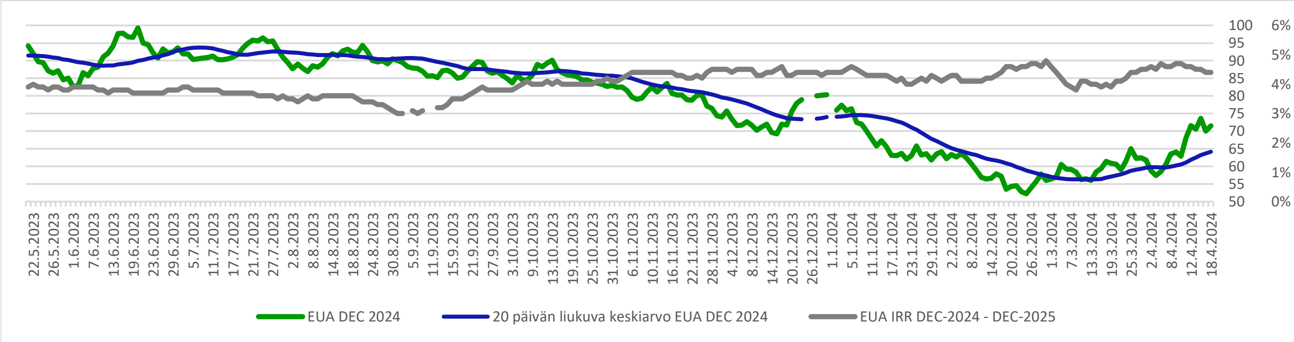
Emission Trading Weekly 16

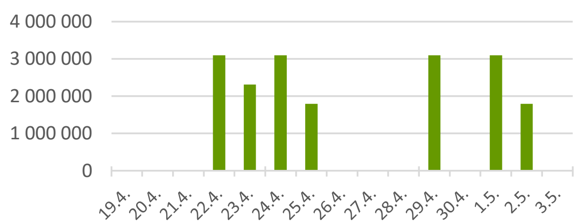
19.4.24



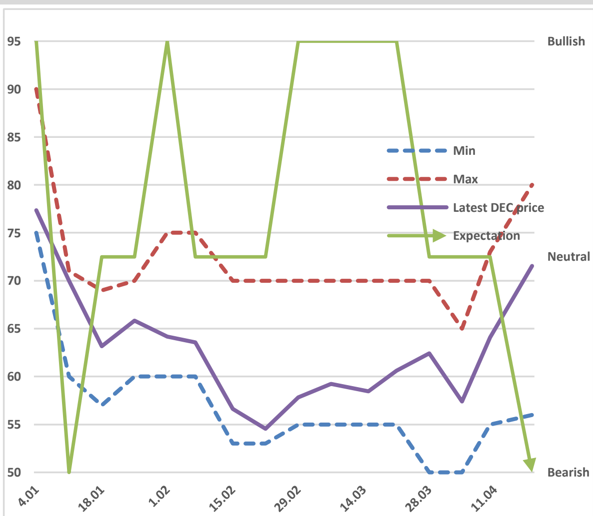
EUA prices €/t	12.4.2024	vs. 18.4.2024	
Product			Change*
DEC-2024	71.55	71.53	0.0 %
DEC-2025	74.30	74.35	0.1 %
DEC-2026	76.85	77.04	0.2 %
UKA DEC-24 **	44.64	41.17	-7.8 %

*Change compared to the previous report ** In Euros

Upcoming auction volumes



Expectations on past reports



Energy prices		18.4.2024	
Product	Unit	Prices*	Change*
ENO Q3-2024	€/MWh	33.50	12.6 %
ENO 2026	€/MWh	43.70	2.9 %
ENO 2027	€/MWh	41.00	0.4 %
ENO 2028	€/MWh	41.95	-0.1 %
EEX, Base load 2026	€/MWh	94.83	1.4 %
Brent crude front month	$/bbl	87.11	-3.7 %
Natural gas TTF Front month	€/MWh	32.31	5.1 %
Coal CIF ARA API2 2026	$/t	121.06	-1.1 %

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

Market Analysis

The strong development of the DEC24 product at the end of last week turned more sideways, the price peaked around 75 €/t for a while on both Tuesday and Wednesday, with fluctuations within the day, however, around the 5 €/t level on both days. The price of the product was above the 75 €/t level last time in 8. January of the current year. The 10, 20 and 50 day exponential moving averages are up, the 200 day simple moving average is down at the 76 level. The RSI has dropped, after briefly visiting the overbought level above 70, to a more neutral 64 level. MACD has continued to weaken, however, being on the upside. Open interest has been on a small decline in recent days, from last Friday's situation there is a decline of about 5,000/291,000 contracts, or only about 1.8%. For comparison, investment funds hold approximately 7% of the long positions and 11% of the short positions of all MIFID reported ICE ENDEX positions at the end of last week.

The bid-cover ratio of the this week's auctions has been lower than the average of year-to-date, on average 1.55 in three auctions. The lowest bid has been 55-56 €/t. In the CoT report published on Wednesday describing the situation on Friday of last week, investment funds had not significantly changed their net positions, both short and long positions had been slightly reduced.

The February figure for industrial production in the Eurozone was published this week, which met expectations, the year-on-year change was -6.4%, with the month rising by 0.8%. On the other hand, the ZEW sentiment figure published on Tuesday rose clearly stronger than expected for April, to the highest since April 2022, a strong improvement in the outlook, which could be confirmed, for example, in the HCOB purchasing manager indices published next Tuesday.

Along with the tightening of the geopolitical situation in Ukraine and the Middle East, the development of fuel prices has been affected by the cooler weather in Europe, on Wednesday gas inventories were only up by 0.01 percentage point, at 62.06% level after a slight increase in gas consumption. Overall, the heating season of a few cool days is mostly over in Europe as well, and next the eyes will turn to industrial demand before next winter's stockpiles are filled, Asia's revived LNG demand can support European gas prices, especially closer to autumn, when stockpiles have to be filled.

Market view

The strong rise at the end of last week possibly raised the market's sentiment up to the possible resistance level of €75/t. In the CoT report, we consider it a surprise that the positions of investment funds were not significantly changed and this maintains the risk of an increase caused by the closing of these positions. The correlation of emission allowance with gas has been quite strong in the absence of clear drivers of change in climate policy and economic prospects. As a result of the level correction, we will raise the upper limit of the range we expect up to 80 €/t, as the upside risk is still clearly present, with next week's purchasing managers' indices being one possible moment of a bullish turn caused by the closing of positions. However, the fundamental rise of gas and emission allowance so well before the autumn may be premature, and for this reason we also repeat the downside risk up to the level of €56/t in our expected range. Overall, we consider a downward trend a little more likely after a strong rise, unless changes in the outlook trigger an upturn.

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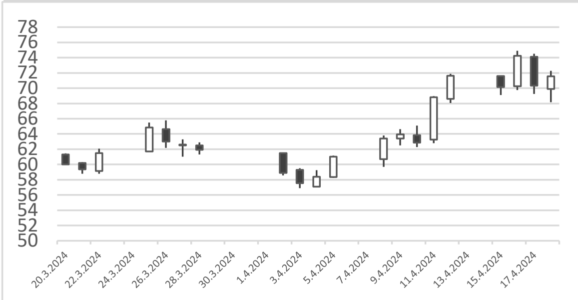
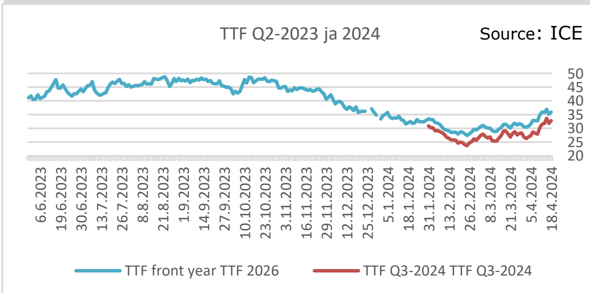
DEC-2024 Last 20 trading days



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

Gas price 18.4.2024



Events

Date	Event
June 6-9	Elections for the European Parliament
July 1	Hungary takes rotating presidency of the Council of the European Union

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Links to the news:

1 Helsingin Sanomat
2 Carbon Pulse
3 Carbon Pulse
4 BBC
5 Nature

On Agenda: Finland

Finnish government decided to support the economic growth and green investments in Finland with tax credits on industry scale investments on green transition. Preliminary grant is 20 % of the total value of the investment, up to 150 million euros per investment. The plan is to support the new projects where investment decision is made before the end of 2025. In addition, it was decided to establish a investment fund called Tesi worth 300 million euros and R&D funding of several hundred million euros. Lastly, there was plan announced to establish system of tax credits for the professional heavy traffic diesel usage. [1]

On Agenda: Europe

Analytics warned in IETA European Climate Summit that due to strong growth on renewable energy production capacity and lower demand on the power and industry sectors, EUA prices could see 1.5 years of price pressure ahead. One factor pressuring the prices are the RePowerEU – frontloaded sales that are due to continue until August 2026. Analysts pointed out that due to wild swings and several drivers it is hard to predict the prices, as the simple supply-demand balance has several factors, such as strong correlation lately with front month TTF-gas contract. It is yet to be seen, how the EU reacts lower than estimated average price for the EUA's while planning the RePowerEU program funding of 20 billion Euros. [2]

In European Commission workshop on the Carbon Removal Certification Framework it was estimated that it will take until 2027 before officially certified carbon removals are on the markets. There are still significant open questions such as how long the carbon in question needs to be stored and what methods are included and especially what can be done with the certified carbon credits. The target is to define the first legal framework for carbon removals. [3]

On Agenda: Global

There are more climate lawsuits going on currently than ever before, more than 2500 cases worldwide. In a landmark case European Court of Human Rights ruled that Switzerland violated human rights with inadequate climate actions. For example, there are several lawsuits against oil majors, some of which attempt to get ruling from the court on acceptable climate action levels. It is highlighted in a study by LSE, and reflected in thinking of ESG criteria that litigations pose a real risk for fossil fuel firms and are in risk to lower the share value at some point. For example French bank BNP Paribas has stopped funding new gas projects after campaigners sued the bank for financing fossil fuels. [4]

Potsdam Institute of Climate studies has calculated in recent study that global effect of the climate change could be up to 38 trillion euros annually, (400 times Finnish government budget, compared by YLE). This is to show that preventive actions, although may be expensive, is way cheaper than dealing with the effects. In the study it is estimated that unless global emissions are reduced fast and radically, the losses grow to up to 60 % of the estimated annual costs by the year 2100. [5]