

Market Analysis

Last week, the emission allowance price sought direction, trading at between €39.63 - €43.00/t. Movements in the emission allowance price correlated with the change in price on the oil market. On Monday, the price showed a rise but with the fall on the oil market, the fall on Tuesday and Thursday, however, brought the emission allowance price below average rolling values. On Friday, the emission allowance price recovered slightly and closed at a level of €41.73/t, down €0.24 at the weekly level.

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 this week have been weaker than normal and especially weaker than in recent weeks. Funds' net positions were falling last week.

Market View

On the fuel markets, the price of oil was volatile last week and so also the emission allowance price sought direction. The market was affected by the blockage of the Suez Canal. However, the container vessel stuck in the Canal has now been freed and traffic along the Canal is returning to normal. The global coronavirus situation has brought concerns about growth in the demand for oil, but expectations that OPEC will continue oil production cuts have been supportive of the market. The prices of natural gas have continued to rise, whereas the price of the annual coal product has sought direction this week.

Temperatures in Central Europe are falling and next week in particular, cooler weather than normal for the time of year is expected, with renewables production remaining close to normal. After emissions reporting on April 1 EU ETS emissions data for 2020 will be published. EU ETS emissions are estimated to be around 12% lower than a year earlier. Results differing from the downward expectations could lead to a decline in the market. Last week, funds and investors decreased their net positions on the market by 2% and this year there has been a correlation between funds' positions and price.

The emission allowance price has been rising during the present week. Resistance levels to the emission allowance price are the psychological level of €44/t, the all-time peak of €43.36/t as well as €42.50/t. Support can currently be found at levels of €40.77/t, €40/t and €39.68/t. We expect the emission allowance price to remain strong and to trade at between €39 - €45/t.

The deadline for the exchange of CER units to emission allowances is April 30, 2021, after which it will no longer be possible to exchange CERs for EUAs. It is worth checking the Union registry for any exchange allowance still free. You can contact us if you need to buy or sell CER units.

EUA prices €/t 1.4.2021 11:01

Product	Bid	Ask	Last	Change*
Spot**	42.26	42.32	42.26	3.48 % ↑
Dec-21	42.38	42.40	42.38	3.37 % ↑
Dec-22	42.71	42.75	42.74	3.58 % ↑
Dec-23	43.21	43.26	43.39	3.80 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 22.3.2021 17:00

Product	Bid	Ask	Last	Change*
MAR-21	0.00	0.00	0.48	0.00 %

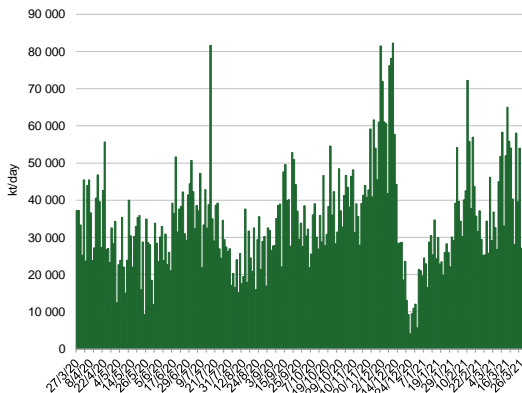
Spread Change*

Product	Spread	Change*
EUA Dec21-sCER Dec21 Spread*	41.90	3.41 % ↑

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

Daily traded EUA volume, ICE Futures Europe*

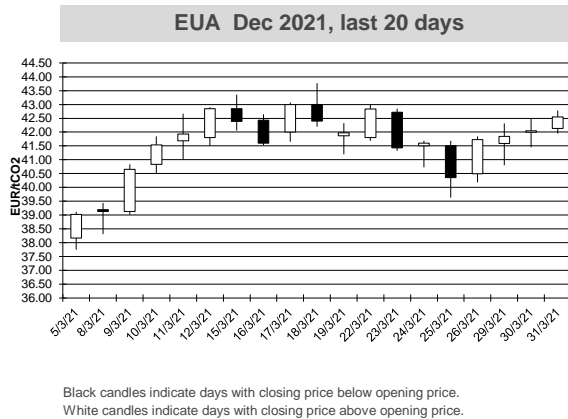
*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 1.4.2021 11:01

Product	Unit	Prices*	Change*
ENO Q2-2021	€/MWh	26.55	-11.26 % ↓
ENO 2022	€/MWh	26.05	-1.73 % ↓
ENO 2023	€/MWh	25.90	-1.74 % ↓
ENO 2024	€/MWh	26.20	-2.29 % ↓
EEX, Base load Cal-21	€/MWh	56.95	1.47 % ↑
Brent crude	\$/bbl	64.04	0.48 % ↑
Natural gas UK (Q2-21)	p/therm	46.10	0.06 % ↑
Coal CIF ARA API2 2022	\$/t	72.15	-0.07 % ↓

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



On Agenda: Europe

Poland is requesting the EU to investigate the effects of speculative trading on the emission market. The Polish minister has requested Timmermans, the Commission’s climate chief, to investigate the matter since volatility disrupts planning of the investment process for large operators with large emissions. The rise in the price of emission allowances has jeopardized the operations of Poland’s largest energy producer, PGE, and even threatens the country’s electricity production. Similar opinions about investigating the number of speculators on the EU’s emission market have also come from the Danish climate and energy minister. However, market operators and EU inside sources do not see any great possibilities of intervention by the Commission and future legislation will tighten the EU ETS market. ¹

CDM pipeline	1.4.2021 11:01	
	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

Heavy industry will become a price driver on the EU emission market in the coming years as falling emissions reduce the power sector’s influence in the EU ETS. However, industrial hedging strategies are more difficult to predict than the power sector’s, creating uncertainty about the level of surplus EU ETS allowances needed for efficient hedging, according to Stuart Evans at Vivid Economics. Industry’s access to free allowances and ability to bank them has meant that heavy industry operators have not had to hedge as much as power utilities. However, free allocations are decreasing and adding to this uncertainty is the future of a carbon border adjustment mechanism and its impact on free allocation. The power sector is rapidly decarbonizing and if carbon prices continued to rise from €40/t, most fuel switching to lower-carbon options would be exhausted by 2030. Heavy industry would be unable to cut its emissions as quickly. ²

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 Carbon Pulse news](#)
- [2 Montel news](#)

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