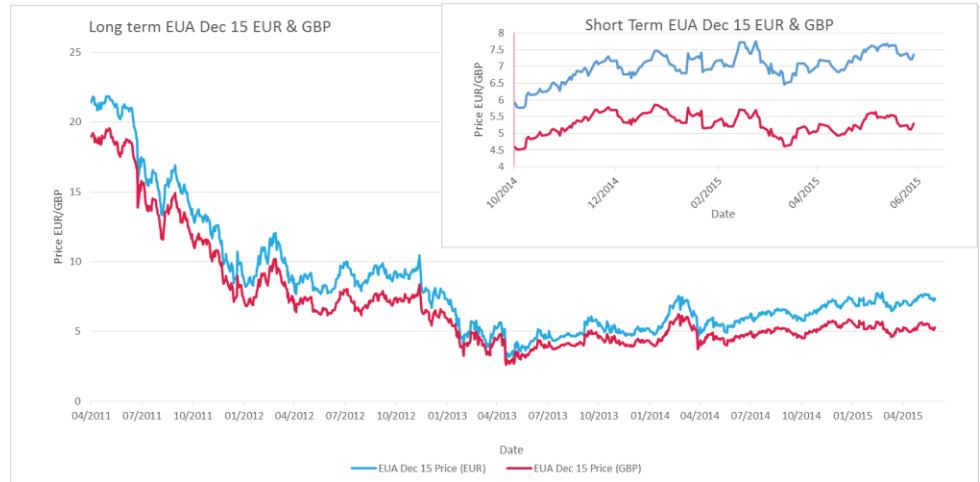


Weekly Carbon Trading Market Update – 1st June, 2015

Market Development

- Carbon price virtually flat with only 2c gain throughout the week
- Carbon expo contributes to low volumes and tight 26c trading range
- ENVI Committee votes through MSR proposal, process now moves onto the plenary vote
- Power and coal make small gains
- Price expectations rise for the first time in 4 years



Auction Overview

- 3 auctions this week as Thursday's European public holiday and no ICE auction this week reduces the known supply into the market to 9.034Mt. The following week will see a full auction week with 15.075Mt coming to market.

Price Action

As predicted in last week's update, there was little change in the carbon price week-on-week as the price closed up 2c at €7.36 on the front December contract. With a UK bank holiday on Monday and the year's main carbon conference taking place from

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	7.32	0.00%	0.00%
Dec-15	7.36	0.55%	0.55%
Dec-16	7.44	1.09%	1.64%
Dec-17	7.54	1.34%	3.01%
Dec-18	7.71	2.25%	5.33%
Dec-19	7.91	2.59%	8.06%

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.

Tuesday to Thursday in Barcelona it is unsurprising trade volumes for the week were low amidst a tight 26c trading range. The high of the week was once again on Monday and the low of €7.18 traded on both Thursday and Friday. A rally on Friday afternoon into the close returned the prices to the same level as the previous week. The rally was likely a consequence of a short position closeout ahead of the low auction volume week this week. Nervous shorts will have also disliked the reports that Germany's plan to force old coal fired power generators to either shut down or face heavy fines in the form of additional EUA purchasing was likely to fail. The MSR proposal advanced to the next step as the Environment Committee passed the MSR proposal. There was no reaction

Weekly Price Changes (EUR)				
Product	22/05/2015	29/05/2015	Change	% Change
EUA Dec 15	7.34	7.36	0.02	0.27%
DE Power Cal 16	31.25	31.5	0.25	0.80%
API2 Cal 16	51.72	52.55	0.84	1.62%

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to this in the market as a positive outcome was expected and priced in. Power and coal prices both gained throughout the week, with the power price rise largely offsetting the change in coal to leave the clean dark spreads flat. *Price Impact: a low week of auction supply as only 9Mt enters the market through 3 auctions should make the market short and it is possible there is some further upward pressure on the price. Casting an eye one week further and the auction volume will be back to a full schedule with 15Mt entering the market in 5 auctions. It will be the largest auction volume week since the week beginning 13th April so gains may be short lived.*

Market Stability Reserve (MSR)

The Environment Committee (ENVI) passed the MSR proposal with little fuss on Tuesday by a margin of 49 votes to 8 with 2 abstentions. The proposal had been unlikely to face much opposition from ENVI and now advances onto a full plenary vote on 6th July.

Important MSR Dates

- 6th July – plenary vote
- 13th/14th July – potential date for a (rubber stamp) vote of the European Council, the final MSR hurdle.

EU ETS Reform likely to be a long process

Negotiations for reform of the EU ETS are likely to be long and drawn out according to EU Energy and Climate Commissioner Miguel Arias Canete. His comments come ahead of the Commission review of the EU ETS, the proposals for which are scheduled to be released on 15th July 2015 (although expect this date to slip). The proposals will take the form of a draft law that will set out the rules of the market post 2020 to enable the EU to achieve its target of a 40% reduction in CO₂ by 2030 from 1990 levels. The biggest debate ahead of the final reform is likely to be centered on free allocations and the carbon leakage list.

EUA Price rises expected by carbon market participants

The International Emissions Trading Association released the annual market sentiment survey at the carbon expo event in Barcelona. The survey found that carbon market participants expect the average EUA Phase III price to be €10.79, up from €8 in last year's survey. This is the first annual rise in expectations since 2011. To read the full report on the survey please click [here](#). To compare this report to that of the analyst's, read Energy Aspects latest research, released on Friday. [Contact us](#) if you don't currently receive this free of charge from Redshaw Advisors.

Paris 2015 – momentum building?

In Paris, December 2015, world leaders will sit down to begin negotiations on a global climate change agreement for post 2020. Momentum and coverage of the talks are building and the BBC have written a useful and simple article summarising the current state of play. To read the full article please click [here](#).

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The week ahead

A mixed bag, however, with a reduced week of auctions there appears to be more bullish than bearish factors influencing the market this week. As the energy sector saw some price rises last week much will depend on their continued momentum, further gains for power will buoy the carbon price.

Auction Timetable 26th May 2015 - 5th June 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
26-May-15	2,918	EEX	EUA	7.28	2.82	8,232,000
27-May-15	3,123	ICE	EUA	7.15	1.96	6,110,000
28-May-15	2,918	EEX	EUA	7.20	2.45	7,139,500
29-May-15	3,198	EEX	EUA	7.22	2.86	9,148,500
01-Jun-15	2,918	EEX	EUA			
02-Jun-15	2,918	EEX	EUA			
05-Jun-15	3,198	EEX	EUA			

Keep up to date with major carbon market developments

Please click on the NEWS image for Redshaw Advisors' view of the most important events impacting the carbon market.



Upcoming Conferences

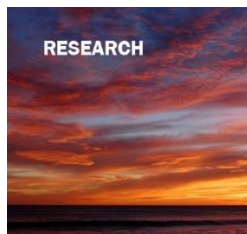
- UN Conference of the Parties (COP 21) November 30th – December 11th (Paris)UN Conference of the Parties (COP 21) November 30th – December 11th (Paris)

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