

Market Analysis

EUA prices €/t 12.2.2020 13:22

| Product | Bid | Ask | Last | Change* |
|---------|-------|-------|-------|----------|
| Spot** | 23.48 | 23.51 | 23.48 | 2.09 % ↑ |
| Dec-20 | 23.54 | 23.56 | 23.54 | 2.04 % ↑ |
| Dec-21 | 23.72 | 23.76 | 23.72 | 2.02 % ↑ |
| Dec-22 | 23.94 | 24.00 | 23.94 | 2.01 % ↑ |

*Change compared to the previous report ** EEX spot

sCER prices €/t 12.2.2020 13:22

| Product | Bid | Ask | Last | Change* |
|---------|------|------|------|---------|
| Spot** | 0.00 | 0.00 | 0.22 | 0.00 % |
| Dec-20 | 0.20 | 0.21 | 0.21 | 0.00 % |

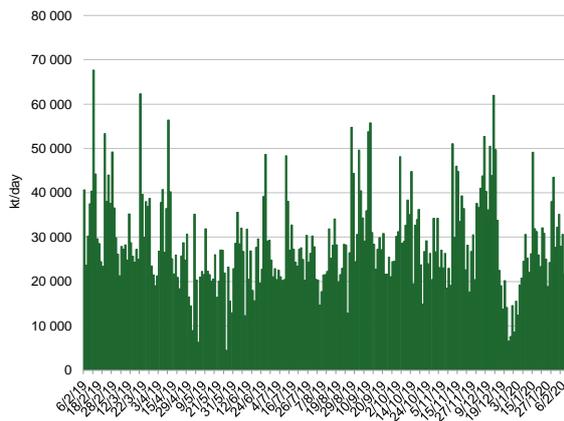
Product Spread Change*

| | | |
|------------------------------|-------|----------|
| EUA Dec20-sCER Dec20 Spread* | 23.72 | 2.02 % ↑ |
|------------------------------|-------|----------|

*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 12.2.2020 13:22

| Product | Unit | Prices* | Change* |
|------------------------|---------|---------|------------|
| ENO Q2-2020 | €/MWh | 14.25 | -14.74 % ↓ |
| ENO 2021 | €/MWh | 26.85 | 1.68 % ↑ |
| ENO 2022 | €/MWh | 29.22 | 3.83 % ↑ |
| ENO 2023 | €/MWh | 29.00 | 2.59 % ↑ |
| EEX, Base load Cal-21 | €/MWh | 41.27 | 1.94 % ↑ |
| Brent crude | \$/bbl | 55.04 | 0.58 % ↑ |
| Natural gas UK (Q2-20) | p/therm | 21.36 | -8.50 % ↓ |
| Coal CIF ARA API2 2021 | \$/t | 59.35 | 0.42 % ↑ |

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

Last week, emission allowance prices were seeking direction, with Monday seeing weak prices falling through the support levels to €23.21/t, but the market recovered slightly on Tuesday and Wednesday. Wednesday saw a climb closer to €24/t. On Thursday, emission allowance prices hit the week's highest level, but the day ended up closing on a downward trajectory as the resistance level pulled the prices down again. Thursday closed at €23.56/t. On Friday, the downtrend of emission allowances continued as data released on Germany's industrial output for December showed the biggest plunge in a decade. On Friday, emission allowances closed at €23.32/t, two cents below the support level. At the weekly level, emission allowances were down €0.56.

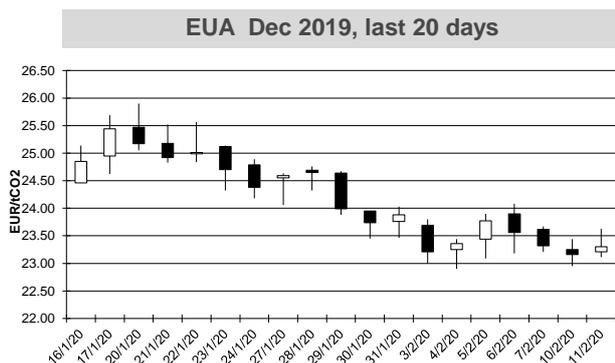
Last week's auction demand was good: bid-to-cover ratios were all above 2 and prices cleared at a smallish distance to the secondary market throughout the week. Since the start of the year, auction demand has been higher than in late 2019. This week's auction supply totals 15.8 million EUAs.

Market View

Emission allowance fundamentals have remained weak; it currently appears that there will be no more winter conditions in Europe, and the coronavirus is straining the oil market. Gas is still at record-low price levels and ahead of coal in the dispatch order. The OPEC countries' decision on oil production cuts and China's possible stimulus response might still turn the market direction. Renewables output in Europe is also above normal this week.

Eight EU Member States have still not submitted their national energy and climate plan, the deadline for which was at the end of last year. According to an estimate based on the preliminary plans, the plans will not be enough to reach the EU's climate targets (a 40% cut from 1990 levels). Frans Timmermans, the Commissioner responsible for the European Green Deal, mentioned in his letter to the Commission that the Energy Taxation Directive could be reviewed in line with the climate and environmental targets, particularly as regards the taxation of kerosene. With regard to extending the EU ETS to the maritime sector and reducing the free allowances allocated to airlines, he mentioned that related decisions will be prepared in an open, transparent manner, supported by evidence and backed by stakeholder involvement. A study ordered by the Commission on the ability of airlines to pass on CO2 costs is currently underway, aiming to increase the share of auctioned aviation allowances.

Emission allowance prices were seeking direction roughly within the €23–€24/t range last week, but the downtrend that started in January is persisting. The prices are currently below the November lows below €23.34/t. The nearest support level for emission allowance prices can be found at €22.90/t, and support is also provided by €22.26/t and €20.90/t. Resistance to emission allowance prices climbing is provided at €23.30/t, €23.60 €/t and €24/t. We expect the downtrend of emission allowances to continue and the prices to be moving within the €22/t–€24/t range.



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

| CDM pipeline | 12.2.2020 13:22 | |
|---|-----------------|--------|
| | 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 |
| March | Proposal of 2050 Carbon neutrality deal law draft |

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Sources:

- [1 Carbon Pulse News](#)
- [2 IEA News](#)
- [3 HS News](#)

On Agenda: Europe

European carbon dioxide emissions from power plants fell by a record rate of 12% during 2019. A report by Agora Energiewende and Sandbag shows emissions having fallen by 120 million tonnes last year due to reductions in coal-fired production. The reductions were thanks to higher emission allowance prices, lower gas prices and increased renewables production, which resulted in coal generation falling by 24%. Germany achieved the biggest cut in coal generation, with its lignite-fired production down 32 TWh and coal-fired production down 24 TWh. A large part of the share of coal has been replaced by gas, as the low gas prices and high emission allowance prices have boosted the fuel switch. The total reduction in fossil-based power generation was 6% in the EU28. The estimated overall drop in EU ETS emissions was from 1,682 million to 1,554 tonnes. Emissions are falling faster than the EU ETS cap, with last year's cap being around 19% higher than the estimated emissions. Despite the reduction in emissions, electricity consumption decreased by 1.7% at the annual level as energy efficiency improved. ¹

On Agenda: Global

According to the International Energy Agency (IEA), global carbon dioxide emissions flattened last year, contrary to expected growth. After two years of growth, emissions remained at 33 gigatonnes despite the world economy growing by 2.9%. Factors cited by the IEA as main reasons behind this are a drop in emissions from power production in advanced economies due to the expanding role of renewables, fuel switching to gas from coal, and increased nuclear power generation. Also listed as contributing factors are milder weather and slower economic growth in several emerging markets. At the country level, the biggest emission reduction was achieved by the USA, down 140 million tonnes or 2.9%. The EU's emissions declined by 5%. Natural gas-fired generation overtook coal for the first time ever, and wind was almost at the same level as coal in terms of energy generated. ²

Antarctica has broken its highest recorded temperature ever. The station where the reading was taken is located in an area that is one of the fastest-warming places on Earth. The temperature climbed to 18.3 degrees Celsius on the northern tip of the continent. The previous record, measured in 2015, had been 17.5 degrees Celsius. Antarctica's glaciers are melting at a record rate, with the rate of heating having been around three degrees Celsius over the past 50 years. This may cause a global sea level rise threatening coastal cities. If all of the ice on the continent were to melt, global sea levels would rise by 57 meters. The World Meteorological Organization (WMO) will verify whether the temperature measured is a new record, but the research base is well-maintained so the measurement is likely to be legitimate. ³

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