

## Market Analysis

Last week, emission allowance prices declined further as the coronavirus outbreak was affecting the oil and financial markets. Monday saw direction being sought within the day, resulting in a slight climb. Tuesday started bullish, but the prices ended up falling. On Wednesday, the prices dropped considerably, falling below €24 /t. The breaking of the support level pulled the prices down on Thursday, too, and support levels were broken again during the day. Friday saw a slight upward correction and price tests were seen in both directions during the day. Friday closed at €23.88/t. At the weekly level, emission allowance prices were down by €0.5. Last week's auction demand was variable, with the Polish auction on Wednesday being weak in particular, but results were better on Tuesday and Thursday. This week's auctions will place 10.5 million EUAs in the market as the allowances for the Innovation Fund are not yet included in the auctions.

## Market View

Emission allowance fundamentals are very weak. The continuously mild winter and the coronavirus epidemic have maintained a downtrend in the energy markets, with the financial markets, fuel markets and energy futures all being weak. Trading in the emission allowance market has focused on the short time span. In addition to the weather and the markets, weakness in the market is caused also by this month's free allocations and the start of the UK auctions.

The UK has left the EU but remains an EU ETS participant until the end of the transition period, which means its 2019 and 2020 emissions are still included in the EU ETS. British participants can access their registry from February 3 onwards, and free allocations for 2020 will take place by the end of the month. The first auction is expected to take place on March 4. The auction supply for 2019 and 2020 is anticipated to enter the market during 2020. The total supply for the two years is estimated to be 120–155 million EUAs. The more specific auction volume and auction calendar will be known later. The market entry of the allowances over the entire year is better than them being auctioned over a short period during Q1. Emission allowance prices have, however, turned bearish this week as the fundamentals are weak. The 2020 outlook for emission allowances is weak as supply is higher than normal and demand does not appear to be providing support on present trends. In 2021, the market will be tighter than this year, so climbing prices may be seen towards the end of the year.

The downtrend of emission allowance prices is continuing, and the prices have fallen below the support levels of €24 /t and €23.60 /t. The nearest strong support level for emission allowance prices can be found at the October low of €22.26/t, and support is also provided by €23/t and €18.88/t. Resistance to emission allowance prices climbing is provided at €23.30/t, €23.60 €/t, €24/t and €25/t. We expect the downtrend of emission allowances to continue and the prices to be moving within the €22/t–€24/t range.

### EUA prices €/t 5.2.2020 12:30

Product	Bid	Ask	Last	Change*
Spot**	23.22	23.25	23.22	-3.45 %
Dec-20	23.29	23.30	23.29	-3.43 %
Dec-21	23.45	23.49	23.45	-3.41 %
Dec-22	23.68	23.73	23.68	-3.51 %

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

### sCER prices €/t 5.2.2020 12:30

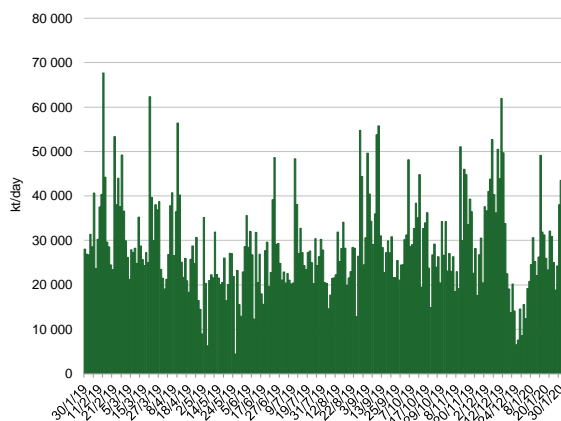
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.22	0.00 %
Dec-20	0.17	0.21	0.21	0.00 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	23.45	-3.41 %

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

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

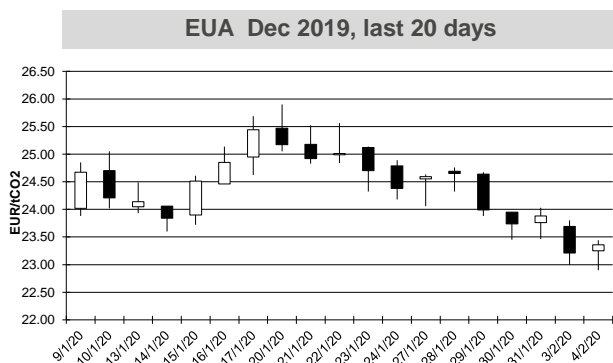
\*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



### Energy prices 5.2.2020 12:30

Product	Unit	Prices*	Change*
ENO Q2-2020	€/MWh	16.40	-29.88 %
ENO 2021	€/MWh	26.51	-9.02 %
ENO 2022	€/MWh	28.70	-4.53 %
ENO 2023	€/MWh	28.85	-3.64 %
EEX, Base load Cal-21	€/MWh	40.76	-4.02 %
Brent crude	\$/bbl	55.25	-8.63 %
Natural gas UK (Q2-20)	p/therm	23.44	-12.20 %
Coal CIF ARA API2 2021	\$/t	60.25	-3.24 %

\*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	5.2.2020 12:30	
	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
31.1.2020	Brexit day
March	Proposal of 2050 Carbon neutrality deal law draft

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**Sources:**

[3 BBC news](#)  
[4 NY Times news](#)

## On Agenda: Europe

The UK intends to bring forward the ban on gasoline-fueled cars from 2040 to 2035. The latest proposal also covers hybrid cars. People will only be able to buy electric or hydrogen cars once the ban comes into effect. The change comes after experts warned that the previous target date would still leave old conventional cars on the roads following the carbon neutrality date of 2050. More details of the plan will be unveiled at the opening event of the COP26 summit held in Glasgow in November. 3

## On Agenda: Global

Japan will build new coal power. Japan has in practice closed down its nuclear power program since the Fukushima nuclear disaster. The country now plans to build 22 new coal-burning power plants. Together, the coming power plants would emit almost as much carbon dioxide as all the cars sold each year in the USA. On the other hand, Japan portrays this summer's Olympic Games hosted by the country as one of the greenest ever, with electricity sourced from renewables, for example. Japan is already suffering from the effects of climate change. According to scientists, the 2018 heat wave that killed 1,000 people in Japan could not have happened without climate change. Heat concerns also made Japan move Olympics events to a cooler city. Demand for coal has been increasing for decades in Japan as the country is seeking energy self-sufficiency. Fossil fuels are used to generate four fifths of Japan's energy. The share of nuclear power has fallen from a third to 3%. 4

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