

## Market Analysis

Last week, emission allowance prices recovered. The market was lifted by the stronger fuel markets, improved auction results and rising demand. On Monday, the market opened lower than the previous closing, seeking direction and in the end closing at €23.16/t. Tuesday's rise was still minor, but on Wednesday and Thursday the daily candles rose above the €23.30/t support level. On Wednesday the particularly strong Polish auction also lifted prices. Thursday closed at €24.40/t. On Friday, emission allowance prices rose to the month's high but then declined from that level, and the daily candle pattern turned out bearish, signaling uncertainty about market direction. Friday closed at €24.19/t. At the weekly level, emission allowance prices were down by €0.95/t.

Last week, the bid-to-cover ratio remained above 2 in all auctions. On Wednesday, Polish auction prices were as much as 10 cents above the secondary market. This week's auction supply totals 10.5 million EUAs.

## Market View

The weather in Europe is generally staying mild and windy, and demand will be below average. The stock markets have declined slightly, but in the fuel market oil has recovered. The gas market has also been climbing, which may lend support to emission allowance prices, but gas is still very inexpensive.

Auction demand was growing last week. The current year's free allocations will have been made by the end of the month. Future demand will depend largely on how market participants' needs are covered by the free allocations. Demand may also be affected by the fact that, at the turn of phase 3 and phase 4, it is not permitted to borrow from the coming year's free allocation in order to meet compliance obligations for the current year.

The UK auctions will restart in a couple of weeks' time, on March 4. In the event of a frontloading approach, emission allowances would be likely to react slightly bearishly. The auction schedule is expected to be published this week. EU leaders are meeting this week for a budget summit; net contributors would like to see the adoption of the 2050 carbon neutrality goal as a condition for the Just Transition Fund. The condition would have a particular effect on Poland, which is the only EU Member State that has not signed up to the goal.

Emission allowance prices have been climbing, but the trend still remains technically bearish, unless the January high is broken. MACD crossed over last week, supporting a rise in the short term. Emission allowances have climbed above €25/t, which is currently the nearest strong support level. Support levels for emission allowances prices can be found at €24/t, €23.34/t and €22.90/t. Resistance to emission allowance prices climbing is provided by the levels of €25.50/t, €25.90/t and €27/t. We expect emission allowance prices to remain within the €24/t–€26/t range.

### EUA prices €/t 19.2.2020 12:02

Product	Bid	Ask	Last	Change*
Spot**	25.20	25.22	25.20	8.13 % ↑
Dec-20	25.26	25.27	25.26	8.12 % ↑
Dec-21	25.44	25.47	25.44	8.06 % ↑
Dec-22	25.67	25.71	25.67	8.02 % ↑

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

### sCER prices €/t 19.2.2020 12:02

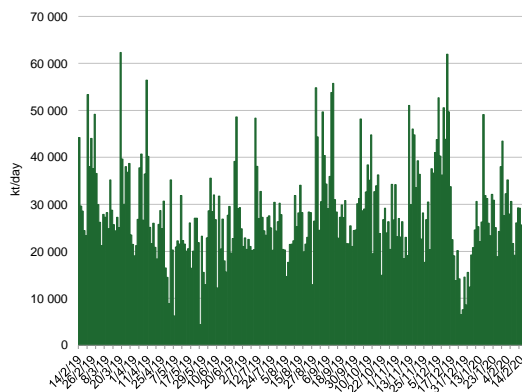
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.22	0.00 %
Dec-20	0.22	0.23	0.23	8.70 % ↑

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	25.44	8.06 % ↑

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

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

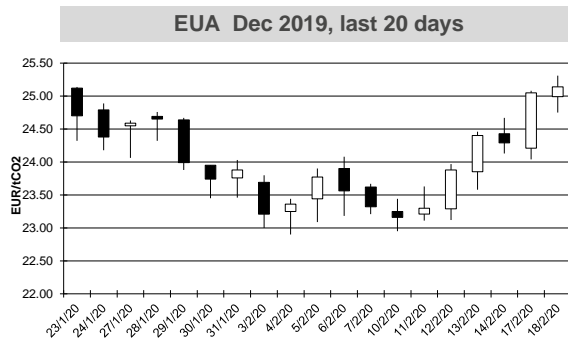
\*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



### Energy prices 19.2.2020 12:02

Product	Unit	Prices*	Change*
ENO Q2-2020	€/MWh	12.00	-11.67 % ↓
ENO 2021	€/MWh	26.90	1.67 % ↑
ENO 2022	€/MWh	29.40	2.69 % ↑
ENO 2023	€/MWh	29.70	4.71 % ↑
EEX, Base load Cal-21	€/MWh	43.37	6.53 % ↑
Brent crude	\$/bbl	58.43	6.95 % ↑
Natural gas UK (Q2-20)	p/therm	23.21	6.37 % ↑
Coal CIF ARA API2 2021	\$/t	59.90	2.50 % ↑

\*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.

## On Agenda: Europe

The UK may see a spring without coal-fired production. The country aims to be carbon neutral by 2024. The UK's carbon emissions have fallen by two thirds over the past decade. This has been due to high emission allowance prices, coal-fired plant retirements, conversions to biomass, an increase in wind power capacity and, in particular, reductions in electricity demand. Coal currently provides only 2% of power in the UK. This spring may see the first full month of power generation free of coal. The UK's nuclear output is also declining, but the wind power trend is showing strong growth; the government intends to reach 40 GW of offshore wind by 2030, which would more than quadruple the existing capacity.<sup>1</sup>

## On Agenda: Global

January was the Earth's hottest January in the 141 years of climate records, according to NOAA data. January 2020 was 1.14 °C above the 20th-century average. The temperature record was not affected by the El Niño effect that sometimes raises sea temperatures in the region around the equator. The record-warm January continues the strong trend of above-average temperatures. The four warmest Januaries have all occurred since 2016. Last month was also Europe's warmest January ever, being 3.1 °C above the average. Northern Hemisphere snow coverage was below the average in January.<sup>2</sup>

CDM pipeline	19.2.2020 12:02	
	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
31.3.2020	Clarification of emissions submitted to FINETS system

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### Sources:

[1 Montel news](#)

[2 Bloomberg news](#)

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