

Market Analysis

Last week, the emission allowance price fell having first reached a historically high peak of €40.64/t on Monday. The price fell on the market every trading day except for Thursday. As the weather picture turned mild, a fall was seen on the fuel markets and the European stock markets also softened. High buying interest was seen at last week's emission allowance auctions, but prices mostly settled at lower than on the secondary market. On Friday, the emission allowance price closed at a level of €37.40, down €2.62 at the weekly level. During the current week, the emission allowance price has again taken an upward turn.

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. Last week, auctions settled mostly at a weaker price than on the secondary market. Volumes traded on ICE have been decreasing late last week and during this week.

Market View

The price of coal has been rising on the fuel markets. Despite a few softer days, the upward trend in oil continued as coronavirus restrictions eased in the world. The unlikelihood of cold weather in March slightly depressed the price of gas and the price sought direction. A rise was seen in the stock markets as stimulation promises continued. There is mild weather in Central Europe during the current week. The weather is expected to be at normal temperatures for the time of year or slightly lower at the weekend and next week. Wind power production will be weak next week in Central Europe.

The share of investment funds on the emissions market has increased and this, combined with actual demands from operators obliged to surrender allowances, means market volatility may remain high. Auction results can continue to give the emission allowance intraday direction to the price. Last week, there were more buying interests in auctions than recently, but most of the auctions settled at a price lower than on the secondary market.

Negotiations on the EU's draft Climate Act, including the 2030 emission reductions target, are expected next month. The following negotiations can be expected in late March or early April.

The emission allowance price is still showing an upward trend despite a downward correction. The newest price floor of €36.50/t is supportive of the emission allowance. €37/t and €35.42/t also serve as support levels. Resistance levels to the emission allowance price are €39.80/t, the psychological level of €40/t and the all-time peak of €40.64/t. We expect the emission allowance price to remain robust and to seek direction between €37 - €41/t.

EUA prices €/t 26.2.2021 13:35

Product	Bid	Ask	Last	Change*
Spot**	37.85	37.87	37.85	-1.22 %
Dec-21	37.91	37.92	37.92	-1.21 %
Dec-22	38.22	38.24	38.25	-1.20 %
Dec-23	38.67	38.71	38.55	-1.48 %

*Change compared to the previous report ** EEX spot

sCER prices €/t 26.2.2021 13:35

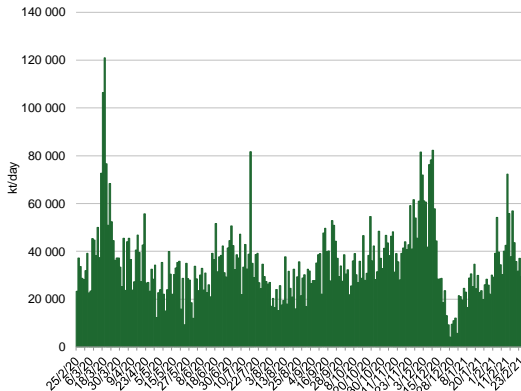
Product	Bid	Ask	Last	Change*
Spot**	0.00	0.00	0.00	0.00 %
MAR-21	0.24	0.36	0.36	-2.78 %

Product	Spread	Change*
EUA Dec20-sCER Dec20 Spread*	37.89	-1.19 %

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

Daily traded EUA volume, ICE Futures Europe*

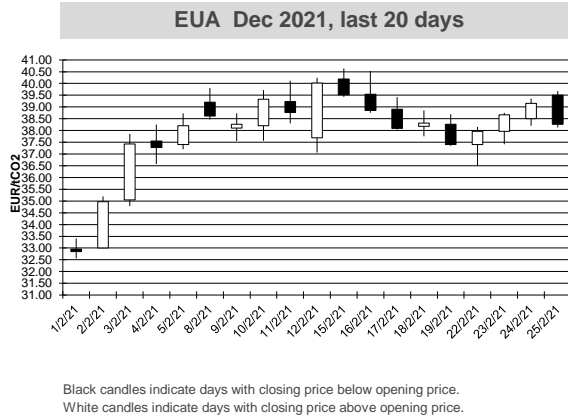
*Daily traded volumes of EUA futures contracts at ICE Futures Europe exchange



Energy prices 26.2.2021 13:35

Product	Unit	Prices*	Change*
ENO Q2-2021	€/MWh	23.39	-14.15 %
ENO 2022	€/MWh	25.70	-4.36 %
ENO 2023	€/MWh	26.27	-1.37 %
ENO 2024	€/MWh	27.08	0.85 %
EEX, Base load Cal-21	€/MWh	53.18	1.47 %
Brent crude	\$/bbl	66.35	2.65 %
Natural gas UK (Q2-21)	p/therm	38.54	-3.12 %
Coal CIF ARA API2 2022	\$/t	68.80	6.83 %

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



On Agenda: Europe

UK ETS market prices will presumably start trading close to EUA prices. The price floor in the UK ETS is £22/t, but prices are not expected to open at that level. The UKA price is expected to trade at higher prices than the EUA. The GB emission market auction calendar will probably be announced during the first quarter. Liquidity and the market infrastructure are still far removed from the level of EU ETS operation.¹

Wind power generated 16.4% of the energy need in Europe last year. Even though capacity increased by 14.7 GW last year, wind power construction slowed because of delays in supply chains and coronavirus restrictions. The European Commission’s renewable energy targets are rising with new climate goals and according to a European Wind Energy Association representative, the targets for wind power construction are not ambitious enough.²

Carbon taxes are becoming a nominal ETS, according to the EU vice president responsible for trade. The report on the legislative proposal on the CBAM (carbon border adjustment mechanism) currently points in the direction that importers would buy rights that would reflect EU ETS prices but that it would not be possible to trade in these rights. Another option would be an emissions tax on imported products, but this is considered to be politically sensitive. The European Parliament may vote on the topic in March.³

CDM pipeline	26.2.2021 13:35	
	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.-11.3.2021	EU parliament to vote on carbon border adjustment mechanism proposal
March 2021	European Climate Law preparation and decisions

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Sources:

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

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