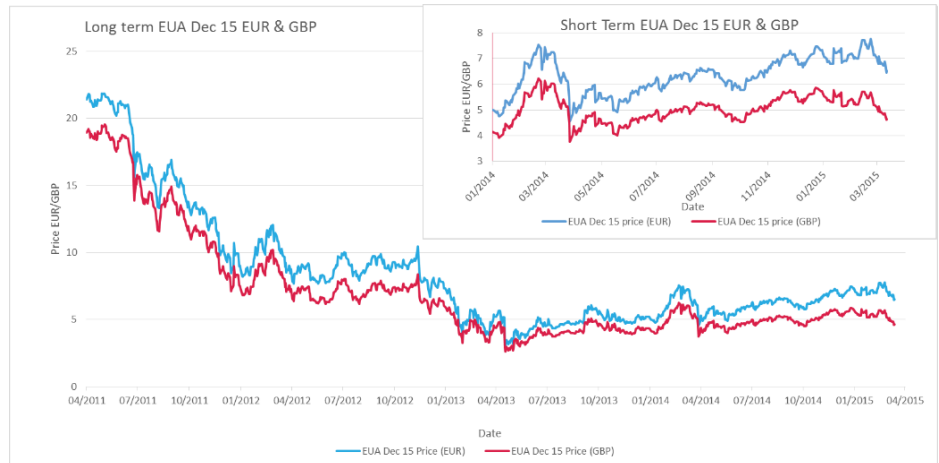


## WEEKLY CARBON TRADING MARKET UPDATE – 16<sup>TH</sup> MARCH, 2015

### Market Development

- Prices fall a further 5% (34c) as continued uncertainty weighs heavily on the market.
- Free allocations likely to be adding to supply side pressure.
- USD coal prices fall, however, EUR weakness leads to EUR denominated coal price *rises*.
- Latvia sends out formal MSR proposal to member states. See below and [here](#).
- Global emissions unchanged amid economic growth for the first time in four decades.



### Auction Overview

- Full week of auctions as 15.075mt comes to market.

### Price Action

Prices fell further this week amid plentiful supply and continued uncertainty on the progress of the Market Stability Reserve (MSR). A further 4.96% (34c) was shed from the front December contract as prices closed the week at €6.51. The intra-week low of €6.28

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	6.46	0.00%	0.00%
Dec-15	6.51	0.77%	0.77%
Dec-16	6.59	1.23%	2.01%
Dec-17	6.71	1.82%	3.87%
Dec-18	6.87	2.38%	6.35%
Dec-19	7.07	2.91%	9.44%

Annual Rate is calculated by dividing the relevant forward price by the relevant prompt price. The Total Return is calculated by dividing the relevant forward price by the spot price. Note: these rates do not include transaction costs.

gave us a 62c range last week as prices fell throughout the week with the only real signs of recovery coming on Friday afternoon having hit the week's low earlier in the day.

The falls can be attributed to several factors in addition to the MSR uncertainty, free allocation distribution bringing additional sellers to the market and continued weak clean dark spreads giving utilities no incentive to come to market. As highlighted in last week's update, markets do not like uncertainty and a working group on the MSR early last week failed to provide any certainty as negotiations on the stance of member states got nowhere with apparently no compromise found. In addition, Latvia put forward a proposal to member states to begin the formal negotiation and compromise phase on the MSR. The proposal was a watered down version of the ENVI proposal

Weekly Price Changes (EUR)				
Product	06/03/2015	13/03/2015	Change	% Change
EUA Dec 15	6.85	6.51	-0.34	-4.96%
DE Power Cal 16	32.2	32.1	-0.10	-0.31%
API2 Cal 16	54.96	55.65	0.69	1.25%

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and caused further bearish sentiment in the market. You can read more on the proposal in our MSR section below.

Member state governments have begun to distribute free allocations to installations covered by the EU ETS. This is likely to have led to some selling by industrials who have a surplus of allowances and are keen to cash in. The market is tightly balanced so amid a bearish trend and other factors any addition to the supply side more easily tips this balance downwards. We expect that time will reveal some sizeable selling over the past few weeks. That said verification is now essentially over and industrials on the buy side are coming to market. It is yet to be seen if they can outweigh current selling interest however the likelihood is low as they are typically smaller buyers and larger shorts tend to average in during the course of the year. *Price Impact: all eyes are currently focused on the MSR negotiations and price moves on news may be sizeable. MSR bad news is probably out of the way so expect further revelations to be neutral or bullish. A continuation of material industrial selling will weigh heavily on the market and could cause further falls absent more supportive trading conditions.*

## Market Stability Reserve (MSR)

Latvia sent out a formal MSR proposal to member states. Read more about the proposal [here](#).

### Important MSR Dates

- 16<sup>th</sup> March – EU Parliament working group to discuss ENVI Proposal
- 25<sup>th</sup> March – Permanent representatives meeting
- 30<sup>th</sup> March – possible start of trilogue

## Global emissions unchanged

According to a survey by the International Energy Agency (IEA), global emissions were unchanged last year amid 3% global economic growth for the first time in 4 decades. The only other times when emissions are said to have fallen or stayed flat were in times of economic recession. A major contributor to the fall is said to be China, whose emissions fell 2% last year as they increased their renewable energy sources, shifting demand away from coal fuelled power generation. This was despite (or more likely the cause of) the continued fall in the coal price.

## The week ahead

Positive negotiations on the MSR are likely to drive prices higher, however, the current trend is bearish so further stalling in negotiations, industrial selling and weak clean dark spreads all have the possibility to continue pushing carbon prices lower.

Auction Timetable 9th March 2015 - 20th March 2015						
Date	Volume ('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
09-Mar-15	2,918	EEX	EUA	6.66	5.30	15,465,000
10-Mar-15	2,918	EEX	EUA	6.67	6.32	18,442,000
11-Mar-15	1,494	EEX	EUAA	6.48	2.82	4,207,500
12-Mar-15	2,918	EEX	EUA	6.61	4.51	13,157,000
13-Mar-15	3,198	EEX	EUA	6.26	3.13	9,995,000
16-Mar-15	2,918	EEX	EUA			
17-Mar-15	2,918	EEX	EUA			
18-Mar-15	3,123	ICE	EUA			
19-Mar-15	2,918	EEX	EUA			
20-Mar-15	3,198	EEX	EUA			

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## Registry shortcuts

As the 30<sup>th</sup> April deadline for compliance and the 31<sup>st</sup> March deadline for CP1 CER use approaches, have you logged onto your registry account recently? Bookmark [this](#) page to easily check your account status.



## Upcoming Conferences

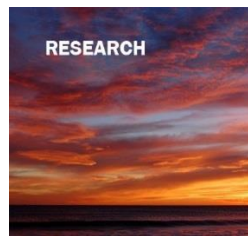
- Europe: Carbon Expo May 27<sup>th</sup>-29<sup>th</sup> 2015 (Barcelona)

If you are not the original recipient of this newsletter but would like to receive it, please click [here](#) to subscribe.

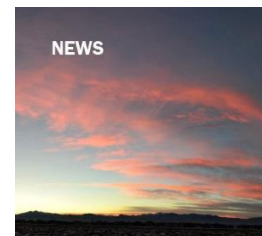
### Registry shortcuts:



### Carbon market research and analysis:



### Carbon market news:



## EU-ETS Compliance: preparing for position management, allocation and completing verification

For those of you who have not read it yet, check out our report on EU ETS Compliance. Please find it briefly below and in full [here](#):

1. **Preparing for position management** - Towards the end of February, after verification has been finalised, companies will come to market to balance their carbon books for 2014. Getting on top of this activity early is essential to avoid a rush as we get closer to 30<sup>th</sup> April and to make sure transfers of EU Allowances go smoothly.
2. **Allocation** - Most companies will know exactly how much they can expect to be allocated already, this is prescribed to 2020. However some uncertainty exists for companies in Eastern Europe (those in the power sector entitled to 'derogated' volumes), for some new entrants and for companies with significant capacity increases or decreases. In addition, companies often don't know what their emissions will be in 2015. Regardless of what you know about your allocation or future emissions, the biggest exposure is not what overall carbon position you are likely to have but what happens to the price of carbon while your position evolves over the course of the year.
3. **Verification** - The process by which companies achieve compliance with their EU-ETS obligations can be a long and complex one. New entrants in 2014 have a particularly steep learning curve and the first thing to get right is to appoint an *appropriately accredited* verifier. However all installations should take note of the things they themselves must do that may fall outside of their verifier's responsibilities.

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