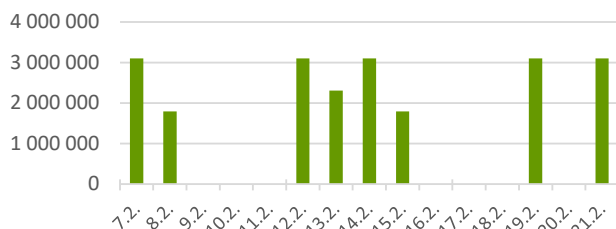


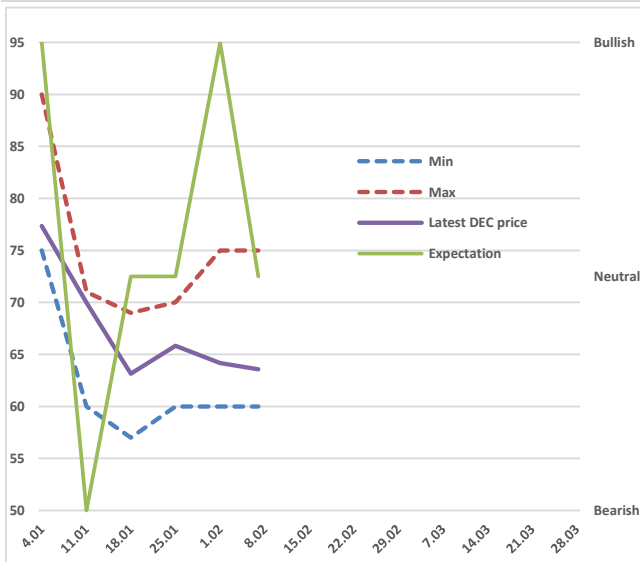
EUA prices €/t	31.1.2024	vs.	7.2.2024
Product			Change*
DEC-2024	64.16	62.41	-2.7 %
DEC-2025	66.37	64.63	-2.6 %
DEC-2026	68.58	66.87	-2.5 %
UKA DEC-24 **	40.37	40.75	0.9 %

*Change compared to the previous report ** In Euros

Upcoming auction volumes



Expectations on past reports



Energy prices

7.2.2024

Product	Unit	Prices*	Change*
ENO Q2-2024	€/MWh	42.15	5.6 %
ENO 2026	€/MWh	41.25	3.4 %
ENO 2027	€/MWh	39.30	1.4 %
ENO 2028	€/MWh	40.10	1.5 %
EEX, Base load 2026	€/MWh	78.05	-4.7 %
Brent crude front month	\$/bbl	79.21	-3.1 %
Natural gas TTF Front month	€/MWh	28.19	-6.8 %
Coal CIF ARA API2 2026	\$/t	94.85	-2.2 %

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

Market Analysis

The DEC24 product also continued the quiet bearish trend from a week ago measured in terms of moving averages, mainly between around €62–€65/t. The 10-, 20- and 50-day moving exponential averages are bearish, with the RSI horizontally slightly above neutral at oversold levels. Open interest has continued to rise. The open interest level of options is at levels seen in the beginning of 2023, much lower than towards the end of the year and in previous years. The most significant positions are a call option of €100/t maturing at the end of the year, and call options of €90 and €80/t maturing on March 13. The MACD converged in the last few days of January since when it has strengthened slightly on the bullish side.

The bid-cover ratio in all EU allowance auctions at the beginning of the year, taking into account one auction in the aviation sector, has been at a level of 1.72, with a ratio of 1.65 to 1.7 seen at auctions held on Monday and Tuesday this week, and no exception similar to the 1.25 ratio on February 1 has been seen since then. The price has remained at just over €60/t, with the lowest bid recently being between €55 and €59.59/t. This week's CoT is published today (Wednesday), and we are particularly interested in the potential increase in the long-positions of commercial actors.

On Tuesday, the European Commission announced its ambitious 2040 climate target, which as expected recommended reducing emissions by 90% relative to 1990. One tool mentioned is the development of the existing emission allowance market to take carbon sequestration into account, for example.

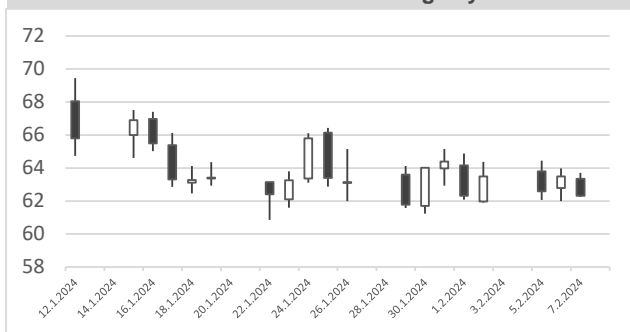
In weather forecasts in Germany, for example, there is a clear change from a week ago from colder than normal to normal in the period in the monthly forecast extending to the end of March. Now, temperatures are not expected to drop to just under 2C colder than normal until after a week before rising to normal levels from the last days of February. Wind power production over the next few days is expected to vary between normal and about 50% less than normal for the next two weeks, with the past week being much stronger than normal. Over the past week, French nuclear power production output has fluctuated slightly compared to the level seen in late January, at a level of around 40 and 48 compared to around 48 GW. Production is expected to decrease after about a week, with the forecast available capacity falling from around 50 GW to 45 GW.

Unlike as in the United States, the economic outlook in Europe is still not showing any clear improvement, with core inflation continuing above the central bank's target. German manufacturing orderbooks published on Tuesday saw surprisingly strong growth for December, but the decline in production volumes published today (Wednesday) was greater than expected. The HCOB Purchasing Managers' Indices published on Monday showed a contracting outlook for January in the euro area in line with expectations. On Tuesday of next week, ZEW sentiment figures for Germany and the euro area will be published, otherwise the week will be quiet in terms of economic announcements in the euro area.

Market view

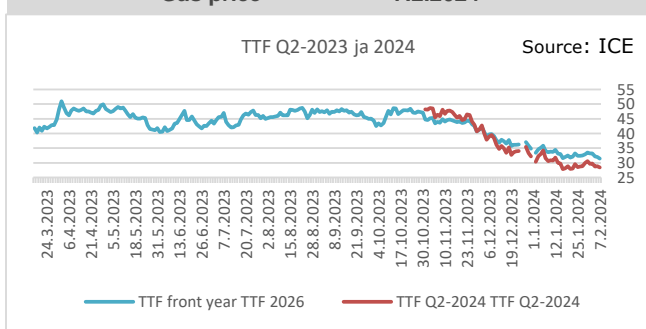
Recent weeks have seen the price level bottom out at around €63/t for the DEC24 product. We estimate that short-sold positions have clearly lowered the price level, while the soft economic outlook is keeping the level lower than last year's outlook, for example. We consider it likely that political support will limit the potential of a price squeeze, despite additional sales during the year. We expect the horizontal movement to continue over next week, in our opinion in the range of €60–€75/t like last week, when an upward turn is seen. The rise may be quite rapid, but it may have to wait a long time, as the Commission's plans for 2040 have not yet triggered an upturn.

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 7.2.2024



Events

Date	Event
March 13	Maturity date of options for the current quarter
June 6-9	Elections for the European Parliament

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Links to the news:

- 1 Metsälehti makasiini 1/2024 (in Finnish)
- 2 Helsingin Sanomat (in Finnish)
- 3 Carbon Pulse
- 4 European Commission
- 5 Bloomberg

On Agenda: Finland

Janne Kotiaho, Chair of the Finnish Nature Panel, would significantly increase funding for voluntary forest protection programs to reduce biodiversity loss. While he thinks that the Nature Panel supports forestry, Kotiaho estimates that in order to bring it to a sustainable level, felling should be cut by about 20% from the current level. Earlier measures in the Forest Act would have included, for example, minimum diameter requirements for final felling, favoring continuous cover forest cultivation of peatlands, clearcutting and regulating felling limited to protected areas, for example with regard to buffer zones that remain under continuous cover.¹

On Agenda: Europe

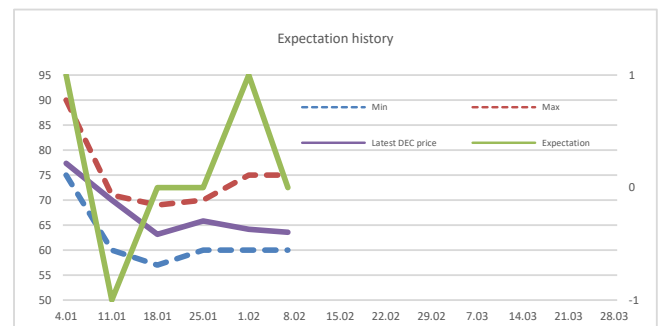
The European Commission published its 2040 climate target on Tuesday and, as expected, aims for a 90% reduction in emissions relative to 1990. The level of ambition for agriculture recommended in the draft, a cut of at least 30% in emissions relative to 2015, has been relaxed in the final text. The weight of emission reductions has been slightly increased by around 50 million tonnes. In energy production, the target would require an almost full cut in net emissions only just after 2040, and in general an 80% cut in fossil fuel consumption by 2040 relative to 2021.

Carbon capture methods play an important role in the recommendation. The goal is to capture 50 million tonnes of carbon dioxide emissions already by 2030. However, the 2040 target would require the recovery of up to 280 million tonnes a year. According to Minister of Climate and the Environment Kai Mykkänen, carbon capture may be an opportunity for Finland and Sweden, as more wood-based carbon dioxide is produced there than in other EU countries. The utilization of wood-based carbon dioxide could possibly be counted as negative for the atmosphere.

Small modular reactors, SMRs, are seen as one way, the development of which was said to create an industrial alliance. The target announcement also met with criticism, for example, Climate Action Tracker criticized the failure to increase 2030 targets and estimated that the proposed measures would only be enough to reduce emissions by 84% as the carbon sink potential of the land use sector would decrease also as a result of climate change. Publication of the targets is expected to be the Commission's last major expected announcement ahead of elections for the European Parliament.^{2, 3, 4}

On Agenda: Global

Changing climate targets may confuse investors as the future outlook changes. Stricter ESG criteria may have a significant impact on, for example, the operations of the financial sector.⁵



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