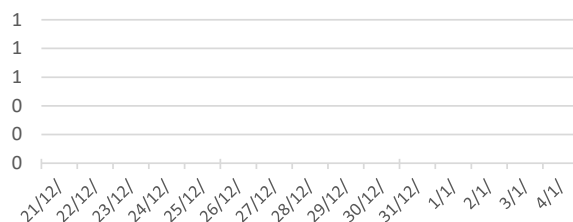


EUA prices €/t	14/12/2023	vs.	21/12/2023
Product	Change*		
DEC-2024	69,64	77,88	11,8 %
DEC-2025	72,14	80,41	11,5 %
DEC-2026	74,84	83,09	11,0 %
UKA DEC-24 **	41,01	49,56	20,8 %

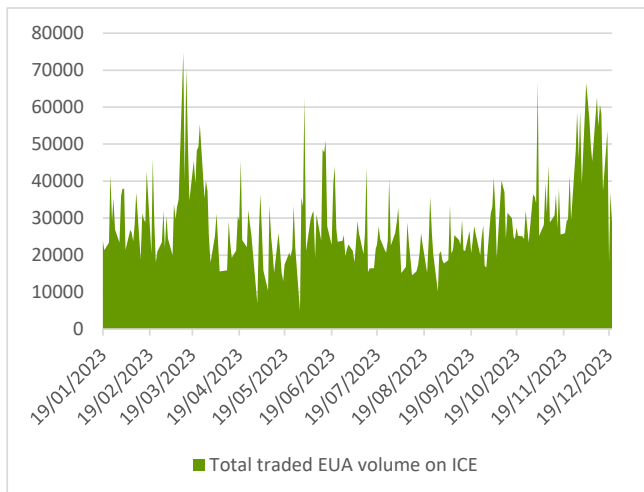
*Change compared to the previous report ** In Euros

Upcoming auction volumes



Daily traded EUA volume, ICE Futures Europe*

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



Energy prices	21/12/2023		
Product	Unit	Prices*	Change*
ENO Q1-2024	€/MWh	74,63	5,5 %
ENO 2024	€/MWh	50,45	3,8 %
ENO 2025	€/MWh	42,00	-0,8 %
ENO 2026	€/MWh	42,93	1,2 %
EEX, Base load 2024	€/MWh	92,04	2,2 %
Brent crude front month	\$/bbl	79,39	3,6 %
Natural gas TTF Front month	€/MWh	34,20	-1,9 %
Coal CIF ARA API2 2024	\$/t	99,50	-2,8 %

*Change compared to the previous report ** Day settlement price

Market Analysis

Following a broad day of retreat on the energy market on Tuesday, a noticeable rise was seen in emission allowance prices on Wednesday. The basic product, now DEC24, on the derivatives market rose the most in a single day in eleven months. The price remained bearish until the end of last week, but since Monday has begun to rise from a level of around €70/t, rising to above a level of around €76/t already on Thursday and continued rising. The RSI has remained at a fairly neutral 55 level, the MACD has strengthened on the bullish side. Despite a significant price movement, open interest in the DEC24 product has remained at around 255k over the past three days which indicates that the positions have passed to new actors rather than closing them or opening a new one. A strong rise could indicate and contribute to causing an accelerating rise due to the closing of positions.

In the Commitment of Traders report published on Wednesday describing the situation on Friday last week, short-sold positions of mutual funds were reported to have started to fall by about 12%, but the position nevertheless remains significant. According to the same report, ETS operators have increased their long positions.

According to some sources, the Commission has not yet adopted new auction rules, which prevents EEX from publishing an official update to the 2024 auction program. According to the latest preliminary information, auctions should start on January 15, 2024.

No major changes were seen in the economic figures from the euro area, ECB officials sought to calm the markets from excessive hopes of interest rate cuts, with inflation still a challenging factor underlying monetary policy for a long time to come. Since last week, gas has surpassed coal in the profitability of condensate production, and the price of emission allowances could fall to around €60/t before the running order changes.

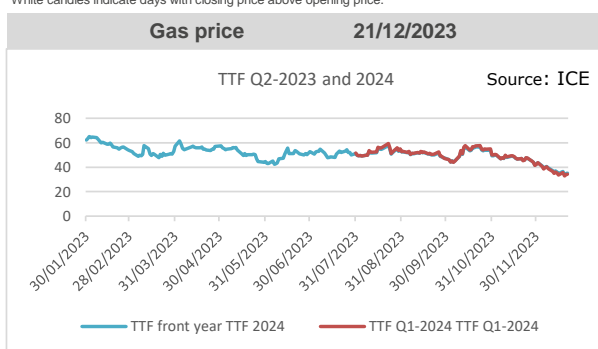
In the weather forecasts, for example, temperatures in Germany are expected to remain milder than normal up to the first 10 days of January before returning to normal. In the Nordics, the outlook is slightly milder than normal. On Tuesday, gas stocks in Europe were at around 88%, some 4 percentage units higher than a year ago. Despite small strikes temporarily cutting production, French nuclear power availability has remained good, and production briefly reached a level of around 50 GW, with forecasts showing an increase to this level expected possibly at around the turn of the year. For the following years, EDF announced Wednesday that it will extend downtime due to corrosion repairs by an average of one month.

Market view

In line with our previous expectations, we consider the rise of the last few days to be a logical closing of positions. Regarding the market fundamentals, the continuing mild weather in Central Europe and the running order of condensate production weigh heavily on the price level. We expect DEC24 to return to the €80-€85/t level and consequently even a bullish outlook for the following week.



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



Events	
Date	Event
January 1, 2024	Presidency of the Council of the European Union passes to Belgium
January 15, 2024	First auction of the year according to the preliminary auction calendar

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Links to the news:

[1 Helsingin Sanomat \(in Finnish\)](#)

[2 Helsingin Sanomat \(in Finnish\)](#)

[3 ARA \(in Finnish\)](#)

[4 Carbon Pulse](#)

[5 Bloomberg](#)

On Agenda: Finland

Minister of Climate and the Environment Kai Mykkänen says that he is prepared to increase the EU's joint targets over the following decade and says the starting point should be to aim for 90% emission reductions by 2040. The existing 2030 target seeks to cut emissions by 55% compared to the 1990 baseline. He emphasizes a level playing between countries in the distribution of the effort sharing sector. Finland's greatest challenges are likely to relate to carbon sinks and the Commission has requested Finland to submit, by next summer, a concrete plan to strengthen sinks. ¹

Neste plans to gradually phase out the use of crude oil entirely. In the same context, the company said that it will invest heavily in other production capacity in Porvoo. For example, a decision was taken last spring to invest in a liquefied waste plastic upgrading unit, which is scheduled to complete in 2025. Neste's CEO Matti Lehmus says that the exact timeline for phasing out crude oil still depends on market and legislative developments. ²

It is said that most of Housing Finance and Development Centre of Finland ARA's energy subsidies have been processed: in 2020–2023, housing companies were granted a total of approximately €75 million, private individuals approximately €5 million and ARA entities €9.7 million. The subsidy for private individuals was €4,000 or €6,000. ³

On Agenda: Europe

According to clean technology startup Aira Group, EU ETS2 is expected to speed up heat pump installations in households. EU ETS is expected to start operating from 2027 and will include combustible fuels in buildings, road transport and additional sectors. In the UK and Italy for example, it may not be worthwhile for households to switch from gas heating to a heat pump due to low gas prices, which is why in countries such as Italy and Germany, replacement is subsidized by up to 65%-75% of installation costs, depending on the solution and income level. ETS2 is expected to achieve an emission reduction of approximately 42% by 2030 compared to the 2005 baseline. ⁴

On Agenda: Global

German wind power production reached a new record reaching a level of around 53 GW on Thursday at 11am CET. The previous record of 50.8 GW was from January. It currently seems that wind power will account for more than half of the country's energy production this year compared to around 44% last year. ⁵

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