

EUA prices €/t 12.2.2021 10:32

Product	Bid	Ask	Last	Change*
Spot**	38.00	38.04	38.00	3.26 % ↑
Dec-21	38.05	38.08	38.07	3.20 % ↑
Dec-22	38.29	38.34	38.29	3.16 % ↑
Dec-23	38.62	38.68	38.81	3.38 % ↑

*Change compared to the previous report ** EEX spot

sCER prices €/t 12.2.2021 10:32

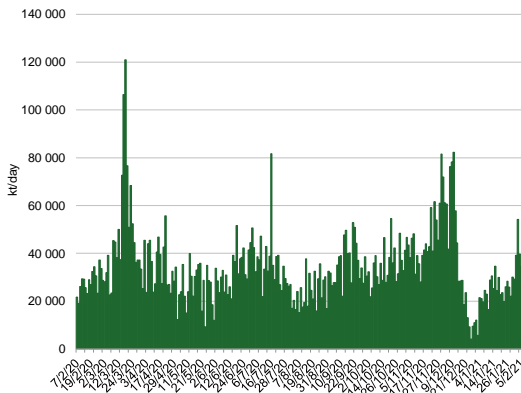
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
MAR-21	0.00	0.39	0.38	-2.63 % ↓

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	37.91	-1.71 % ↓

*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 12.2.2021 10:32

Product	Unit	Prices*	Change*
ENO Q2-2021	€/MWh	31.00	10.97 % ↑
ENO 2022	€/MWh	26.85	4.25 % ↑
ENO 2023	€/MWh	26.00	3.08 % ↑
ENO 2024	€/MWh	26.40	3.03 % ↑
EEX, Base load Cal-21	€/MWh	53.29	2.93 % ↑
Brent crude	\$/bbl	60.60	3.10 % ↑
Natural gas UK (Q2-21)	p/therm	41.71	-1.19 % ↓
Coal CIF ARA API2 2022	\$/t	66.30	4.45 % ↑

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

Market Analysis

Last week, the emission allowance price took a strong upward turn to reach new peaks. A slight softening on the market was seen on Monday with a weak auction result and downward gas market. On Tuesday and Wednesday, the market saw day rises of more than €2 to new record high trading levels. The market was boosted by stronger than normal auction results and colder weather forecasts. The Polish auction result on Wednesday settled at more than €1 above the secondary market price to reach a level of €38/t and the emission allowance price rose to new peaks. In addition to this, reports of hedge funds predicting a rise on the emissions market has increased speculative activity on the market. On Friday, the emission allowance price again rose to record high trading levels despite the weak auction result and the price closed at a level of €38.14/t, up €5.25 at the weekly level.

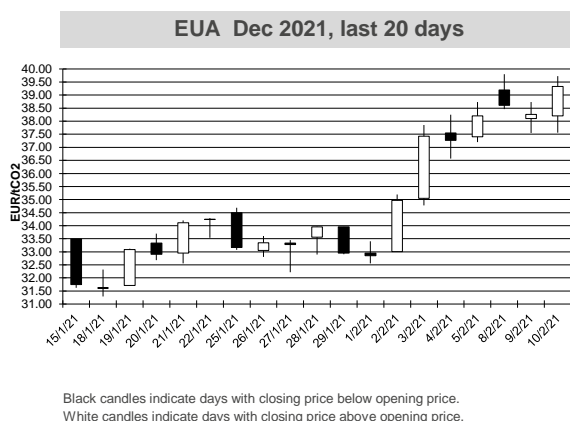
Except for weekday public holidays, when there are no auctions, weekly auction availability will remain fairly steady at about 15 Mt until the beginning of August, when availability will halve. Unlike the trend at the start of the year, volumes traded on ICE rose last week and on Wednesday reached up to 50 Mt a day. Volumes have also been slightly higher than average during the current week.

Market View

The weather picture in Europe is supportive of the rise in the emission allowance price. The forecasts in Germany promise cooler and less windy weather than normal for the current week. However, temperatures will rise towards normal in the second half of the week and next week. On the fuel markets, the price of oil has continued to rise, supported by stimulation measures. The weather picture is guiding the gas market and market recovery has again taken a downward turn as the weather picture in Europe takes a milder turn. The price of coal has been supported by the cool, windless weather and availability views from Columbia. Emission allowance auctions have restarted and have given direction to the emissions market. However, buying interests have remained strong even though availability has increased now that auctions have started. In addition, surrenders of emission allowances have yet to be made and so demand will come from speculators as well as from operators buying for surrenders. For example, a Romanian electricity producer still needs to buy 10 Mt against last year's emissions. The allowances available in auctions may not be used for 2020 surrenders.

In the ENVI Committee, MEPs have voted for carbon border adjustment mechanisms starting in 2023. In addition to energy, a tariff based on the EU ETS price level would be imposed on energy-intensive industries.

The emission allowance price rose to new peaks and is therefore technically very strong. The sudden rise has taken the RSI above the overbought limit, and a high risk of correction again exists after a rapid price movement. The resistance levels for the product are the historical highest trading level of €40.12/t, the psychological level of €40/t and Monday's peak of €39.80/t. Support for the emission allowance price can be found at a level of €37.55, €37/t and the January peak of €35.42/t. We expect the emission allowance to continue to rise and to trade at between €36 - €42/t.



On Agenda: Europe

ICE is moving EU emissions trading to the Netherlands because of the restrictions created by Brexit. Following Brexit, under the EMIR regulation commodity trading places in Great Britain are not considered as being in accordance with EU law, which increases costs. A more specific date for the transfer to ICE Endex will come later. Settlement of the EUA and EUAA markets will continue to be in London going forward. The change will have no major changes in daily activities on the EU ETS secondary market.¹

At the ENVI Committee meeting, MEPs have advocated the promotion of carbon border adjustment mechanisms. The goal is to prevent so-called carbon leakage, which would occur if energy-intensive industry were to relocate from the EU to areas where emissions are priced less ambitiously than in the EU. Emissions pricing would be based on the EU ETS price and would gradually apply to all sectors which are now under EU ETS. The next vote on the ENVI report will be on March 8-11 in a vote by the plenary EU parliament to move the matter forward. As things currently stand, the mechanism, once confirmed, would be in operation from the beginning of 2023 and would mean the elimination of free allocations.²

On Agenda: Global

COP26 could have to be held remotely because of the coronavirus pandemic. Some or all of the sessions in the Glasgow climate conference to be held in November this year might have to be held remotely if the pandemic has not been brought under control ahead of the meeting. The conference should have taken place late last year, but the pandemic has already pushed it back by a year. The very long marathon negotiations have become a hallmark of the annual climate conference. Important decisions are at stake to finalize the last details to prevent climate change. Among other things, there are still unsolved questions regarding funding and openness. The 2019 climate conference failed to reach agreement on market mechanisms that would permit the use of emission reduction units. This is a problem should be able to be discussed in person. Discussions in preparation for this year's climate conference will be held online.³

CDM pipeline	12.2.2021 10:32	
	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
8-11 March 2021	EU parliament to vote on carbon border adjustment mechanism proposal
March 2021	European Climate Law preparation and decisions

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Sources:

- [1 Carbon Pulse news](#)
- [2 Montel news](#)
- [3 Bloomberg news](#)

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