Gasum Emission Trading Weekly 3

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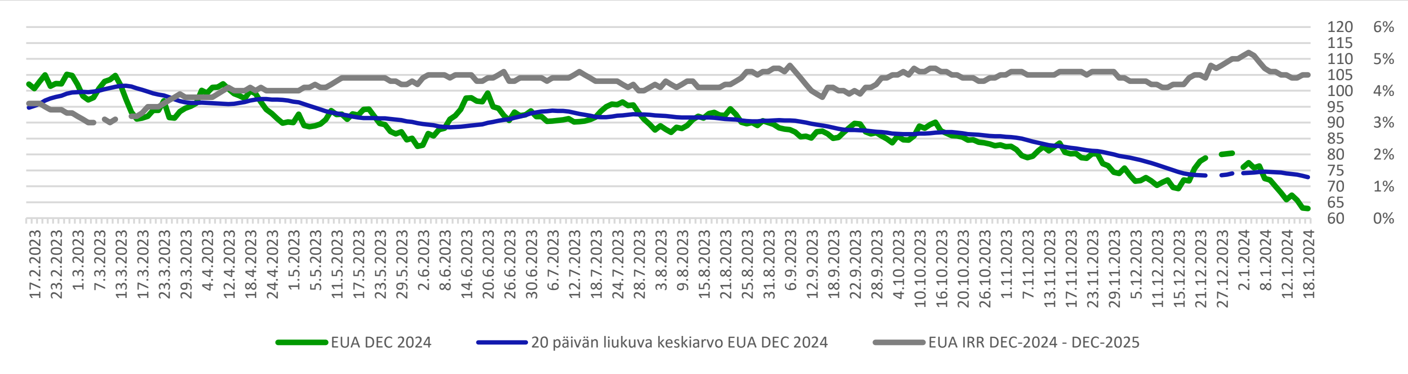
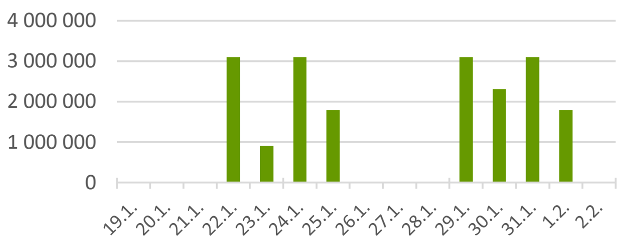


EUA prices €/t	12.1.2024	vs.	18.1.2024
Product			**Change***
DEC-2024	65.81	63.01	-4.3 %
DEC-2025	68.05	65.25	-4.1 %
DEC-2026	70.25	67.50	-3.9 %
UKA DEC-24 **	42.05	39.78	-5.4 %

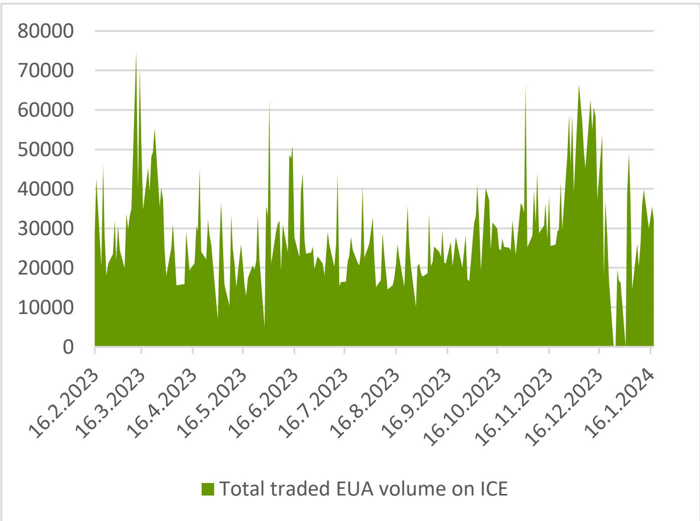
*Change compared to the previous report ** In Euros

Upcoming auction volumes



Daily traded EUA volume, ICE Futures Europe*

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



Market Analysis

Derivative product 2024 has been in a strong declining trend from the 80 €/t level during the beginning of the year, already falling below the 65 €/t level in the last week. RSI has been in oversold territory for the third day today at the 26.7 level, indicating possible upside potential. MACD has strengthened over the past two days, but is still strongly on the declining side. Open interest turned to a small increase after the prices reached the 70 €/t level, after the decline slowed down in the last few days.

In the CoT report, investment funds returned to increasing their short positions. Auction demand has started weak this year, in yesterday's auction the price ended at €61.28/t and the number of offers (bid-cover-ratio) was less than the day before, 1.68.

The price of TTF gas in the current front quarter has continued its steady decline from the level of more than €55/MWh at the end of October, falling below the level of €29/MWh in past days. Behind the decline are milder-than-usual weather forecasts in Europe. For example in Germany, a warmer period of about 1.4 degrees than average is expected for the next two weeks, and wind power production in the first half of the period will be clearly stronger than usual, while the second half will be weaker than usual. The availability of French nuclear power has continued at a good level and, despite minor availability challenges, it is expected to reach a power level of 55 GW by the end of the month. Gas stocks in the EU region were at 77.47% on Wednesday.

The November industrial production figures for the eurozone published this week were slightly lower than expected, falling 6.8% year-on-year. There were no significant surprises in the inflation figures compared to the preliminary figures. In terms of both the ECB and the Federal Reserve, the communication has emphasized the tighter interest rate policy than the one expected by the market, which the tightening of the geopolitical situation may tighten even more if fuel prices turn to rise due to availability threats. Global fuel demand expectations have been weighed down by China's weaker-than-expected economic growth figures.

Electricity prices have fallen after gas and in the Nordic countries also with the change in the hydro situation. Fuel switching from coal to gas has been possible with a good margin, which further weakens the fundamentals of the EUA markets. The publication of the European Commission's 2040 emission reduction strategy, with an expected target of 90% reduction in emissions, will provide long-term support for the prospects of the market.

Energy prices			18.1.2024
Product	**Unit**	**Prices***	**Change***
ENO Q2-2024	€/MWh	37.05	-19.1 %
ENO 2026	€/MWh	41.20	-7.0 %
ENO 2027	€/MWh	40.60	-2.9 %
ENO 2028	€/MWh	41.00	-3.3 %
EEX, Base load 2026	€/MWh	80.51	-8.9 %
Brent crude front month	$/bbl	79.10	1.0 %
Natural gas TTF Front month	€/MWh	27.89	-12.8 %
Coal CIF ARA API2 2026	$/t	98.60	-5.4 %

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

Market view

The price of gas in Europe has been weighed down by mild and windy weather along with a weak economic outlook and high inventory levels, but we consider a correction possible after a long decline and bullish indications on weather. In the EUA market, weak auction demand and selling pressure may continue the decline even further than last week's outlook, but the closing of positions will bring a level correction sooner or later. We expect a neutral view in the range of 57-69 €/t for the next week.

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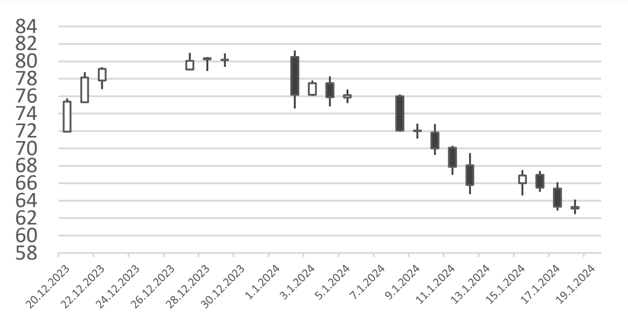
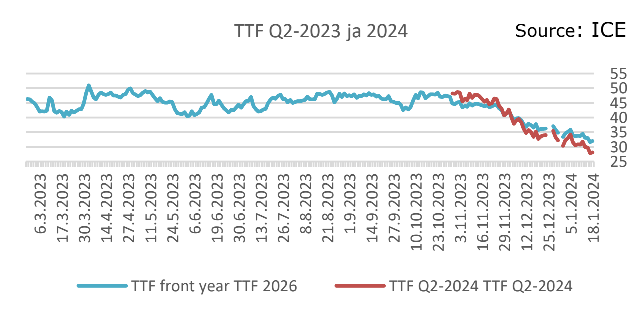
DEC-2024 Last 20 trading days



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

Gas price 18.1.2024



Events

Date	Event
February 1	Special Meeting of European Council
June 6-9	Elections for the European Parliament

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Links to the news:
1 LUKE
2 Helsingin Sanomat (in Finnish)
3 Guardian
4 Carbon Pulse
5 IEA

On Agenda: Finland

The updated scenario analysis for the Land Use Sector Climate Plan (MISU) indicates that, due to increased demand for domestic wood and new methods for estimating CO2 emissions from drained peatland forests, the land use sector in 2035 will be a source of emissions instead of a net sink. Increased logging is the primary reason for this shift, contributing to about two-thirds of the decrease in the net sink, with the rest due to higher soil emissions. To achieve significant net sink by 2035 and support national carbon neutrality, the land use sector will require additional measures beyond those in the current climate plan, especially if logging levels continue to rise. [1]

On Agenda: Europe

The EU's climate panel warns that the increasing use of bioenergy threatens Europe's carbon sinks and could jeopardize the EU's climate goals. The panel suggests implementing a new emissions trading system for the land use sector to limit the use of wood for bioenergy, as current practices are leading to a reduction in carbon sinks. This reduction is particularly concerning for the EU, which aims to balance emissions with carbon sinks, and failure to strengthen these sinks could make achieving climate targets even more challenging. [2]

The European Union has voted to ban the use of terms like "climate neutral," "climate positive," and other similar environmental claims that rely on carbon offsetting, starting from 2026. This move aims to end misleading advertising and encourage genuinely sustainable choices, amidst growing concerns about the effectiveness and environmental impact of carbon offsetting schemes. [3]

The European Scientific Advisory Board on Climate Change emphasizes the need for more action across all sectors to meet the EU's 2050 climate goals, including adjusting the Emissions Trading System (ETS) and aligning policies with fossil fuel phaseout. The board's report, analyzing over 80 indicators, suggests that achieving a 55% reduction in greenhouse gas emissions by 2030 requires EU member states to align their national policies with EU legislation and phase out harmful fossil fuel subsidies. Additionally, the report highlights the need for new policies to address emissions in sectors like agriculture and land use, and calls for a unified approach to carbon pricing across the EU, including in sectors like aviation. [4]

On Agenda: Global

Global oil demand growth slowed significantly to 1.7 mb/d y-o-y in 4Q23, projected to ease further in 2024 from 2.3 mb/d in 2023 to 1.2 mb/d in 2024, due to economic challenges, efficiency standards, and expanding electric vehicle (EV) fleets. World oil supply is set to reach a new high, driven mainly by non-OPEC+ countries, while OPEC+ supply remains steady. Meanwhile, disparities in refinery operations continue, with rising Russian oil exports but declining revenues, and global oil inventories experienced a notable decrease in November, though they began to rise again in December. [5]

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