Environmental Finance 2014 Annual Market Rankings Winner

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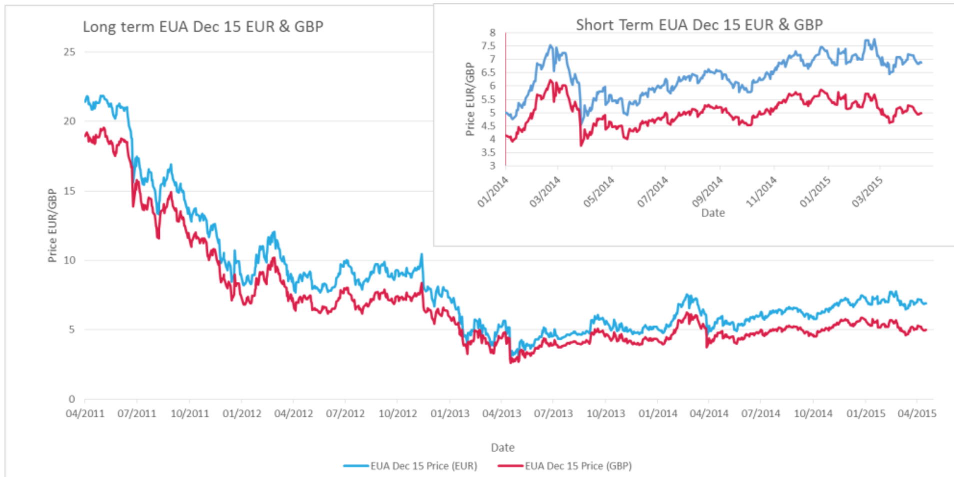
WEEKLY CARBON TRADING MARKET UPDATE – 20TH APRIL, 2015

Market Development

- Another lacklustre week as price action and volume were particularly subdued
- Traded volumes well below the average
- Widening clean dark spreads may put some life into market
- Latvia proposes new compromise on unallocated allowances
- Italy, Poland and Finland still to hand out free allowances



Auction Overview

- A lower 13.446mt enters the market this week in 5 auctions. (11.952mt EUA and 1.494mt EUAA)

Price Action

Carbon ended the week at €6.88, down 10c, on the front December contract after another week of below average traded volumes. A 24c trading range was also well below the March average weekly trading range of 59c. With a full week of auctions the supply coming to the market was plentiful but seemingly absorbed by the market with little drop off in price. With some additional compliance buying at this time of the year as the compliance deadline looms, the market appeared to be in balance. The clean dark spreads provided some price support towards the end of the week as the Euro strengthened against the Dollar to make coal denominated in Euro's, cheaper. This was particularly prevalent towards the back end of the curve as the 2017 and 2018 spreads widened the most. This might well encourage some utility hedging as they look to lock in profits on forward power sales. In the latest update from the EU commission, several countries including Italy, Poland and Finland are yet to hand out their free allowances for 2015. The allocations handed out in the last two weeks have been minimal. It is possible some installations had intended on borrowing the year ahead free allocation for their 2014 compliance, our experience is that a number of companies facing compliance shortages for the first time this year are choosing this path. If next year's free

Weekly Price Changes (EUR)

Product	10/04/2015	17/04/2015	Change	% Change
EUA Dec 15	6.98	6.88	-0.10	-1.43%
DE Power Cal 16	31.88	31.9	0.02	0.06%
API2 Cal 16	53.10	53.02	-0.08	-0.16%

Friday's EUA Implied Funding Rate

	Price	Annual Rate	Total Return
Spot	6.84	0.00%	0.00%
Dec-15	6.88	0.58%	0.58%
Dec-16	6.96	1.16%	1.75%
Dec-17	7.08	1.72%	3.51%
Dec-18	7.24	2.26%	5.85%
Dec-19	7.43	2.62%	8.63%

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.

allocation fails to materialise in time for the 30th April deadline they will be forced to enter the market. *Price Impact: there are a number of bull factors coinciding with the start of this week: lower auction week, positive German and French comments re the MSR, Latvian progress towards compromise, everyone back from Easter holidays, clean dark spreads drifting up and the last minute rush for 30th April compliance. Discussions on Latvia's latest MSR proposal, discussed below, may bring some volatility back to the market.*

Market Stability Reserve (MSR)

Latvia released a new MSR proposal last week for discussion and debate in trilogue. The major change to the proposal was the fate of the unallocated allowances which under the latest proposal will go straight into the MSR. This is likely to be a move aimed at appeasing Western European states who have sought an ambitious MSR start date which, so far, have been blocked by a minority of states, led by Poland. The proposal will see the unallocated allowances join the backloaded allowances in the MSR but will give the EU Commission the chance to come up with a proposal on their fate once they are in the MSR. Under existing law the unallocated allowances were scheduled to be sold in the 2 years following the phase end in 2020. The proposal is due to be discussed tomorrow, 21st April, 2015, by member state officials at an EU Council environment working party. They will aim to get this signed off for trilogue negotiations at a Coreper meeting on 29th April, 2015.

Important MSR Dates

- 21st April – Environment working party
- 29th April – Coreper meeting
- 5th May – trilogue meeting
- 26th May – trilogue meeting
- 6th July – possible plenary vote

Offset Carbon Credit Price Rises As EU ETS Compliance Deadline Looms

The price of offset credits, which can be used for compliance by some companies covered under the EU ETS, rose by as much as 45% in the last two weeks. To read more on the price rises, please click here.

The week ahead

An interesting week ahead as the signs of a return to the usual volatility are there. As ever the power and coal price and subsequent changes in the clean dark spread will lead the fundamental aspect of the market, however, additionally this week is the latest MSR offering which if true to form, will add volatility to the market.

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Auction Timetable 13th April 2015 - 24th April 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
13-Apr-15	2,918	EEX	EUA	6.82	2.34	6,821,000
14-Apr-15	2,918	EEX	EUA	6.77	3.01	8,775,000
15-Apr-15	3,123	ICE	EUA	6.77	1.98	6,169,000
16-Apr-15	2,918	EEX	EUA	6.82	1.88	5,481,500
17-Apr-15	3,198	EEX	EUA	6.83	2.10	6,721,500
20-Apr-15	2,918	EEX	EUA			
21-Apr-15	2,918	EEX	EUA			
22-Apr-15	1,494	EEX	EUAA			
23-Apr-15	2,918	EEX	EUA			
24-Apr-15	3,198	EEX	EUA			

Registry shortcuts

As the 30th April deadline for compliance approaches, have you logged onto your registry account recently? Bookmark this page to easily check your account status.

Upcoming Conferences

- Platts 6th Annual European Power Summit April 28th-29th (London)
- Europe: Carbon Expo May 27th-29th 2015 (Barcelona)
- UN Conference of the Parties (COP 21) November 30th – December 11th (Paris)UN Conference of the Parties (COP 21) November 30th – December 11th (Paris)

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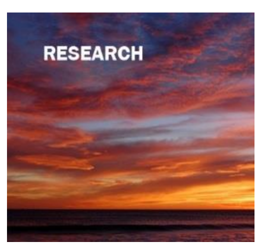
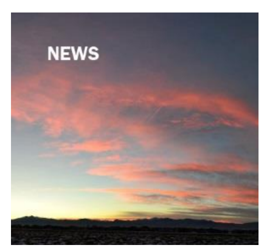
Registry shortcuts:

Carbon market research and analysis:



Carbon market news:



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