

EUA prices €/t 16.10.2020 11:35

Product	Bid	Ask	Last	Change*
Spot**	24.96	24.99	24.96	-5.17 %
Dec-20	24.96	24.98	24.96	-5.25 %
Dec-21	25.16	25.18	25.16	-5.17 %
Dec-22	25.47	25.51	25.47	-5.18 %

*Change compared to the previous report ** EEX spot

sCER prices €/t 16.10.2020 11:35

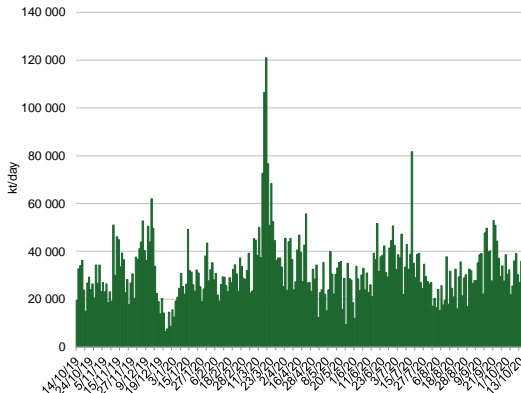
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.25	0.28	0.28	0.00 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	25.16	-5.17 %

*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 16.10.2020 11:35

Product	Unit	Prices*	Change*
ENO Q1-2021	€/MWh	27.10	-10.15 %
ENO 2021	€/MWh	22.95	-8.28 %
ENO 2022	€/MWh	24.24	-3.96 %
ENO 2023	€/MWh	25.10	-2.59 %
EEX, Base load Cal-21	€/MWh	39.92	-4.38 %
Brent crude	\$/bbl	42.91	0.47 %
Natural gas UK (Q1-21)	p/therm	42.53	2.49 %
Coal CIF ARA API2 2021	\$/t	58.80	-1.62 %

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

Market Analysis

The emission allowance price fell last week. Monday started the week on a downward note on the back of a weak auction and the lack of clarity surrounding the Brexit negotiations, and closed the day south of €27/t. On Tuesday, a strong auction result was not enough to provide support and the price continued falling. On Wednesday, the European Parliament voted 60% in favor of the climate target and the emission allowance price rose, but a downward correction was seen on the same day. Towards the end of the week the downward market sentiment continued following the news about Brexit. On Friday, the emission allowance price closed at a level of €25.71/t, down €1.32 at the weekly level.

This week, auction availability will fall 1.1 Mt compared to next week's availability. Last week, auction results were quite weak; apart from Tuesday's auction, all the others settled at much lower than the aftermarket price at the time.

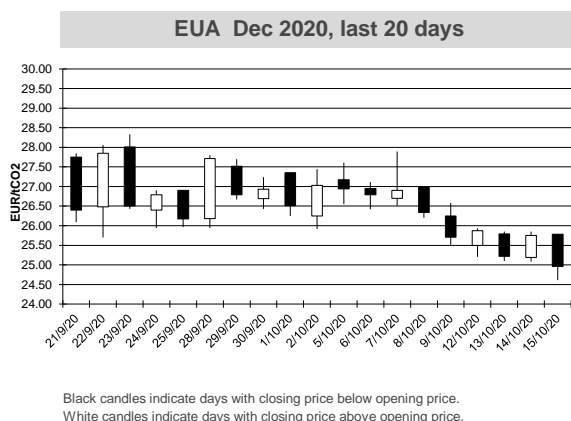
Market View

Oil, natural gas and coal market prices have sought direction during the current week, falling, however, from the week's peak. The United States hurricane season and the Norwegian oil and gas strike have ended, thereby increasing natural gas and oil production. The comparatively strong price of gas and the fall in the price of coal has improved the profitability of the most efficient coal condensate power plants in Europe. The weather in Europe during the current week is chilly and wind power production is dropping to below normal, which might slightly support the price with increased need for heating.

Last week's 60% vote by the European Parliament in favor of the climate target was not enough to lift the market. The 60% target could be difficult to defend in a member country's negotiations and it is more likely that the 50% or 55% will be adopted in future negotiations.

The market has been weighed down by Brexit negotiations, which are scheduled to end on Thursday during the current week and may provide market direction this week. In addition to this, growing numbers of coronavirus infections and stricter lockdowns on movement continue to impact the emissions market as concerns about the economic situation following restrictions on people's movements exert downward sentiment on the stock markets and demand for emission allowances.

The emission allowance price has technically weakened and falling below €24.82/t would strengthen the downward trend. Volumes on the ICE were slightly lower than normal last week and much lower compared to the average in September. Support for the emission allowance price can be found at the important level of €24.82/t as well as at €24.44/t and even lower at €23.33/t. Resistance to a rise in the emission allowance price can be found at €26/t, €27/t and €27.50/t. If the support level holds, we expect the emission allowance price to seek direction and to trade at between €24.80-€28/t.



On Agenda: Europe

The UK chancellor of the exchequer is leaning towards a nationwide carbon tax when the Brexit transition period ends at the end of this year. So far, it seemed that the UK would have been in favor of a national emissions trading scheme that would be linked to EU ETS. The UK accounts for about 10% of the existing EU ETS emissions. However, it is now reported that the chancellor of the exchequer is in favor of a tax, which would later be extended to other sectors such as gas consumption and agriculture. If the price were £75/t, the tax would bring in £27 billion to the treasury by 2030 and could help to finance the country's recovery from coronavirus, support investment in renewable energy and recycle revenue back to consumers to compensate for higher heating and electricity bills. A general criticism is that emissions taxes are not as effective as emissions trading to achieve emissions reductions. ¹

CDM pipeline 16.10.2020 11:35

	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

Energy demand will not recover before 2023-2025. According to the International Energy Agency (IEA), the coronavirus pandemic could cause the lowest rate of growth in energy demand since the 1930s. During the current year, the global demand for energy is forecast to contract by 5%. Energy production emissions would fall by a record 7% and investment in the energy sector is estimated to fall by 18%. Even if emissions do fall by a record amount, not enough is being done in the world for emissions reductions to continue. Demand for oil is expected to contract by 8%, coal by 7% and natural gas by 3%. Demand for electricity is forecast to fall relatively little, 2%, during the current year. The IEA's analysis shows energy demand recovering in 2023, the underlying assumption being that coronavirus is under control in 2021. If the pandemic lasts longer, it might not be until 2025 that we see energy demand recovering. ²

Upcoming events

Date	Event
15.- 16.10.2020	European Council meeting and the deadline for signing Brexit deal
3.11.2020	United States presidential election

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Sources:

[1 Carbon Pulse news](#)

[2 Montel news](#)

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