

## Market Analysis

Last week emission allowance prices were seeking direction within the €24–€25/t range. On Monday, the prices dropped since the start of the day by almost one euro to €24.23/t. Support was received on Tuesday from the stronger energy market, and the prices took an upturn. On Wednesday, the weather picture and weak gas price brought the prices down, but the €24/t level held. On Thursday, the prices rose higher from the same level and closed near €24.65/t, the level where DEC-19 closed at the end of the year. Friday's closing showed another drop. Friday closed at €24.21/t. At the weekly level, emission allowance prices were down €0.77.

Last week's auction results were weak, and the bid-to-cover ratio rose above 2 at this week's first auction. Auction price was also below market. There will be auctions on every business day of this week, and auction supply will rise to 16.7 million allowances. The higher auction supply may push prices down this week.

## Market View

The financial and fuel markets have been bullish recently, which may lend support to emission allowance prices, too. The winter has been mild, but next week will probably see a turn for slightly colder conditions in Central Europe, which may bring support to emission allowances.

According to a Carbon Pulse poll, analysts have cut their EU carbon price forecasts for 2020. The analysts' forecast for the first half of the year is, on average, €26.15 and for the entire year €27.55, down 6.3% and 7.2% respectively. The reason for the bearish forecasts is the price pressure created by supply and the fuel switches from coal to gas. Supply will be increased by the auctions of the UK's 2019 allowances and their timing as well as auctioning for the Innovation Fund. Price support over the long term is likely to be provided by the European Union's environmental policy reforms as well as the MSR and Germany's coal phase-out. Opportunities for switching fuels will also come to an end at some point. The analysts' forecast for Phase 4 averages €34.45.

Emission allowance prices were seeking direction last week. A support level for emission allowance prices can be found at €24/t, which prevented prices from declining last week and also provided support in December. In addition to this, support is also provided by the €23.15/t and €22/t levels. Resistance to emission allowance price increases can be found at the levels of €25/t, €25.45/t and the latest high from December at €27/t. We expect emission allowance prices to be seeking direction within the €23/t–€25/t range.

### EUA prices €/t 15.1.2020 14:59

Product	Bid	Ask	Last	Change*
Spot**	24.33	24.34	24.33	0.82 % ↑
Dec-20	24.41	24.42	24.41	0.61 % ↑
Dec-21	24.62	24.65	24.62	0.69 % ↑
Dec-22	24.95	24.96	24.95	0.88 % ↑

\*Change compared to the previous report \*\* EEX spot

### sCER prices €/t 15.1.2020 14:59

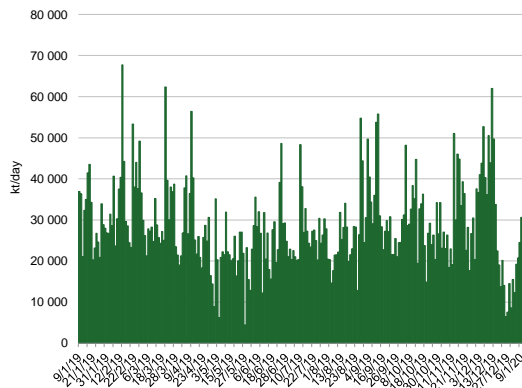
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.22	0.00 %
Dec-20	0.00	0.22	0.22	0.00 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	24.62	0.69 % ↑

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

### Daily traded EUA volume, ICE Futures Europe\*

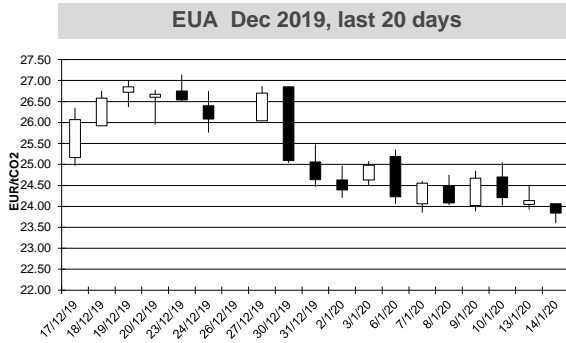
\*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



### Energy prices 15.1.2020 14:59

Product	Unit	Prices*	Change*
ENO Q2-2020	€/MWh	24.18	-5.05 % ↓
ENO 2021	€/MWh	32.23	1.95 % ↑
ENO 2022	€/MWh	32.25	2.02 % ↑
ENO 2023	€/MWh	31.15	-2.34 % ↓
EEX, Base load Cal-21	€/MWh	44.36	-1.06 % ↓
Brent crude	\$/bbl	64.38	-6.17 % ↓
Natural gas UK (Q2-20)	p/therm	27.63	-8.19 % ↓
Coal CIF ARA API2 2021	\$/t	64.70	2.94 % ↑

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



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

CDM pipeline	15.1.2020 14:59
	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
13.-16.1.2020	Vote on European Green Deal in the EU Parliament
November	Law draft on carbon neutrality objectives 2050 to be presented

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**Sources:**

- [1 CLEW news](#)
- [2 Carbon Pulse](#)
- [3 IHS Markit news](#)

## On Agenda: Europe

The German energy company RWE could receive €2 billion in compensation for closing down its lignite operations under the coal exit agreement drawn up by Germany's Economy Ministry. The energy company Uniper has also offered to shut down or convert to gas all of its coal-fired power stations in return for putting online its new hard-coal plant Datteln 4. The proposal has been objected by environmentalists. Compensation payments will be made for power plants shut down in Germany, with a total capacity of 2.5 gigawatts of coal-fired plants to be turned off by the end of 2022. As regards new power plants that have already been constructed but are not yet operational, a mutual agreement on not commencing operation is recommended by the commission. Datteln 4 is the only plant fitting the description in Germany. Decision-makers and company executives are meeting on January 15 to discuss the shut-down of plants. <sup>1</sup>

Ireland will offset the emissions from government air travel. All Government Departments and Offices will be required to pay €26 into the Government's Climate Action Fund for every tonne of carbon dioxide their air travel gives rise to. The guidelines also state that only essential air travel should be undertaken, and the added costs will also put pressure on Departments' travel budgets and incentivize them to reduce their air travel. The Climate Action Fund is already providing funding of €77 million to climate projects. <sup>2</sup>

## On Agenda: Global

The analytics company IHS Markit forecasts a 14% rise in global solar installations in 2020. The company expects the number of countries with more than 1 GW of installed capacity to rise from seven to 43. China is the global leader in the solar energy market, but growth in China is slowing, while growth in the US is continuing. Europe is expected to add more than 24 GW in capacity, with Spain, Germany, the Netherlands, France, Italy and Ukraine accounting for the majority of Europe's installations. <sup>3</sup>

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