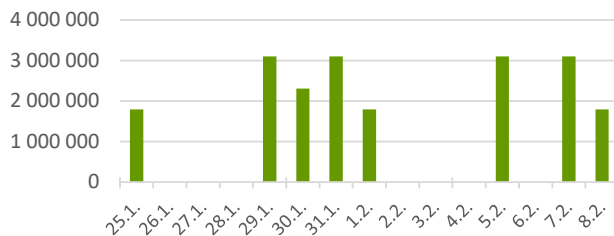


EUA prices €/t

Product	Change*		
DEC-2024	63.01	63.21	0.3 %
DEC-2025	65.25	65.44	0.3 %
DEC-2026	67.50	67.60	0.1 %
UKA DEC-24 **	39.78	39.70	-0.2 %

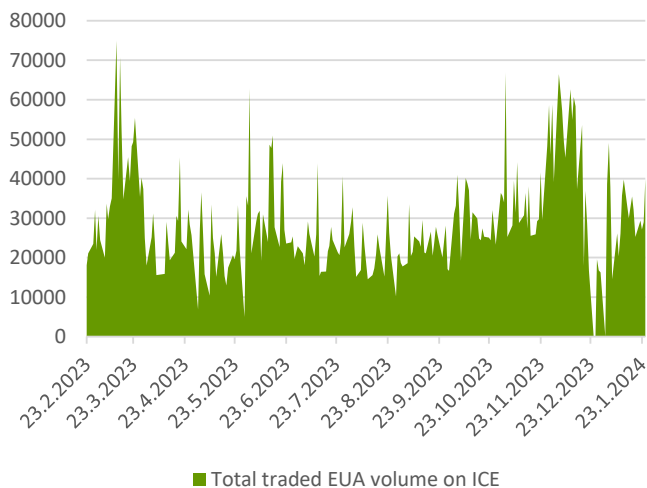
*Change compared to the previous report ** In Euros

Upcoming auction volumes



Daily traded EUA volume, ICE Futures Europe*

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



Market Analysis

The DEC24 product continued to fall until Monday, hitting a low south of €61/t, from where the price has started to creep up, and today (Thursday), like yesterday's close, the price has fluctuated at around €66/t. In the morning, the price exceeded the 10-day moving exponential average but during the course of the day has slipped to slightly below it. The RSI has risen to a more neutral level of 38 after a period of oversold. The MACD has strengthened from the bearish side for the sixth day to already approach the convergence point. Open interest has started to increase since the beginning of last week, reaching a new record level of more than 265,000 contracts on Tuesday.

The CoT showed that investment funds had returned to increasing their short positions to almost 34 million tonnes. Demand at auctions has remained fairly weak, the bid-cover average in ordinary emission allowances in the first half of the year has been 1.77. The highest, at a level of 2.15, was seen on January 19 and the lowest, at a level of 1.62, on January 22, with bids made by an average of 24 actors. Some short positions are expected to face a significant short squeeze, which, if successful, could clearly push up the price level. We estimate that this movement will be in the order of €5–€10/t depending on the number of positions closed.

Yesterday (Wednesday), following a sharp decline, we saw a slight upward correction in the energy markets, for example with TTF gas rising. The Nordic water situation improved clearly over the weekend, from which it has slightly retreated. Strikes at French nuclear power plants have temporarily reduced production levels.

Prices of allowances on the UK market have fallen well below their EU equivalent, with the squeeze driven by a threat of oversupply and future regulatory uncertainties. Hopes for an increase are raised by the administration's expected cuts in free allocation and tightening of policies. At the EU level, CBAM and MSR are balancing prices and reducing the likelihood of a corresponding price decline, along with clear political will.

Besides the ECB's interest rate decision, the outlook for the central bank's future decisions and the euro area economy is expected today (Thursday). In the Purchasing Managers' Indices, the outlook for Germany and France continued to weaken, with an increase provided by other economies. Whereas many analysts expect the ECB to start cutting interest rates in June, the central bank's message today may be rather hawkish to enhance the impact of interest rate policy. However, the credibility of the central bank may require some comment on the debate on interest rate cuts.

Energy prices

25.1.2024

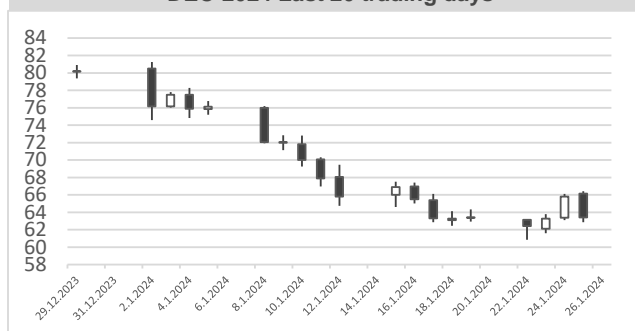
Product	Unit	Prices*	Change*
ENO Q2-2024	€/MWh	36.15	-2.4 %
ENO 2026	€/MWh	39.33	-4.5 %
ENO 2027	€/MWh	38.40	-5.4 %
ENO 2028	€/MWh	39.55	-3.5 %
EEX, Base load 2026	€/MWh	79.90	-0.8 %
Brent crude front month	\$/bbl	82.43	4.2 %
Natural gas TTF Front month	€/MWh	27.78	-0.4 %
Coal CIF ARA API2 2026	\$/t	94.01	-4.7 %

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

Market view

The gas price fell sharply, to below the €30/MWh level, as geopolitical risks and more challenging logistics pressures remained minor compared to the impact of the outlook for the European economy. Over the period, temperatures are expected to remain warmer than normal until mid-February, with a slightly cooler or normal outlook for the second half of February and early March. As the maintenance of French nuclear power plants begin towards the summer, cool weather could bring peaks in demand for emission allowances, although gas is likely to continue as a cheaper form of condensate production than coal. The closure of short positions is likely to bring an upward turn in the market around an upward turn in the economic outlook, but this turn may have to wait for months to come. We expect a horizontal outlook in the range of €60–€70/t for the following week.

DEC-2024 Last 20 trading days



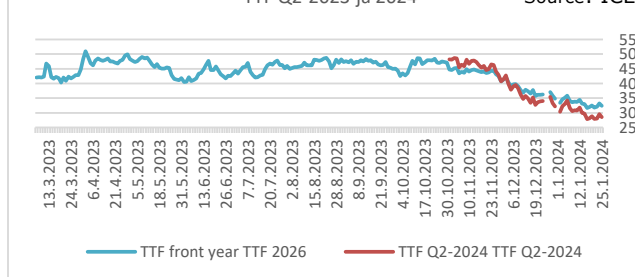
Black candles indicate days with closing price below opening price.
White candles indicate days with closing price above opening price.

Gas price

25.1.2024

TTF Q2-2023 ja 2024

Source: ICE



Events

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

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Links to the news:

[1 Maa- ja metsätalousministeriö \(in Finnish\)](#)[2 Investing.com](#)[3 Helsingin Sanomat \(in Finnish\)](#)[4 Carbon Pulse](#)[5 World Economic Forum](#)[6 BBC](#)

On Agenda: Finland

The final report of the working group that prepared the land use amendment charge published last week presents a proposal for a tax-like amendment charge, in which a charge of €5,000 per hectare would be payable for clearing forest land for other uses if the amount of clearance exceeds half a hectare and the site is located outside a local detailed plan area. Any bringing into use is said to require further preparations. The aim is to prevent deforestation and preserve forest carbon sinks. ¹

On Agenda: Europe

The manufacturing purchasing managers' index rose well above expectations, to its highest level since April 2023. A score of 46.6 indicates a further contracting economic outlook, the most recent figure above the 50 level was between August/2020 and July/2022, with a recent low of 42.7 seen in August last year. ²

According to a draft European Commission document seen by the Financial Times, a 90% reduction in greenhouse gas emissions by 2040 and carbon neutrality by 2050 would require investments of around USD 30,000 billion between 2031 and 2050. For about 500 million inhabitants, this would mean an investment of about USD 60,000/capita, spread over 19 years about USD 3,000–USD 4,000/capita/year. ³

According to a forecast published on Wednesday by energy analysis firm ICIS, the EU's electricity consumption is expected to recover slowly already in 2024. The electrification of society is expected to increase consumption during the course of 2025–2027. Higher electricity prices are expected to reduce consumer demand, which is not expected to recover until 2026. The slow recovery is considered a downward fundamental factor on the emission allowance market, with fossil fuel electricity operators accounting for approximately 50% of the end-user demand for emission allowances. The chemical industry, whose recent outlook has been particularly weak, accounts for about 18% of electricity demand, according to ICIS. ⁴

On Agenda: Global

The climate crisis was one of the topics on the agenda at the annual World Economic Forum in Davos. Many speeches considered the sense of urgency towards action as being critical to success. It was also thought that funding would be needed in developing countries to reduce inequality, but on the other hand, investments in the European electricity network, for example, were estimated to be needed. According to some speakers, such as John Kerry, the technology to combat climate change already exists, but the pace of implementing it is still too slow. ⁵

The UK is one of the countries also weighing up plans to build more nuclear power by 2050. According to the ministers, if implemented, the project would be the largest expansion of the nuclear power sector in 70 years. Concerns have been raised about the project, for example when current nuclear power projects are well behind schedule and over budget. Nuclear power currently accounts for about 15% of the country's energy needs, but aging reactors are likely to have to be phased out within the next decade. ⁶

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