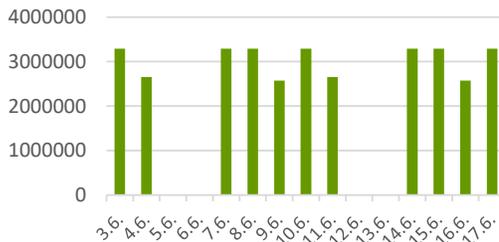


EUA prices €/t 4.6.2021 12:31

Product	Bid	Ask	Last	Change*
Dec-21	49.65	49.70	49.66	-6.06 %
Dec-22	50.15	50.22	50.27	-5.83 %
Dec-23	50.89	50.96	51.01	-5.47 %

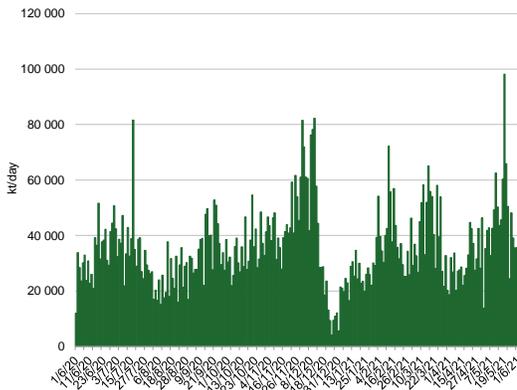
*Change compared to the previous report ** EEX spot

Upcoming auction volumes



Daily traded EUA volume, ICE Futures Europe*

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



Energy prices 4.6.2021 12:31

Product	Unit	Prices*	Change*
ENO Q3-2021	€/MWh	40.05	3.62 %
ENO 2022	€/MWh	32.12	-2.12 %
ENO 2023	€/MWh	29.50	-1.69 %
ENO 2024	€/MWh	29.65	-0.17 %
EEX, Base load Cal-21	€/MWh	62.79	-5.77 %
Brent crude	\$/bbl	71.64	4.63 %
Natural gas UK (Q2-21)	p/therm	62.75	-3.42 %
Coal CIF ARA API2 2022	\$/t	81.60	0.43 %

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

Market Analysis

The emission allowance market sought direction last week. The absence of an auction on Monday and rising fuel prices brought support earlier in the week. Wednesday saw the market reach €54.70/t, the highest level of the week, before retreating from these levels. The retreat continued on Thursday with the downward correction seen on the gas market. Also, the UK ETS free allocation could have encouraged sales. On Friday, the market sought direction and closed the week at a level of €51.03/t, down €0.70 at the weekly level.

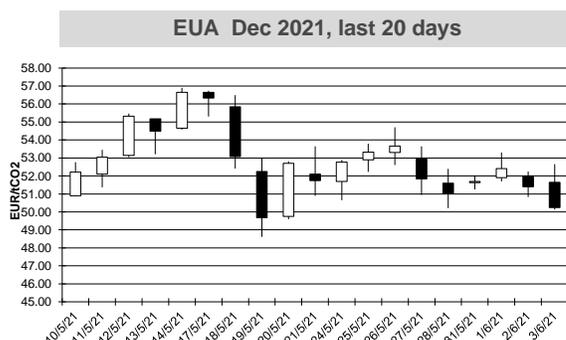
During the current week, auction availability was less than normal but will return to the usual 15.1 Mt next week and remain at these levels until August, when availability for the whole month will halve for the summer holiday season. Volumes traded on ICE have leveled off last week and this to approach the long-term average value.

Market View

The general trend on the fuel markets seems to be upwards. A momentary downward correction of the technical level was seen last week on the gas market, which continues to remain tight because of lower than normal gas stocks, tighter than normal availability from Russia and the arrival of little LNG to Europe. A correlation of the gas and emission market has been seen and for the time being any actual collapse of the gas price seems unlikely. The Brent oil price has risen to peaks last seen more than two years ago and also the price of coal is at levels not seen over the past couple of years. However, the price of coal is threatened by the possible return of Iranian production to the markets. It seems the weather in Europe will remain warmer than normal during the forecast period, thereby reducing consumption. Slightly weaker than normal wind power production was offset by a higher than predicted amount of solar power.

Last week, investment funds on the EU ETS market reduced their net positions for the fifth week in a row, primarily adding short positions. However, commercial companies, which presumably are also speculative investors, increased their net positions. During the current week, the correlation between the UK and EU emission markets has slightly fractured and the price spread narrowed, possibly because of UK free allocations. The next UK ETS auction will take place in about two weeks and this may bring direction to both the UK ETS and EU ETS markets. Free allocations in the EU are expected in July at the earliest, but probably slightly later.

The emission allowance price has sought direction on the past few days and even though the market trend is still upwards, the upward movement has calmed. Resistance levels to the price can be found at the all-time peak of €56.90/t as well as at the psychological level of €55/t, last week's peak of €54.70/t and €53.30/t. Support for the emission allowance price can currently be found among others at levels of €50/t and €48.61/t, as well as the rolling average value, which is currently at a level of €51.55/t. We expect the emission allowance price to seek direction between €50 - €55/t.



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

CDM pipeline	4.6.2021 12:31	
	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
June 16, 2021	Next UK ETS auction
July 14, 2021	Presentation of law package of climate law and EU ETS reform

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Sources:

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

On Agenda: Europe

The European Commission will apply a 100% cross-sectoral correction factor (CSCF) to EU ETS free allocations. This means no large scale cuts in the free allocation of emission allowances to heavy industry during 2021-2025. CSCF has been used since 2013 and last year's 82% CSCF meant an 18% cut to all free allocations. CSCF is applied if applications for free allocations exceed the number of free allowances available. The Commission is likely to confirm national allocations at the end of June, after which Member States can start allocating allowances. ¹

On Agenda: Global

Russia is planning a new voluntary emissions offset system and a national expansion of the nascent emissions trading scheme. This should spare Russia from the EU's "unfriendly" protectionist measures such as the carbon border tax adjustment mechanism now being planned at the EU's borders. The intention is to create legislation that would be as close as possible to the EU's climate action and also to attract investments from abroad. Earlier this year, Russia greenlighted a carbon trading pilot for the island of Sakhalin and the intention is to have the system up and running in July 2022. Russia is also scheduled to enact its first climate law in 2022. The law would order major polluters to report their emissions and would enable voluntary emissions offsetting nationally. ²

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