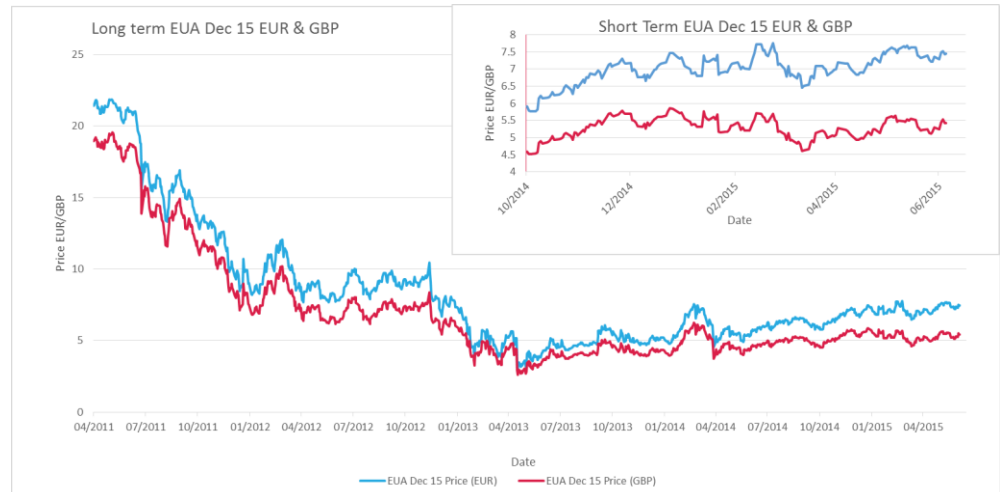


Weekly Carbon Trading Market Update – 8th June, 2015

Market Development

- The week closes at €7.44, a week-on-week increase of 8c.
- Prices rise on Tuesday ahead of 2 non-auction days before falling back at the end of the week.
- Tuesday also sees power climb 20c and EUR up 2% against the USD.
- Carbon leakage rules likely to protect EU industry for a further 10 years



Auction Overview

- Full week of auctions as 15.075Mt comes to market following last weeks reduced volume of ~9Mt

Price Action

Upward pressure on the price last week came by way of reduced auction supply, stronger power prices and the EUR strength against the USD. With a reduced auction volume of ~9Mt last week due to a European holiday on Thursday the market moved up midweek. The largest move came on Tuesday as the combination of an

Friday's EUA Implied Funding Rate			
	Price	Annual Rate	Total Return
Spot	7.4	0.00%	0.00%
Dec-15	7.44	0.54%	0.54%
Dec-16	7.52	1.08%	1.62%
Dec-17	7.62	1.33%	2.97%
Dec-18	7.78	2.10%	5.14%
Dec-19	7.99	2.70%	7.97%

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.

an auction free couple of days ahead coupled with German power prices rising and the EUR gaining more than 2% on the USD combined to create good underlying utility demand due to a strong clean dark spread. The continued EUR strength against the USD is helping to keep the clean dark spreads at levels attractive to utilities looking to hedge production. The high of the week was traded on Thursday at €7.59 on the front December contract as prices continued to creep up in a tight range with the lack of auctions. There was some profit taking and thus some selling pressure on Thursday afternoon. On Friday the auctions returned to start 7 weekdays of auctions in a row. *Price Impact: with a full week of auctions the supply side should be plentiful, however, 5 auctions in a week is not a first so there is no reason the market cannot cope with the volume. With the MSR plenary vote still 4 weeks away there is nothing on the horizon that should drive prices in either direction aside from the usual. The European*

Weekly Price Changes (EUR)				
Product	29/05/2015	05/06/2015	Change	% Change
EUA Dec 15	7.36	7.44	0.08	1.09%
DE Power Cal 16	31.5	31.5	0.00	0.00%
API2 Cal 16	52.55	51.69	-0.87	-1.65%

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Commission is due to release its initial EU ETS review findings in July (delays are a distinct possibility) and that will shape further discussion for Phase IV regulations and rules and potentially hedging behaviour.

Market Stability Reserve (MSR)

No further MSR updates. With the plenary vote still 4 weeks away the MSR is unlikely to provide any shock price impetus.

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 carbon leakage list likely to protect exposed industries for another 10 years

With the European Commission review of the EU ETS due in the near future there is currently much debate around the allocation of free allowances and the carbon leakage list. With the cap tightening on total emissions most free allocations will have to fall, however there is fierce debate on the future of companies covered under the carbon leakage list. They are companies deemed most at risk of relocation due to the carbon costs they face in Europe. In reports released on Friday it was reported that those most at risk of carbon leakage will continue to receive 100% of the emissions for free for a further 10 years. In a move that is likely to anger environmentalists who argue that the majority of companies covered under leakage rules have been far from being hindered by its costs and have in fact generated huge profits from the sale of surplus allowances and offset switching. For further review of this and other possible EU ETS changes please click [here](#) for the Redshaw Advisors summary.

The week ahead

The last time there was a full week of auctions generating more than 15Mt of supply the price only fell 10c week-on-week. That was the week beginning 13th April and it is likely there was some last minute compliance buying helping to generate demand. In the absence of this demand the ability of the market to absorb the volume will be tested and some price softness is the most likely outcome. Overall there still looks to be little to significantly influence the price in either direction and a range bound week is again a probability. On the upside there is likely to be resistance at €7.70 and support should be found around €7.20 to the downside.

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Auction Timetable 1st June 2015 - 12th June 2015						
Date	Volume('000 tonnes)	Auction Platform	Allowance Type	Clearing Price (EUR)	Cover Ratio	Total Bid Quantity
01-Jun-15	2,918	EEX	EUA	7.23	2.62	7,653,000
02-Jun-15	2,918	EEX	EUA	7.26	4.11	12,000,500
05-Jun-15	3,198	EEX	EUA	7.40	2.69	8,589,000
08-Jun-15	2,918	EEX	EUA			
09-Jun-15	2,918	EEX	EUA			
10-Jun-15	3,123	ICE	EUA			
11-Jun-15	2,918	EEX	EUA			
12-Jun-15	3,198	EEX	EUA			

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Please click on the [NEWS](#) image for Redshaw Advisors' view of the most important events impacting the EU and world carbon markets.



Upcoming Conferences

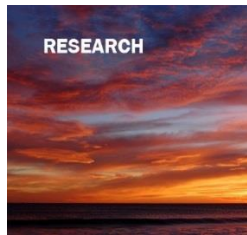
- UN Conference of the Parties (COP 21) November 30th – December 11th (Paris) UN Conference of the Parties (COP 21) November 30th – December 11th (Paris)

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