

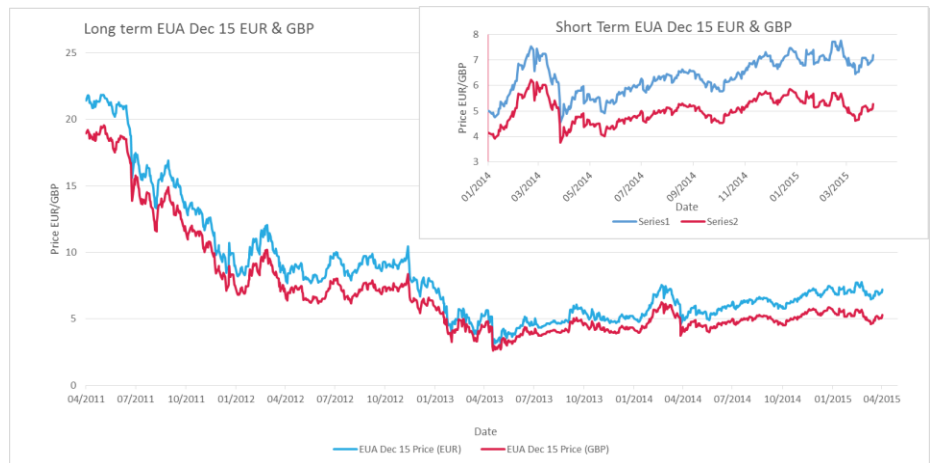
## WEEKLY CARBON TRADING MARKET UPDATE – 7<sup>TH</sup> APRIL, 2015

### Market Development

- Prices finish the week at €7.19, ~6% up.
- Subdued trading volumes ahead of the Easter break
- Verified emissions figures better than expected
- Power and coal prices both fall as coal curve contango flattens

### Auction Overview

- Total of 10.716mt enters the market this week (9.034mt EUA and 1.682mt EUAA)



### Price Action

Prices rose back above €7 last week as better than expected verified emissions data was the catalyst for the upswing in a week of subdued trading. The price closed the week on Thursday, ahead of the Easter break, at €7.19 on the front December contract, a 5.58% rise week-on-week. You can read the full report on the verified emissions data below. However in summary, a fall in emissions of roughly 4.9% was better than the market expected and helped push prices higher following the release. A strong auction on

Weekly Price Changes (EUR)				
Product	27/03/2015	02/04/2015	Change	% Change
EUA Dec 15	6.81	7.19	0.38	5.58%
DE Power Cal 16	32.48	32.05	-0.43	-1.32%
API2 Cal 16	53.92	51.95	-1.97	-3.65%

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	7.15	0.00%	0.00%
Dec-15	7.19	0.56%	0.56%
Dec-16	7.27	1.11%	1.68%
Dec-17	7.39	1.65%	3.36%
Dec-18	7.55	2.17%	5.59%
Dec-19	7.73	2.38%	8.11%

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.

Thursday, a few cents above the market at the time, also helped to ensure prices remained higher going into the Easter break. A 52c range matched the previous week and trading remained subdued as market participants avoided entering big positions ahead of a holiday period to continue the current malaise. Away from carbon, both the power and coal prices fell last week. Interesting to note is the fall in the coal curve contango. Contango is a situation where future or forward prices are higher than current spot prices. The flattening of the coal contango is important for the strength of the relative yearly clean dark spreads. Coal prices dropping more than power prices at the back end of the curve will increase the clean dark spread profit margin for those years, providing support for carbon prices. *Price Impact: following on from the Easter break it is likely we see another subdued week of trading. Lower than average trading volumes and tight trading ranges are possible. With a quiet week of auctions, supply volume should be absorbed by the market with little fuss.*

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## Market Stability Reserve (MSR)

The first trilogue meeting took place last Monday evening as the EU Council of member states, Parliament and the EU Commissions locked horns on agreeing a final MSR text. No breakthrough was made and dates for further meetings on 5<sup>th</sup> and 26<sup>th</sup> May were set out. With Parliament already stating that a start date later than 2019 is unacceptable it is likely the trilogue negotiations will take time. The EU council of member states is likely to block any move for an earlier start as eight governments, led by Poland, have formed a blocking minority with enough power to veto any changes. Whether Parliament can persuade them to alter their stance may well depend on other incentives they are able to give them. *Price Impact: there was little reaction from the carbon market to the meeting as participants expected little progress. A 2021 start date still looks the most likely outcome as the concessions in order for the Polish led blocking minority to change their stance are likely to be too large.*

### Important MSR Dates

- 5<sup>th</sup> May – trilogue meeting
- 26<sup>th</sup> May – trilogue meeting

## Verified emissions data falls most in 5 years

The 2014 verified emissions data was released on 1st April with an overall fall in the region of 4.9%, the largest fall in 5 years. EUA prices rose 3% on the back of the better than expected news. To read the full report on the verified emissions data, please click [here](#).

## The week ahead

A quiet week is expected, however, sizeable price moves in either direction are still possible as volatility in the carbon market remains high. With the prices rising at the back end of last week the momentum is upwards and further gains are perhaps the more likely scenario in the absence of any other changes to the fuel prices and clean dark spread.

Auction Timetable 30th March 2015 - 10th April 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
30-Mar-15	2,918	EEX	EUA	6.81	2.85	8,325,000
31-Mar-15	2,918	EEX	EUA	6.79	2.32	6,771,000
01-Apr-15	3,123	ICE	EUA	6.88	2.04	6,385,000
02-Apr-15	2,918	EEX	EUA	7.14	2.43	7,087,000
07-Apr-15	2,918	EEX	EUA			
08-Apr-15	1,682	ICE	EUA			
09-Apr-15	2,918	EEX	EUA			
10-Apr-15	3,198	EEX	EUA			

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## 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

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

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### 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

To read more please click [here](#)

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