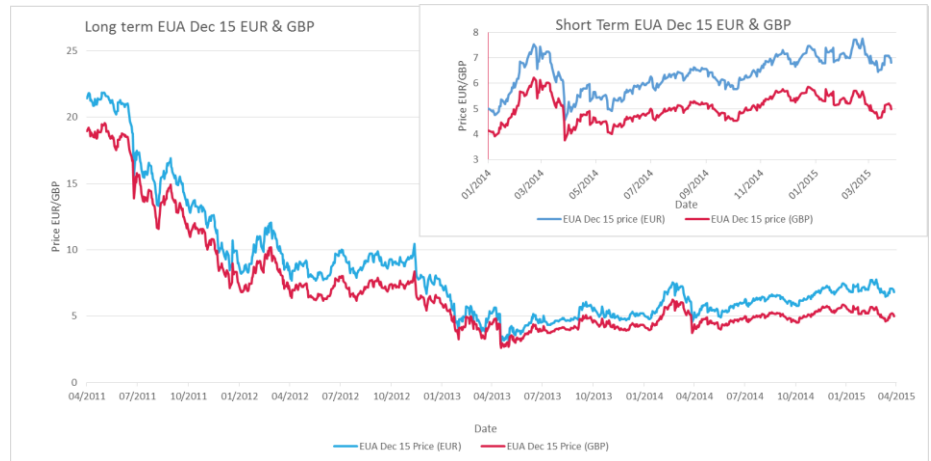


WEEKLY CARBON TRADING MARKET UPDATE – 30TH MARCH, 2015

Market Development

- Prices finish the week at €6.81, ~4% down.
- Tight trading and settlement range with low volumes in subdued market
- Main moves for the week based on the MSR announcement
- Trilogue mandate given to Latvia after compromise found in Wednesday's MSR meeting
- Market awaits outcomes from 1st Trilogue meeting (today) and emissions data publication (Weds)



Auction Overview

- Only 4 auctions this week due to the Easter holidays, total of 11.877mt enters the market.

Price Action

Carbon prices fell 3.95% last week amid subdued trading. The 28c drop in the front December contract happened in tight trading and settlement ranges as the first four days of last week settled within 10c of each other. The fall on Friday came late in the day amid thin volume and after the lowest cover ratio on an auction

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	6.76	0.00%	0.00%
Dec-15	6.81	0.74%	0.74%
Dec-16	6.89	1.17%	1.92%
Dec-17	7	1.60%	3.55%
Dec-18	7.16	2.29%	5.92%
Dec-19	7.37	2.93%	9.02%

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.

Weekly Price Changes (EUR)				
Product	20/03/2015	27/03/2015	Change	% Change
EUA Dec 15	7.09	6.81	-0.28	-3.95%
DE Power Cal 16	32.25	32.48	0.23	0.71%
API2 Cal 16	52.81	53.92	1.11	2.10%

in the year to date, indicative of the current malaise surrounding the market. Much of the week's price action centred around the MSR meeting on Wednesday. Prices fell sharply in the morning after an announcement of no progress in the negotiations to hit the week low of €6.77. Prices recovered from there as it was announced the negotiations would continue in the afternoon and that Western European states, led by the UK, were pushing for an agreement to be found by the end of the day. After the close it was announced compromise had been reached, more on this in the MSR section below. The open on Thursday was subdued but the compromise fuelled some positive sentiment in the market and buyers elevated prices to the weeks high of €7.29. Elsewhere, power prices advanced slightly but could not keep pace with coal

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Redshaw Advisors Limited
Company Registered in England and Wales No. 8957133.
Registered Office: 32 Gloucester Circus, London SE10 8RY
VAT registration No. 185 2827 80

+44 (0) 203 637 1055
info@redshawadvisors.com

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gains leading to a slight worsening of the clean dark spread. *Price Impact: with the start of trilogue on Monday (and no progress expected to be made) and verified emissions data being released on Wednesday 1st April (see section below on analyst expectations) ahead of an extended Easter break, absent some surprises it is possible the current malaise continues until after Easter. This is because the more speculative traders will be wary of entering into large positions ahead of times of uncertainty and a major holiday.*

Market Stability Reserve (MSR)

Compromise was found this week in the meeting of permanent representatives to allow the MSR process to advance onto trilogue negotiations. In summary the member states want an MSR start date no later than 2021, backloaded volumes straight into the reserve and the EC to decide what to do with unallocated allowances. We have produced a longer summary of developments, please click [here](#) to read our report on them.

Important MSR Dates

- 30th March – start of trilogue
- 5th May – trilogue meeting
- 26th May – trilogue meeting

1st April emissions data release – analysts' expectations

UK GHG emissions fell 8.4% in 2014 according to initial data released by the government. The fall was attributed to a reduction in the use of fossil fuelled power generation as the UK switched to cleaner renewable energy sources. The official release of the verified emissions for the EU ETS is expected on Wednesday 1st April. Energy Aspects are predicting falls of 6% across the whole of Europe as the shift to renewable energy gathers pace and warm weather reduces demand for power.

According to a poll of 10 analysts by Montel the median expectation was a **5% drop in emissions to 1,800mt** which would mark a fall of 95mt relative to the 1,895mt the European Commission verified for 2013. Estimates ranged from a decrease as little as 50mt (-2.6%) to as much as 111mt (-6.3%). A steep fall in power and heat emissions likely outweighed some recovery in industrial demand for CO₂, most analysts said.

Price Impact: market participants will watch the release of figures closely to try and understand the future underlying demand in the market. Variance from expectations could send the market quickly in either direction but underlying short-term supply and demand will be unaffected so moves will likely be short lived.

The week ahead

A mixed bag of price indicators make the next week's trading range hard to call, volatility will probably accompany the data release on Wednesday and any announcements from the trilogue meetings. We will send out updates if there is as the variables become better defined.

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Auction Timetable 23rd March 2015 - 2nd April 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
23-Mar-15	2,918	EEX	EUA	6.94	2.92	8,507,000
24-Mar-15	2,918	EEX	EUA	7.02	2.69	7,841,000
25-Mar-15	434	EEX	EJAA	6.88	4.17	1,809,000
25-Mar-15	2,854	EEX	EUA	6.77	2.14	6,101,000
26-Mar-15	2,918	EEX	EUA	7.00	2.58	7,529,000
27-Mar-15	3,198	EEX	EUA	6.90	1.58	5,040,000
30-Mar-15	2,918	EEX	EUA			
31-Mar-15	2,918	EEX	EUA			
01-Apr-15	3,123	ICE	EUA			
02-Apr-15	2,918	EEX	EUA			

Registry shortcuts

As the 30th April deadline for compliance and the 31st 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

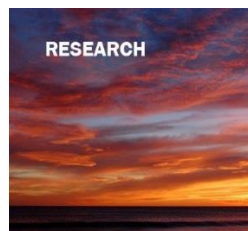
- Europe: Carbon Expo May 27th-29th 2015 (Barcelona)

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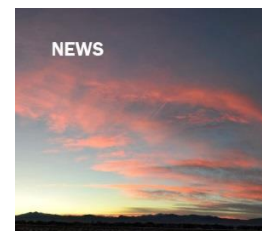
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Carbon Karma: 20% price fall coincides with EU ETS compliance deadline

- **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

To read more please click [here](#)

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