

EUA prices €/t 18.12.2020 10:39

Product	Bid	Ask	Last	Change*
Spot**	31.07	31.11	31.07	2.99 % ↑
Dec-20	31.26	31.29	31.23	3.46 % ↑
Dec-21	31.50	31.55	31.55	3.80 % ↑
Dec-22	31.81	31.88	32.53	5.96 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 18.12.2020 10:39

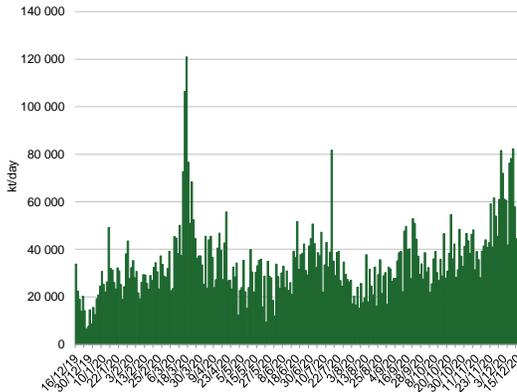
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
Dec-20	0.00	0.30	0.30	0.00 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	31.55	3.80 % ↑

*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 18.12.2020 10:39

Product	Unit	Prices*	Change*
ENO Q1-2021	€/MWh	19.00	-11.84 % ↓
ENO 2021	€/MWh	16.50	-11.52 % ↓
ENO 2022	€/MWh	20.30	-9.11 % ↓
ENO 2023	€/MWh	22.10	-6.33 % ↓
EEX, Base load Cal-21	€/MWh	45.25	3.03 % ↑
Brent crude	\$/bbl	51.32	4.13 % ↑
Natural gas UK (Q1-21)	p/therm	45.47	7.97 % ↑
Coal CIF ARA API2 2021	\$/t	67.05	4.77 % ↑

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

Market Analysis

The emission allowance price continued to rise last week. A softening was seen on the market in the early part of the week because of Brexit and coronavirus concerns. Despite efforts, the price failed to close above the important level of €30/t. However, later in the week, the approaching reduction in availability was supportive of the market. On Thursday, strong fuel markets supported by a softening of future demand and the start of coronavirus vaccinations lifted the emission allowance price towards the level of €31/t. On Friday, EU leaders took the decision to increase the 2030 emissions reduction targets and the allowance price reached the highest level of the week before taking a downward turn. On Friday, the price of the emission allowance reference product DEC-20 reached a level of €31.30/t, an all-time record at the time. On Friday, the price closed at the level of €30.52/t, up €0.41 at the weekly level. During the current week, the DEC-21 price has risen on the back of positive sentiment supported by new peaks above the level of €32/t.

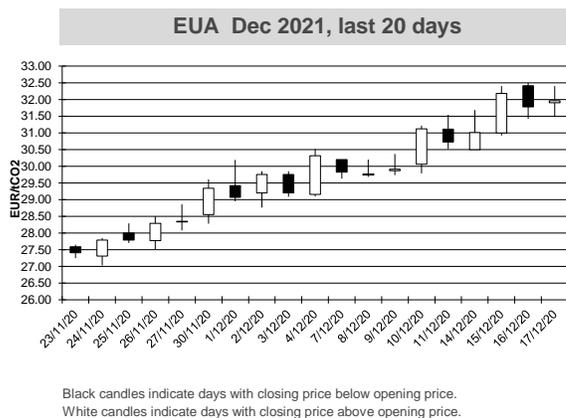
Auctions have now taken a break, which is expected to last until the end of January or beginning of February next year. Volumes in ICE have fallen to normal levels during the current week following considerably more active trading than normal in recent weeks.

Market View

Stock markets have remained robust having been supported by the start of coronavirus vaccination programs. Expectations of economic stimulation in the United States are also supportive. The fuel markets have also taken direction from this. The trend in fuel prices has been sharply upwards, which has also supported the emission allowance price. The weather in Central Europe will grow colder towards normal temperatures later next week. The weather will still be mild early next week and renewables production higher than normal, which will curb demand for emission allowances.

The summit of EU leaders held on Friday last week decided to increase the emissions reduction goal for 2030 to 55% compared to 1990 levels. The decision also signals clampdowns on the emissions market in future years and positive sentiment may be supportive of prices in the foreseeable future, but particularly in the longer term. In addition, this week saw a break in emission allowance auctions that will last until at least the end of January. Poland has yet to make an agreement about auctions with EEX and this may delay the arrival of Polish volumes on the market in the early part of the year. The European commission has also published the allowances to be transferred into the Market Stability Reserve for September 2020-August 2021. Because of the exit of the UK, the amount is 25Mt less than the previous amount announced.

The emission allowance has been trading at historically high prices. However, RSI indicates that the DEC-21 product has been oversold and a downward correction in the price is possible. The resistance level for the product is this week's historical peak of €32.5/t. Support for the emission allowance price can be found at levels of €30.34/t, €30.10/t and €29.80/t. We expect the emission allowance price to continue to rise and to trade at between €30 - €33/t.



On Agenda: Europe

The UK will launch its own emissions trading scheme on January 1, 2021. The UK exited the EU in January 2020 and will not be part of the EU's emissions trading once the Brexit transition period ends on December 31. A fixed carbon tax would have been an alternative to emissions trading. UK operators can at last begin to plan their obligations and trading strategies. Uncertainty may have made some UK companies to transfer their surplus allowances to EU accounts since access to UK EUA accounts is coming to an end. Whereas the UK Government has stated that it would prefer the UK ETS to be linked to the EU ETS, no decisions on this have yet been made. The UK ETS has similar elements to those in the EU ETS such as free allocations, auctions, a market stability mechanism, emissions allowance trading and market supervision. ¹

CDM pipeline 18.12.2020 10:39

	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

The IEA Energy Market Report shows that the coronavirus pandemic caused a global fall of 2% in electricity demand in 2020. However, next year growth is forecast to grow by 3% boosted by households. This year, only China is expected to show an increase in electricity demand and even there the increase will be lower than average. The amount of energy produced by hydro, wind and solar power will grow 7% this year. Coal-fired electricity production decreased by a record 5%. Global carbon dioxide emissions are predicted to fall by about 5% with regard to electricity production. Wholesale market prices have dropped by around 28% in advanced countries this year. Next year, coal fired production is projected increase as electricity demand rises in emerging countries. The predicted rise in the price of gas will limit the growth of gas-fired production. ²

Upcoming events

Date	Event
28.12.2020	EU Summit: vote on UK-EU trade deal (preliminary)
31.12.2020	End of the Brexit transition period

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Sources:

[1 Montel news](#)

[2 IEA report](#)

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