

EUA prices €/t 7.8.2020 12:47

Product	Bid	Ask	Last	Change*
Spot**	26.36	26.39	26.36	2.39 % ↑
Dec-20	26.43	26.45	26.43	2.35 % ↑
Dec-21	26.77	26.80	26.77	2.28 % ↑
Dec-22	27.32	27.38	27.32	2.16 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 7.8.2020 12:47

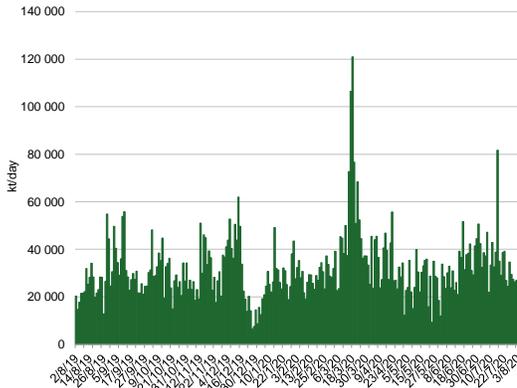
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.22	0.27	0.27	-3.70 % ↓

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	26.77	2.28 % ↑

*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 7.8.2020 12:47

Product	Unit	Prices*	Change*
ENO Q4-2020	€/MWh	18.55	10.51 % ↑
ENO 2021	€/MWh	20.75	3.13 % ↑
ENO 2022	€/MWh	23.80	-0.63 % ↓
ENO 2023	€/MWh	25.40	-0.79 % ↓
EEX, Base load Cal-21	€/MWh	40.96	2.69 % ↑
Brent crude	\$/bbl	44.73	2.84 % ↑
Natural gas UK (Q4-20)	p/therm	30.75	11.07 % ↑
Coal CIF ARA API2 2021	\$/t	59.45	-0.34 % ↓

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

Market Analysis

The emission allowance price sought direction last week. On Monday, the price closed down following a week auction result and the fall didn't stop until the support level of €25/t. The same support level prevented the price falling on Tuesday and the direction was reversed. The price continued to rise on Wednesday when the Polish auction price settled at €0.20 higher than the market price at the time. On Thursday, the price softened on the back of weaker than expected German economic figures and the auction result was weak. The price dipped below €26/t and Friday's price opened at these levels before showing a rise. On Friday, the market was supported by the last day of trading ahead of reduced auction availability in August and driven by forecasts for warmer weather. On Friday, the emission allowance price closed at €26.28/t and was down €0.09 at the weekly level.

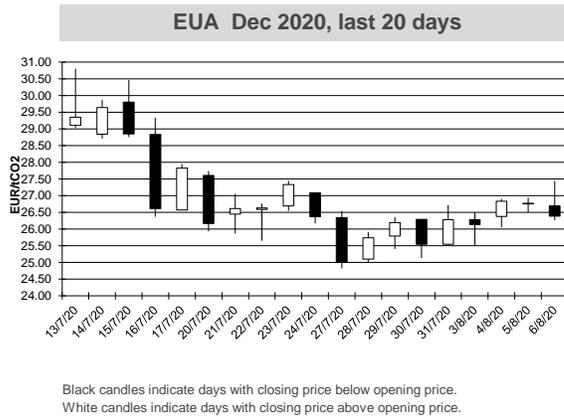
Auction availability is halved in August because of the holiday season and next week will be 9.24 Mt. There was less trading in emission allowance future products on the ICE last week than in earlier weeks, averaging 28.9 Mt a day, and trading volumes have remained weaker than normal also during the current week.

Market View

Next week's warm weather in Central Europe could increase demand for emission allowances. A heatwave adds to the risk of running French nuclear power output down if river water temperatures rise too much. This would also boost demand for emission allowances. Increased solar power production will slightly offset weak wind power production.

Auction availability halves in August because of the holiday season but is still larger than last August because of UK and Innovation Fund allowances. Nevertheless, low auction availability may provide some support to emission allowance prices in August. Even though a recovery has been seen in the price of natural gas this week, the profitability of gas-fired condensing power is still better than that of coal and with an efficiency of 42% and 50% most coal-fired power plants are unprofitable. Electricity demand in Germany continues to be 10.5% lower than normal. Growing numbers of coronavirus cases around the world and new restrictions continue to pose a risk to the financial and fuel markets in general. In recent weeks, the emission allowance price has followed movements on the stock markets.

The technical picture for the emission allowance improved once the price started to rise last week. MACD will soon be giving a buy signal if the rise continues. Support for the emission allowance price is at €26.72/t, the 50-day rolling average is at a level of €25.56/t, and €24.82/t. Resistance levels for the emission allowance price are €27/t, €28.33/t and €30/t. We expect the emission allowance price to remain at its present level or to rise next week to remain at a level of €25-€28/t.



CDM pipeline 7.8.2020 12:47

	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
Week 35	European Parliament meeting after the summer recess
Q3-20	Completion of an impact assessment on increasing the greenhouse gas reduction ambition from 50% to 55% for 2030

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Sources:

- [1 The Guardian news](#)
- [2 Montel news](#)
- [3 Carbon Pulse news](#)
- [4 The Conversation news](#)

On Agenda: Europe

International aviation and shipping are likely to be added to the UK's net carbon target in 2023. Traffic accounts for a third of the UK's carbon emissions but the figure excludes international aviation and shipping. The IMO's GHG reduction strategy will be decided in 2023, after which a change in laws can be implemented in the UK. ¹

No coal was burnt in the UK in July. Natural gas accounts for 40% of the fuel palette compared to 45% in July last year. The share of renewables increased to 32%, with wind power producing 17% of electricity, compared to 12% in the same period last year. Coal has practically disappeared from the UK's fuel palette in energy production since May, with the closure of power plants, low gas prices, high emission allowance prices and reduced demand caused by coronavirus. UK coal imports have fallen 46% compared to the first five months of last year. ²

The EU's hydrogen strategy can result in a €4 reduction in the emission allowance price. ICIS modeled scenarios where factors such as the EU's hydrogen strategy, announced in July and growing the capacity of renewable energy by 80-120 GWh by 2030, would impact the emission allowance and electricity price. The EU's hydrogen strategy is an important element towards carbon neutral energy intensive industry in the EU. Emission reductions as a result of switching to renewable hydrogen have been computed as being 25.26 - 101.12 Mt, depending on the scenario. Emissions reduction may also reduce demand in the EU ETS and the EUA price could fall, depending on the scenario, by €0.91, €2.38 or €3.73 compared to the base case. ³

On Agenda: Global

The impacts of emissions pricing on the use of fuels and on emissions reduction was established in a new study. Data from 142 countries were analyzed with 43 of the countries employing a model price for emissions. The findings show the average increase in emissions was 2%. Carbon dioxide emissions decreased an average of 2% a year in those countries where a price had been set for emissions and emissions were up 3% in those countries where emissions were not priced. Of the difference, 2% had been considered as resulting from emission allowance pricing and the rest from other reasons. The higher the pricing of a tonne of emissions the greater the effect. An extra €1 on the price of a tonne of emissions would reduce emissions in the sectors affected by 0.3%. ⁴

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