

EUA prices €/t 11.9.2020 11:27

Product	Bid	Ask	Last	Change*
Spot**	28.15	28.19	28.15	-0.39 % ↓
Dec-20	28.18	28.21	28.18	-0.39 % ↓
Dec-21	28.49	28.53	28.49	-0.56 % ↓
Dec-22	28.91	28.98	28.91	-0.69 % ↓

*Change compared to the previous report ** EEX spot

sCER prices €/t 11.9.2020 11:27

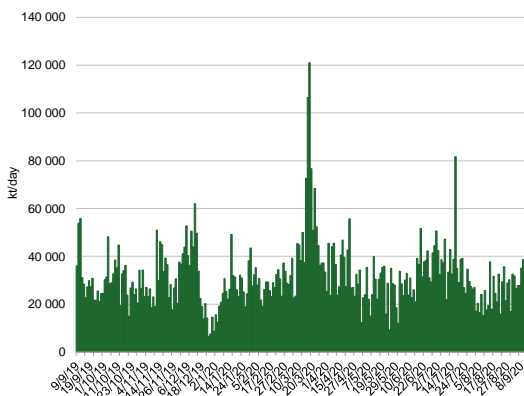
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.24	0.29	0.29	3.45 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	28.49	-0.56 % ↓

*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 11.9.2020 11:27

Product	Unit	Prices*	Change*
ENO Q4-2020	€/MWh	26.35	3.61 % ↑
ENO 2021	€/MWh	25.30	0.40 % ↑
ENO 2022	€/MWh	25.10	-2.99 % ↓
ENO 2023	€/MWh	25.60	-4.49 % ↓
EEX, Base load Cal-21	€/MWh	41.53	-1.30 % ↓
Brent crude	\$/bbl	39.98	-9.43 % ↓
Natural gas UK (Q4-20)	p/therm	33.75	-3.03 % ↓
Coal CIF ARA API2 2021	\$/t	57.05	1.05 % ↑

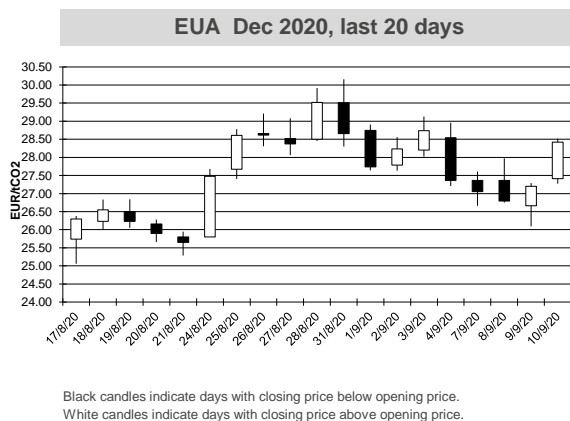
*Change compared to the previous report **Last trade price

Market Analysis

The emission allowance price fell last week. On Monday, the emission allowance price reached levels north of €30/t as it did on the previous Friday but during the course of the day, the price started to fall and closed the day at a level of €28.66/t. The fall spilled over into Tuesday. On Wednesday, the price was supported by successful results in the first major post-August auction and the emission allowance price rose on both Wednesday and Thursday. Friday saw the emission allowance price again soften with retreating financial and fuel markets. The emission allowance price closed on Friday at a level of €27.36, down €2.16 at the weekly level. During the current week, 20.75 Mt entered the market from auctions. Next week auction availability will fall to 19.73 Mt. Last week trading in future products on the ICE averaged 29.6 MT a day, a slight increase compared to the previous week.

Market View

US stock markets saw a downward correction during the current week after an upward trajectory lasting five months and a softening was seen at times in stock markets in Europe. On the fuel markets, the natural gas price has fallen and a fall also in oil prices was seen during the current week, but there has been an upward correction in recent days. Auction availability towards the end of the year could exert pressure on the emission allowance price. Auction availability towards the end of the year will be higher than in the early part of the year since the Market Stability Reserve (MSR) will absorb fewer allowances from the market between September 2020 and August 2021 than in the same period in 2019-2020. Last week, parliamentary members of the ITRE (Industry, Research and Energy) Committee voted in favour of the 55% climate target. Voting also seconded that each member state should strive to reach net carbon neutrality targets for 2050. The ENVI (Environment, Public Health and Food Safety) Committee will vote on the same topic also during the current week. The European Commission is expected to announce, already new week on September 16, a new Climate Act and possibly increased climate targets. This may give a direction also to the emission allowance price. A higher climate ambition may also affect the emissions trading emission cap, but the change process could take even two years. The emission allowance price is robust in the long term, but MACD has given a signal to sell and the short-term rolling mean values are falling. The resistance level is €30/t and additionally the July peak of €30.80/t as well as last week's peak of €30.16/t. A strong support level for the emission allowance can be found at the levels of €27/t, as well as €26.63/t and €25.90/t. We expect the emission allowance price to remain lower than last week's peak and to move between €27-€30/t.



On Agenda: Europe

The European Parliament may vote to include shipping in the emissions trading system according to a source at the European Parliament. In July, the ENVI (Environment, Public Health and Food Safety) Committee voted in favour of shipping sector emissions being included in EU ETS starting in January 2022 through the EU MRV Regulation. If all member states pass the initiative, the EU ETS would grow 10% in size, but experts are not yet certain what the impact would be on the emission allowance price. If parliament adopts the proposal, the proposed law would go to the Council where possible passing by parliament members would mean adoption. However, the final negotiations could last unless carried out before the end of the German presidency in January and the Council is seen as waiting for the completion of an impact assessment report prior to extending European emissions trading into new sectors. ¹

CDM pipeline 11.9.2020 11:27

	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

On Agenda: Global

According to a report by Fitch Rating, there will be an undersupply in the global market for voluntary emission reductions in 2025 as global demand grows. Governments are tightening up climate legislation and the biggest emitters have set carbon-neutral goals. Even though the use of voluntary emission reduction units has decreased in mandatory markets, such as EU ETS, the market has grown in recent years. Tighter climate legislation can be seen as spawning new emissions trading schemes around the world and old ones expanding into new sectors. As emissions trading expands in the construction industry, transport and agricultural sectors, demand for emission allowances will grow, which may be reflected in the price of an emission unit allowance. Uncertainty about international emissions trading mechanisms in the Paris Agreement and demand for the CORSIA emissions reduction programme will limit unit demand in the near future. ²

The coronavirus crisis has not significantly reduced climate change. According to a UN report, even though coronavirus lockdowns have reduced emissions, long-term GHG concentrations in the atmosphere have increased. The period 2016 - 2020 will presumably be the warmest 5-year period ever. Expectations are for a 4-7% reduction in emissions for 2020. According to the Energy Technology Perspectives 2020 published by the IEA, the world needs to quickly cut emissions to achieve its climate goals and to reach carbon neutrality by 2050. The alternatives include electrification and increasing the hydrogen economy in areas where direct use of electricity is difficult. Also sustainable carbon capture and the use of bioenergy have a role to play. Reducing emissions in long-haul transport and heavy industry is harder. ^{3,4}

Upcoming events

Date	Event
7.9.2020	The ENVI Committee will vote on the proposed climate law
September 2020	Completion of an impact assessment on increasing the greenhouse gas reduction ambition from 50% to 55% for 2030

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Sources:

[1 Carbon Pulse News](#)

[2 Carbon Pulse News](#)

[3 BBC News](#)

[4 IEA publication](#)

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