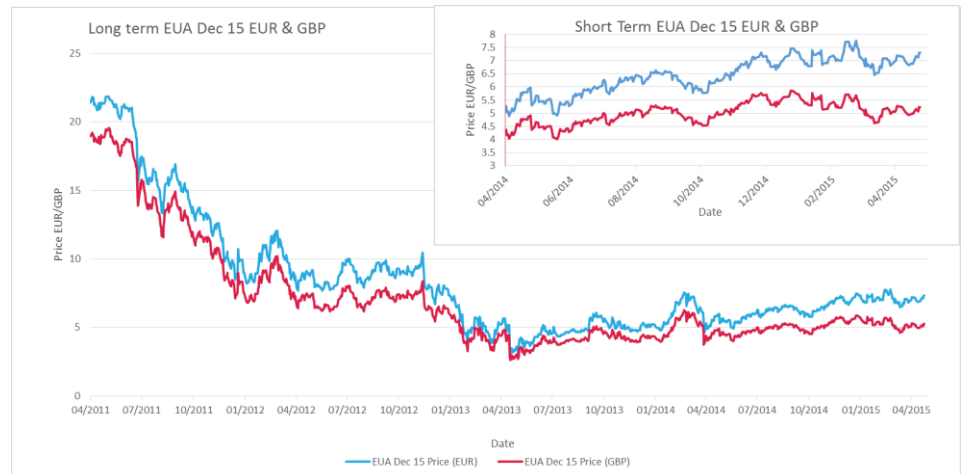


## WEEKLY CARBON TRADING MARKET UPDATE – 27<sup>TH</sup> APRIL, 2015

### Market Development

- Volatility returns to the market as prices rise ~6% to close at €7.32
- Prices rise above €7 on Monday on bullish MSR sentiment
- Prices continues to rise on Thursday after possible late compliance buying.
- Some Italian firms may not get 2015 free allocation in time for compliance
- Germany continues to push plan to make coal fired power stations buy more permits from 2017



### Auction Overview

- Due to holidays the next two weeks sees reduced auctions with 11.877mt entering the market this week and 9.969mt (9.034mt EUA & 0.935mt EUAA) the following week.

### Price Action

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	7.28	0.00%	0.00%
Dec-15	7.32	0.55%	0.55%
Dec-16	7.4	1.09%	1.65%
Dec-17	7.53	1.76%	3.43%
Dec-18	7.7	2.26%	5.77%
Dec-19	7.89	2.47%	8.38%

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.

The bullish factors identified in last week's carbon market update combined to increase the cost of carbon to a high of €7.40, ending the week 6.4% higher at €7.32 on the front December contract. Friday's close was the highest since 25<sup>th</sup> February, 2015. Traded volumes were up on the previous weeks and a 56c range was greater than twice the trading range of the previous week. Prices rose on Monday amid continued optimism on the MSR negotiations. The new proposal from Latvia is currently on the table for negotiation and as described in last week's update would move the unallocated allowances straight into the reserve. Additionally there appeared to be some last minute compliance buying taking place last week. On Thursday in particular, the spot and

Weekly Price Changes (EUR)				
Product	17/04/2015	24/04/2015	Change	% Change
EUA Dec 15	6.88	7.32	0.44	6.40%
DE Power Cal 16	31.9	32.12	0.22	0.69%
API2 Cal 16	53.02	52.93	-0.08	-0.15%

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April contracts on ICE traded large volumes as last minute buyers looked to get their allowances in before the deadline on 30<sup>th</sup> April, 2015. Poland, Italy and Finland, the most notable countries still to allocate the free 2015 allowances, have now largely completed the process. There are issues with the allocation to 300 Italian industrials who have been warned they will not receive their free allocation in time. As explained last week, many companies are now looking to make up shortfalls in allowances with their free allocation for the year ahead. If the free allocation does not materialise the companies may be forced into last minute buying. The week also saw moderate increases in the clean dark spreads as the profit from coal fuelled power generation rose. This will have added to demand for permits as utilities lock in profits. An important price resistance level, €7.25, was also taken out and should now provide support. *Price Impact: The combination of bullish factors throughout the week has lifted prices higher and there is the potential for further gains. Auction volume coming into the market over the next two weeks is more than 7Mt lower than the previous two weeks and with discussions on the MSR continuing there is likely to be volatility in the market. Clean dark spreads, as always, will need to be monitored closely to measure the underlying demand in the market.*

## Market Stability Reserve (MSR)

There are no major updates on the MSR to report. Talks continue behind closed doors with the start date still said to be the major sticking point. Germany is still sticking to a 2017 start and the EU presidency, Latvia, are pushing for a 2019 compromise this week. Talks will continue on Wednesday between EU member state representatives before further trilogue talks take place on 5<sup>th</sup> May.

### Important MSR Dates

- 29<sup>th</sup> April – Coreper meeting
- 5<sup>th</sup> May – trilogue meeting
- 26<sup>th</sup> May – trilogue meeting
- 6<sup>th</sup> July – possible plenary vote

## Germany introduces plan to force coal fired power stations to purchase more permits.

Germany has introduced a plan to force coal fired power stations to buy more allowances to cover their CO2 emissions. Under the plans, lignite power stations greater than 20 years old would be forced to buy more permits from 2017 onwards. Bloomberg News contacted Redshaw Advisors for comments on the plan, you can find more on this subject and our thoughts [here](#).

## The week ahead

Volatility is likely to continue with the MSR discussions back in the spotlight, the upcoming meetings will be watched closely by the market. With a reduced supply over the next two weeks, healthy clean dark spreads and allocations largely made to installations (therefore no longer any rush to sell) we have the necessary ingredients for further price rises. This may or may not be offset by reduced 30<sup>th</sup> April compliance buying this week (most companies are covered now but not all...).

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Auction Timetable 20th April 2015 - 30th April 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
20-Apr-15	2,918	EEX	EUA	6.88	2.18	6,350,500
21-Apr-15	2,918	EEX	EUA	7.07	2.52	7,342,000
22-Apr-15	1,494	EEX	EUA.A	6.75	2.33	3,475,500
23-Apr-15	2,918	EEX	EUA	7.06	3.30	9,632,500
24-Apr-15	3,198	EEX	EUA	7.27	2.61	8,361,000
27-Apr-15	2,918	EEX	EUA			
28-Apr-15	2,918	EEX	EUA			
29-Apr-15	3,123	ICE	EUA			
30-Apr-15	2,918	EEX	EUA			

## Registry shortcuts

As the 30<sup>th</sup> 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 6<sup>th</sup> Annual European Power Summit April 28<sup>th</sup>-29<sup>th</sup> (London)
- Europe: Carbon Expo May 27<sup>th</sup>-29<sup>th</sup> 2015 (Barcelona) – **REDSHAW ADVISORS SPEAKING**
- UN Conference of the Parties (COP 21) November 30<sup>th</sup> – December 11<sup>th</sup> (Paris) UN Conference of the Parties (COP 21) November 30<sup>th</sup> – December 11<sup>th</sup> (Paris)

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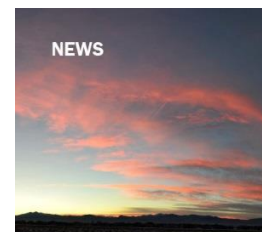
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