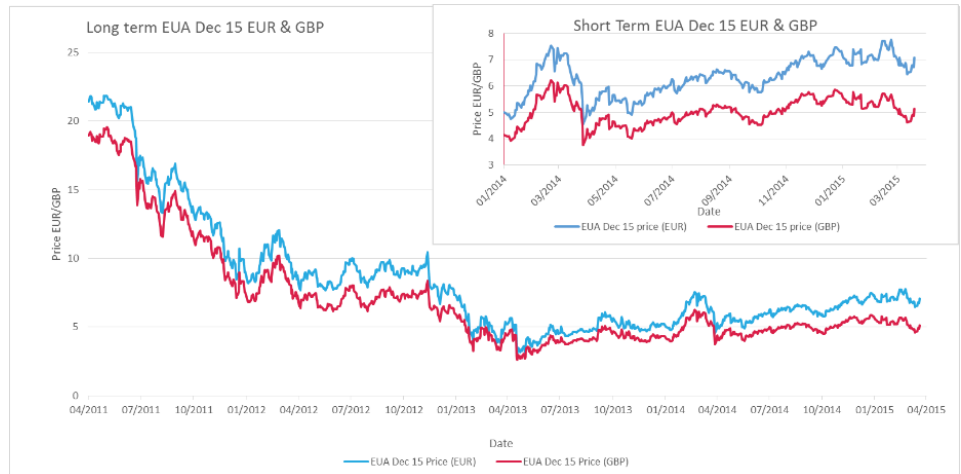


## WEEKLY CARBON TRADING MARKET UPDATE – 23<sup>RD</sup> MARCH, 2015

### Market Development

- Prices rise ~9% (58c) to finish the week at €7.09 on the front December contract
- Strengthening clean dark spreads spur buying interest as EUR denominated coal falls 5%.
- Italy, Poland and Spain yet to hand out their free allocations to industrials.
- German coal plants to face possible future fines over their pollution, levied in EUAs.



### Auction Overview

- 6 auctions this week as two Polish auctions on Wednesday. (14.806mt EUA, 0.434mt EUAA)

### Price Action

The downtrend came to an end last week as carbon prices recovered some of the recent losses to finish 8.91% (58c) up. The main price move occurred on Friday as the price rallied 37c to close the week at €7.09 on the front December contract. Strengthening

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	7.04	0.00%	0.00%
Dec-15	7.09	0.71%	0.71%
Dec-16	7.17	1.13%	1.85%
Dec-17	7.29	1.67%	3.55%
Dec-18	7.45	2.19%	5.82%
Dec-19	7.67	2.95%	8.95%

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.

clean dark spreads are unexpected the cause with power prices rising and coal suffering large falls to 7 year lows, exacerbated by the resurgence of the EUR against the USD meaning EUR denominated coal fell 5% week-on-week. This led to some additional utility demand as they looked to lock in better spreads. Action earlier on in the week was more subdued as investors worried over further price falls. The selling pressure seen over the last few weeks appeared to ease and prices started to stabilize, buoyed by some strong auction results. It is possible there has been some industrial selling over the last few weeks as free allocations hit compliance entities' accounts. Larger industrials will look to raise cash by selling surplus allowances. The latest report from the commission said that some member states, including Italy, Poland and Spain had yet to hand out any free allocations. It is plausible there may be more selling pressure as allocations continue. *Price Impact: with another MSR meeting on Wednesday and as yet, little sign of*

Weekly Price Changes (EUR)				
Product	13/03/2015	20/03/2015	Change	% Change
EUA Dec 15	6.51	7.09	0.58	8.91%
DE Power Cal 16	32.1	32.25	0.15	0.47%
API2 Cal 16	55.65	52.81	-2.84	-5.10%

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progress, the market will be keeping a close eye on the outcome. Expect volatility due to MSR and dark spread influences. Further improvements in the clean dark spreads and positive MSR news have the potential to push prices on further.

## Market Stability Reserve (MSR)

No MSR news to report this week as negotiations and discussion continue behind closed doors and through private channels. The permanent representatives meeting on Wednesday may advance the process further.

### Important MSR Dates

- 25<sup>th</sup> March – Permanent representatives meeting
- 30<sup>th</sup> March – possible start of trilogue

## Germany raises proposal to fine coal power production in EUAs

Germany has proposed a plan to fine coal fired power production in EUAs. The plan is likely to come into fierce opposition within government and the utilities. The plan could increase demand for EUAs as utilities are forced to cover their fines with EUA submissions. To read the full article, including comment from Louis Redshaw, please click [here](#).

## The week ahead

Continued strength in the clean dark spreads is likely to support prices and the market will be looking ahead to Wednesdays MSR meeting. Industrial selling has the potential to upset the finely balanced supply and demand.

Auction Timetable 9th March 2015 - 27th March 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
16-Mar-15	2,918	EEX	EUA	6.36	2.33	6,803,500
17-Mar-15	2,918	EEX	EUA	6.45	3.03	8,850,000
18-Mar-15	3,123	ICE	EUA	6.67	2.46	7,675,000
19-Mar-15	2,918	EEX	EUA	6.70	2.90	8,473,000
20-Mar-15	3,198	EEX	EUA	6.70	2.88	9,215,000
23-Mar-15	2,918	EEX	EUA			
24-Mar-15	2,918	EEX	EUA			
25-Mar-15	434	EEX	EUA A			
25-Mar-15	2,854	EEX	EUA			
26-Mar-15	2,918	EEX	EUA			
27-Mar-15	3,198	EEX	EUA			

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## Upcoming Conferences

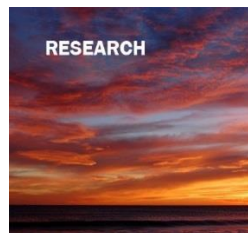
- Europe: Carbon Expo May 27<sup>th</sup>-29<sup>th</sup> 2015 (Barcelona)

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### Registry shortcuts:



### Carbon market research and analysis:



### Carbon market news:



## Carbon Karma: 20% price fall coincides with EU ETS compliance deadline

- **Benchmark EUA prices drop as much as 20%** (€1.62) from this year's highs
- Industrials rush to market as annual compliance deadline approaches
- Offset swapping deadline only 1 week away
- Average annual compliance costs of more than €350,000 *per year* predicted for 2020

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