

Market Analysis

The emission allowance price rose last week, with new peaks reached daily during the week. The emission allowance price was supported by positive market sentiment when the relief package was passed in the United States. This also supported the oil price. Unlike this year's average, Tuesday's auction price settled at the higher than the secondary market. Also, the European Parliament voted for a carbon border adjustment mechanism and this could have affected sentiment. On Friday, the emission allowance price closed at a level of €42.85, up €3.83 at the weekly level. During the current week, the emission allowance price has shown a slight fall having reached an all-time high trading level of €43.46/t on Monday.

Except for weekday public holidays, when there are no auctions, auction availability will remain fairly steady at about 15 Mt until August, when availability will halve. The Easter public holidays in weeks 13 and 14 will reduce auction availability to around 12 Mt. Volumes traded on ICE rose last week and were very high on Wednesday and Thursday. Volumes have remained high during the current week.

Market View

On the fuel markets, the price of oil has risen to January last year's level having been supported by OPEC's decision not to increase production volumes, but the price has softened from its peak following both inflation and corona vaccine concerns. The price of coal has been seeking direction since the start of the month but was rising last week. Volatile trading days have been seen in the price of gas, but the general trend has been upwards. The short-term weather picture in Central Europe will change from colder to milder than normal and wind power production will remain slightly weaker than normal, whereas slightly more than normal photovoltaic power is expected.

There has been a correlation in the rise in the net position on the market of speculative investors and the rise in the emission allowance price during the current year. Last week, the positions of funds on the market were 22% up and the number of reporting companies rose. The positions of regulated actors on the market have decreased slightly.

The European commission has adopted the draft for the benchmark values for free allocation for the period 2021-2025, which means progress with the free allocation process. The Energy Authority can calculate the initial free allocations, the commission calculates the cross-sectoral correction factor before deciding and allocating the final amounts of emission allowances, which may happen at the end of the second quarter.

The emission allowance price is still technically very strong having reached new historic peaks during the current week. Support for any downward correction in the price could come from the wishes of regulated actors to buy ahead of the deadline for surrenders. Resistance levels to the emission allowance price are the psychological level of €44/t, the all-time peak of €43.36/t and €42.50/t. Support can currently be found at levels of €40.64/t, €40/t and €39.68/t. We expect the emission allowance price to remain strong and to trade at between €39 - €45/t.

EUA prices €/t 19.3.2021 13:01

Product	Bid	Ask	Last	Change*
Spot**	41.89	41.93	41.89	0.67 % ↑
Dec-21	42.02	42.05	42.03	0.79 % ↑
Dec-22	42.35	42.40	42.28	0.52 % ↑
Dec-23	42.82	42.89	42.97	1.47 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 19.3.2021 13:01

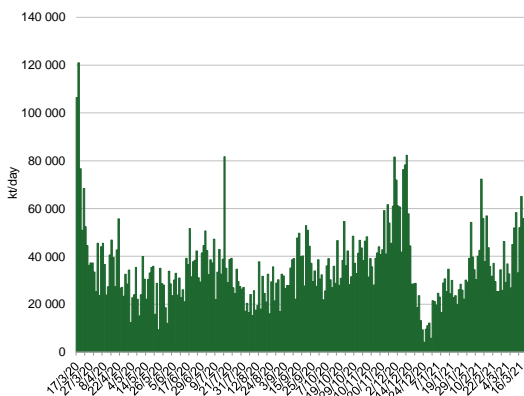
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
MAR-21	0.31	0.49	0.62	40.32 % ↑

Product	Spread	Change*
EUA Dec21-sCER Dec21 Spread*	41.41	0.19 % ↑

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

Daily traded EUA volume, ICE Futures Europe*

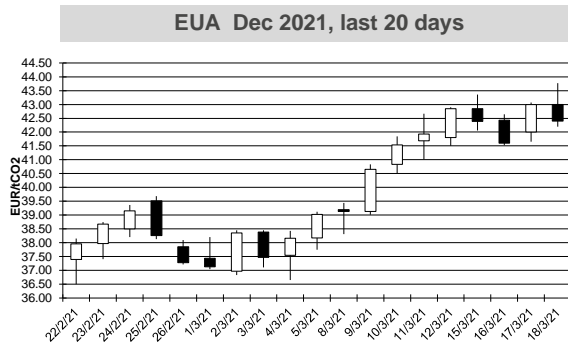
*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 19.3.2021 13:01

Product	Unit	Prices*	Change*
ENO Q2-2021	€/MWh	28.50	-4.91 % ↓
ENO 2022	€/MWh	27.50	-1.64 % ↓
ENO 2023	€/MWh	27.25	-1.83 % ↓
ENO 2024	€/MWh	27.60	-1.45 % ↓
EEX, Base load Cal-21	€/MWh	56.35	1.08 % ↑
Brent crude	\$/bbl	64.07	-6.71 % ↓
Natural gas UK (Q2-21)	p/therm	43.29	0.08 % ↑
Coal CIF ARA API2 2022	\$/t	70.90	2.54 % ↑

*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

Emissions under EU ETS fell 12.3% in 2020 according to a survey done for analysts. In 2019, emissions decreased 8.7%. The coronavirus pandemic and the shift away from coal in energy sector were the factors having the most impact. Emissions in the energy sector were down 14,8% last year, combustion of coal and brown coal was down 19%. In mid-2020, the profitability of coal-fired power was very low and the high production from renewables contributed to affecting the low price of switching fuel. Industrial emissions are estimated to have fallen by 6.6 - 9.2%. Aviation industry emissions were estimated to have fallen by around 55%. ¹

On Agenda: Global

John Kerry, Biden’s Special Presidential Envoy for Climate, warned the EU that carbon border taxes should be a last resort. Kerry was on a four-day visit to Europe to support intercontinental climate work ahead of the UN Climate Change Conference in November. Kerry said he was concerned about the EU’s carbon border adjustment mechanism plans and called on the EU to wait until after COP 26. He said that carbon taxes would have serious implications for the economy and trade. The carbon border tax has been designed to target countries that have not committed to climate neutrality by the middle of the century. Biden’s administration and the EU have been working towards a common strategy and have called on China, the world’s largest polluter, to reduce emissions faster. ²

CDM pipeline	19.3.2021 13:01	
	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
22-23 April 2021	Leaders' Climate Summit hosted by the United States
June 2021	The Commission presents proposals for laws including a reform of emissions trading

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Sources:

- [1 Montel news](#)
- [2 Financial Times news](#)

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