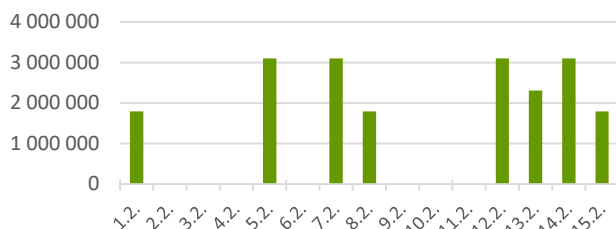


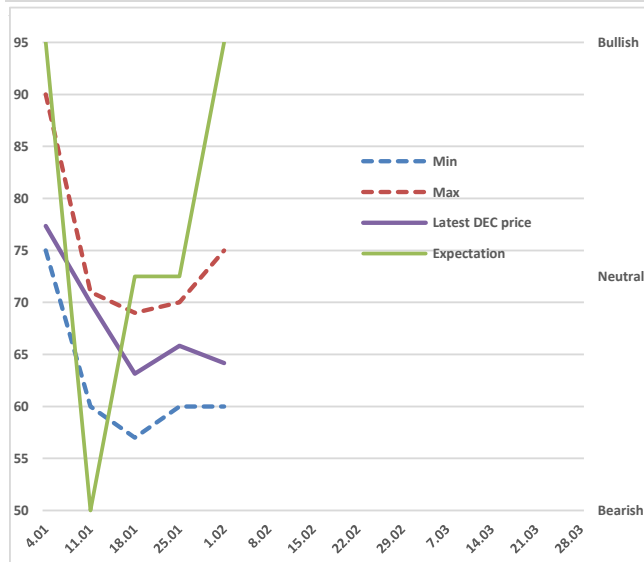
EUA prices €/t	25.1.2024	vs.	1.2.2024
Product			Change*
DEC-2024	63.21	62.19	-1.6 %
DEC-2025	65.44	64.36	-1.7 %
DEC-2026	67.60	66.53	-1.6 %
UKA DEC-24 **	39.70	42.33	6.6 %

*Change compared to the previous report ** In Euros

Upcoming auction volumes



Expectations on past reports



Energy prices

1.2.2024

Product	Unit	Prices*	Change*
ENO Q2-2024	€/MWh	41.00	13.4 %
ENO 2026	€/MWh	40.33	2.5 %
ENO 2027	€/MWh	39.10	1.8 %
ENO 2028	€/MWh	39.75	0.5 %
EEX, Base load 2026	€/MWh	80.44	0.7 %
Brent crude front month	\$/bbl	78.70	-4.5 %
Natural gas TTF Front month	€/MWh	28.99	4.3 %
Coal CIF ARA API2 2026	\$/t	93.99	0.0 %

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

Market Analysis

The DEC24 product dropped since opening at around €66/t on Thursday last week to €62/t briefly on Friday and has since shown a slight recovery to around €64/t during the week. The 10-, 20- and 50-day moving exponential averages have continued on a downward trajectory, with the price fluctuating at around the 10-day indicator in Wednesday and Thursday. The RSI has risen from oversold to a more neutral level of around 39, the MACD crossed from the downward side to the upward side, which can be considered a bullish signal. The CoT showed that investment fund positions had remained unchanged, with commercial actors slightly increasing their long positions. For the following quarter, most options have been placed at the 90 and 80 levels on the buy side, and slightly less on the sell side at 50, 65 and 55 levels.

The level of nuclear power production in France has fluctuated below previous expectations at around 50 GW, with the expected increase to more than 55 GW no longer expected. At the start of the maintenance season at the end of February and the beginning of March, the production level is expected to fall well below the 50 GW level. In Central Europe, the weather is expected to continue much warmer than usual until around February 11, but yesterday's (Wednesday) forecast showed colder weather from February 10, which has slightly supported the gas price.

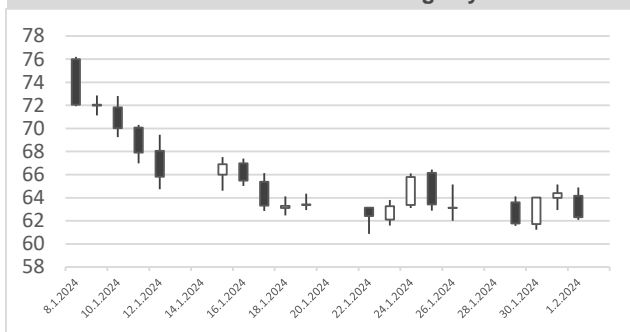
The general bearish trend has been the strongest seen for four years, with development in January being the weakest at the monthly level for almost four years. The bid-cover ratio, describing auction demand at the beginning of the year, has remained at approximately 1.74 bids per lot sold in normal emission allowances since the start of the year. This week, the average has been even weaker at around 1.6. If the auction price were to slip significantly, the auction may be cancelled, but the exact limits for this have not been made public. The lowest bid in auctions this year has been €55–€65.5/t, with an average of around €57.8/t.

On the economic front, the Federal Reserve has indicated that it will start cutting interest rates this year, but March is too early according to current estimates. The employment report to be published tomorrow (Friday) will provide more information on the development of the country's tight labor market. Euro area inflation figures released on Thursday saw slightly higher-than-expected figures by one-tenth, with headline inflation falling from 2.9% to 2.8% and core inflation from 3.4% to 3.3%. The industry and consumer outlooks have recently picked up slightly from bottom levels, but no significant turnaround has yet been seen in the euro area. Economic challenges in China, especially in the real estate sector, may have been reflected in the global economic outlook. The situation in the Middle East has temporarily supported oil and gas as risks have increased, but overall risk pricing has been fairly low. Gas has also been boosted by maintenance work at the Freeport LNG terminal after freezing temperatures and increased logistics costs, for example, as Qatari cargoes divert avoiding conflict areas in Africa. EU gas stocks were around 70.6% on Tuesday.

Market view

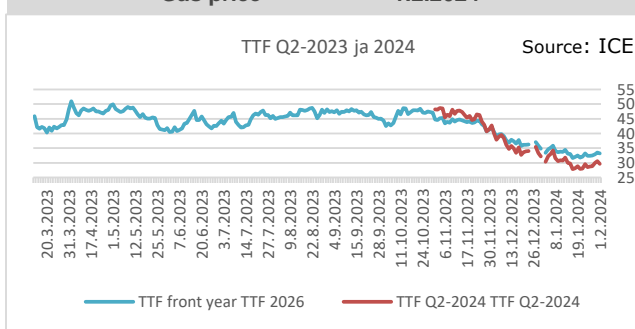
Auction outcomes are still rather soft, but on the other hand, investment funds have not changed their positions to any great extent. There are market rumors that ETS operators have started purchasing at current levels to cover last year's emissions by September, and the CoT report also showed an increase in long positions among commercial actors. No clear short squeeze type bull rally has been seen, with the fundamentals remaining fairly weak for speculative long-position takers. We expect a bullish outlook, with still a reasonably wide range of €60–€75/t for the following week, when the closing of positions triggers a rise, it may be rapid and strong, with the longer-term price level bottoming out at around €70/t.

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 1.2.2024



Events

Date	Event
February 6	Commission to publish its 2040 emissions reduction target proposal
June 6-9	Elections for the European Parliament

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Links to the news:

- 1 [YLE \(in Finnish\)](#)
- 2 [SolarPower EU](#)
- 3 [Bloomberg](#)
- 4 [Carbon Pulse](#)
- 5 [YLE \(in Finnish\)](#)
- 6 [CBSNews](#)

On Agenda: Finland

As many as 140 new solar power plants are being planned for Finland. Lower technology costs and high efficiency due to cool weather may encourage large-scale construction. ¹

On Agenda: Europe

The annual market outlook for solar power production published by SolarPower Europe illustrates the strong solar capacity growth in Europe in recent years. Per capita production is highest in the Netherlands, Germany and Denmark, with 1280, 985 and 832 W per capita, respectively. The greatest potential for new capacity is estimated to be in Germany, Spain and Italy, with a total new capacity of around 150 GW in these three by 2027, the total capacity being around 300 GW in these countries, compared to a total of around 263 GW of installed capacity in the EU at the end of 2023. ²

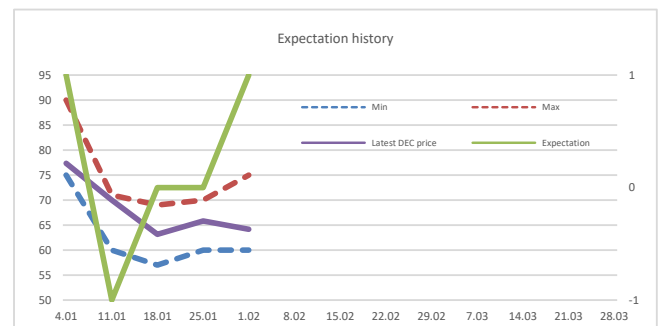
For example, a USD2.6 billion Norwegian project supported by Germany aims to reduce pollution from European industry by capturing carbon dioxide from production facilities and storing it under the North Sea. The project, which is part of a wider European carbon capture and storage network, faces significant technical and cost challenges, but is considered necessary to reduce emissions from industries such as cement, fertilizers and steel. Despite feasibility and cost concerns, the project is proceeding, and the Blomoyne plant in Norway is due to start carbon dioxide injections to test the functionality of the technology and the potential to create new markets for industrial emissions management. ³

New rules applying to free allocation entered into force on Tuesday. The aim of the amendment was to harmonize the rules, and regulation aims to take more account of the risk areas for carbon leakage. According to some estimates, there was still room for improvement in the cement industry. ⁴

On Agenda: Global

The number of heat pumps in Great Britain is quite low compared to many other countries. For example, around 69 heat pumps per thousand households were sold in Finland in 2022, while 2 were sold in the UK over the same period. About one-fifth of carbon dioxide emissions are caused by heating homes. ⁵

US President Joe Biden's administration has decided to delay the licensing of new LNG terminals despite a clear increase in LNG exports to Europe and Asia. The policy change is based on the climate targets, for which the President has outlined halving emissions by 2030. The decision is expected to cause strong criticism, especially among Republicans. ⁶



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