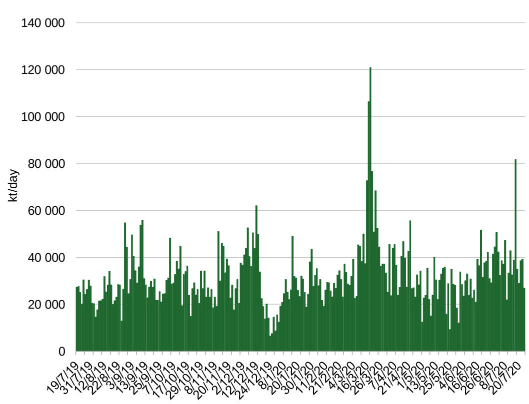
sCER prices €/t		24.7.2020 10:07		
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.22	0.27	0.27	0.00 %

Product	Spread	Change*	
EUA Dec20-sCER Dec20 Spread*	27.12	-7.85 %	↓

*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		24.7.2020 10:07		
Product	Unit	Prices*	Change*	
ENO Q4-2020	€/MWh	17.80	-2.25 %	↓
ENO 2021	€/MWh	21.00	-0.71 %	↓
ENO 2022	€/MWh	25.10	0.60 %	↑
ENO 2023	€/MWh	26.60	-3.12 %	↓
EEX, Base load Cal-21	€/MWh	40.81	-5.54 %	↓
Brent crude	$/bbl	43.35	-0.30 %	↓
Natural gas UK (Q4-20)	p/therm	27.41	-7.06 %	↓
Coal CIF ARA API2 2021	$/t	59.75	-1.00 %	↓

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

Market Analysis

Last week, the emission market showed volatility. The week started on a strong note when the emission allowance price rose north of last year's peak of €30.34/t to reach a level of €30.80/t. However, the price then fell to close the day at €29.35/t. On Tuesday, the price recovered slightly, whereas on Wednesday the price again took a downward turn. Wednesday got off to a strong start as the rice rose above €30/t, but driven by the weak auction in Poland, the price again took a downward turn at the end of the day and closed the day well down. The trend continued on Thursday, when also the first Innovation Fund emission allowances entered the market: high trading volumes saw the price fall by more than €2/t during the day. Friday saw an upward price correction with support from a strong German auction. On Friday, the price closed at a level of €27.82 and was down €1.2 at the weekly level.

This week's auction availability will reach 18.9 million tonnes, whereas next week's availability will be slightly lower at 18.5 Mt. Auction availability will halve in August because of the holiday season. On the ICE last week, there was higher than normal emission allowance trading in future products, averaging 46.1 Mt a day, although trading on Thursday was 81.6 Mt.

Market View

High auction availability and unfavourable coal condensate margins kept demand low. The threat of a second wave of coronavirus is continuing to bring uncertainty to the finance markets as the number of new cases increases restrictions in a number of countries, but the markets have still managed to continue rising. Renewables production in Central Europe is high and the weather cool, limiting short-term demand for emission allowances. In Germany, weekly energy demand is 7% below normal.

During the current week, EU decision-makers decided their 7-year budget and at the same time the coronavirus stimulus package has raised general market sentiment and with it also the emission allowance price on Tuesday. The Just Transition Mechanism, which is intended to support those regions and sectors most affected by the transition towards a green economy, ultimately received €20 billion instead of the €37.5 billion envisaged. Generally, at least 30% of the coronavirus stimulus package must be used to support climate targets. The package also included a mention of levying a carbon border tax by 2023 as one way to finance the stimulus package. Another possibility is to increase revenue available through the EU ETS by extending the emissions market to air and sea transport. The decision still requires the green light from the European Parliament.

The technical picture for the emission allowance has weakened. It currently seems unlikely that the all-time record will be broken while the price is weaker. MACD indicates that the trend for the product has taken a downward turn. Support for the emission allowance price is at €26/t and €25.86/t, the psychological level €25/t and €24.50/t. Resistance levels for the emission allowance price are October's peak of €26.63/t, €28.33/t and €29.80/t. We expect emission allowance prices to remain at their current levels, moving between €26-€29/t.

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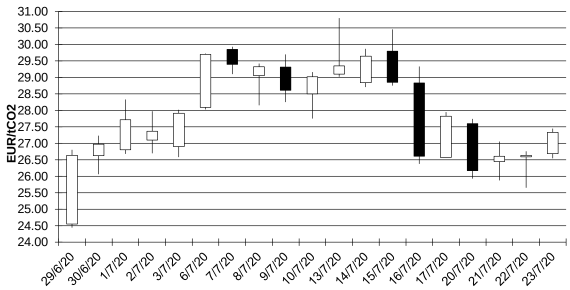
EUA Dec 2020, last 20 days



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

CDM pipeline	24.7.2020 10:07	
	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
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 Montel News

2 The Guradian News

3 Bloomberg News

On Agenda: Europe

Renewable energy has been the largest form of electricity production in Europe during the first half of the year, overtaking the amount of energy produced by fossil fuels. According to the thinktank Ember, wind, solar, hydro and bio energy accounted for 40% of European energy production during the first six months of the year, whereas 34% was produced using fossil fuels. Production from renewable energy sources was up 11% at the yearly level. New solar and wind power production installations, favorable production conditions and lower energy demand have been contributing factors. Wind and solar power production alone accounted for 21% of the energy produced and as much as 64% in Denmark and 49% in Ireland. The share of energy produced using fossil fuels fell 18% because of improved renewable energy production and the 7% decrease in energy demand resulting from coronavirus. Coal condensate power decreased most, 34%, whereas a more profitable operating environment saw gas condensate power decrease by just 6%. [1]

Emissions in the United Kingdom have begun to increase as coronavirus restrictions ease. "Carbon savings" attributable to the impacts of coronavirus have halved in weeks. Demand for fuels has risen as people began to return to work last month. UK emissions fell to 36% of normal during the first four weeks that restrictions were in force, whereas the decrease in June was only 16%. UK emissions were down 90% in air traffic and 30% in energy production, but travel and energy production emissions have halved. If all restrictions are lifted by October, the emissions reduction for the full year could be 10% of normal levels. From the climate perspective, this is a good reduction but if emissions rise again in 2021, the final reduction will be just a minor dip in emissions. To reach its net carbon zero target in 2050, the UK will need to cut annual emissions by 3% a year. [2]

On Agenda: Global

Also in Australia, renewable energy is eroding the profitability of coal power. Australia is one of the world's largest coal producers and generates 56% of its energy from coal. Solar panels installed on roofs reduce demand for coal condensate power during the hours of the day when the sun shines. The oldest and most inefficient facilities are becoming uneconomic to run and are under threat of early decommissioning. New wind and solar power capacity has reduced the price of electricity so low in some parts of the grid that the price undercuts that of coal. Also lower demand because of coronavirus has cut prices. A quarter of households in Australia have roof solar panels and capacity is expected to grow 500% by 2050. [3]

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