

Carbon prices buckle under macro and gas concerns

EU sanctions enforcement on watch – our outlook: neutral

- EUAs closed at €83.75– down c.6% week-on-week; traded across a narrower €9.52 range (vs €10.37 last week)
- EUAs were weighed on from the open by the gloomy macroeconomic outlook; they then fell further on news of Russian gas supply cuts to Poland and Bulgaria; dip buyers stepped in to recover some ground but not all could be held and some gains were relinquished into the close
- Russian gas payment behaviour remains a major focus; Germany is key to watch given its high reliance; major German utility, Uniper, may pay in roubles (despite EC guidance that this would breach sanctions)
- EU sanction enforcement is taken at the member state level; Germany may be compromised if its gas buyers pay in roubles; it would likely wish to avoid a Russian gas cut and risk of a deep recession; if Germany fails to enforce gas payment sanctions, other member states may follow
- Russia is also compromised; cutting European gas supply would leave it with no alternative buyer for gas from its west Siberian fields
- Post initial reluctance, Germany now supports a phased-in oil embargo
- EU installations buying USD-denominated raw materials or fuel are also contending with Euro weakness; this risks demand destruction and industrial shutdown with resulting lower demand for EUAs
- Further focus is on environment committee Fit for 55 negotiations; calls for higher emissions cuts have been made (see ‘Other News’); committee voting is set for 16-17 May; a full parliamentary vote is expected in June; EU Council negotiations will then begin
- **SAVE THE DATE: Carbon Forward** – Europe’s largest environmental conference set for **12-14 October 2022** in London. Sign up [here](#).
- For daily carbon market updates sign up for the DailyRed [here](#)

Auction supply may temper any upside – our outlook: neutral

- UKAs closed at £79.90– down c.3% week-on-week; traded across a narrower range of £5.61 (vs £8.30 last week)
- UKA to EUA weekly average premium widened to €13.00 (vs €9.33 last week) – see 2nd chart; total premium now stands at €11.51
- UKAs fared better than EUAs initially; volatility then set in and prices dipped; some recovery followed but was then undone into the close
- Auction scheduled for this week – 4 May with 3.2mT

Investor interest trimmed

- KFA Global Carbon ETF (proxy for investor interest) EUA holdings fell c.2% at c.9.4mT; UKAs are down c.1% to 694kT; NAV at c.US\$1.3bn

Technical near-term outlook – bullish

- Futurestechs’ next level: €85.94 and €89.89 to the upside; €78.80 and €77.14 below
- Favoured trade: Buy dips

OTHER COMPLIANCE MARKET NEWS

- MEPs call for higher EU ETS carbon cuts; European Central Bank (ECB) find EU ETS speculation to be limited

VOLUNTARY CARBON MARKET NEWS

- CET prices down 4% week-on-week; Finance for Biodiversity (F4B) publishes new governance model for voluntary carbon market

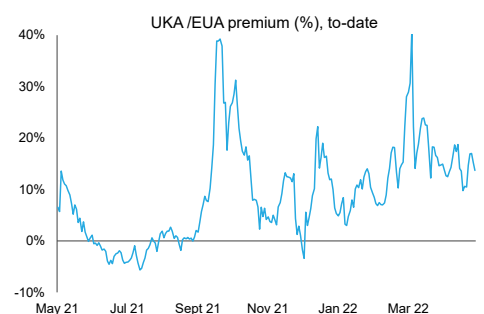
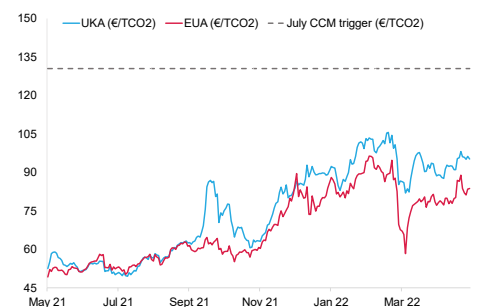
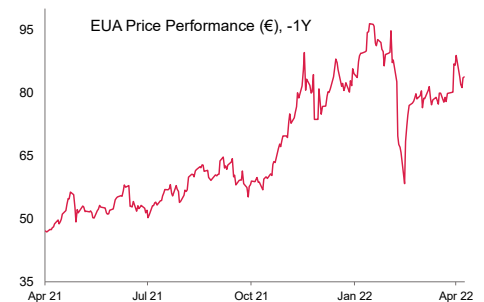
RENEWABLE ENERGY NEWS

- EU GOs up c.2% to €1.8075; France’s first offshore wind farm in final stage of construction; Anglesey to be location of one of the world’s largest tidal stream sites

Key performance metrics

Weekly Price Changes				
Product	22/04/22	29/04/22	Change	% Change
EUA Dec 22 (€)	88.87	83.75	-5.12	-5.8%
UKA Dec 22 (€)	82.55	79.90	-2.65	-3.2%
UKA /EUA premium /discount (€)	9.33	11.51	2.18	23.3%
DE Power Cal23 (€)	205.50	199.50	-6.00	-2.9%
Coal API2 Cal23 (US\$)	240.55	209.93	-30.62	-12.7%
Dutch TTF Cal23 (US\$/mmBTU)	26.57	24.96	-1.61	-6.1%

Krane Shares Global Carbon ETF (proxy investor interest)				
	22/04/22	29/04/22	Change (units)	Change (%)
EUA holdings (kT)	9596	9405	-191	-2.0%
UKA holdings (kT)	704	694	-10	-1.4%
NAV (US\$m)	1443	1331	-112	-7.7%



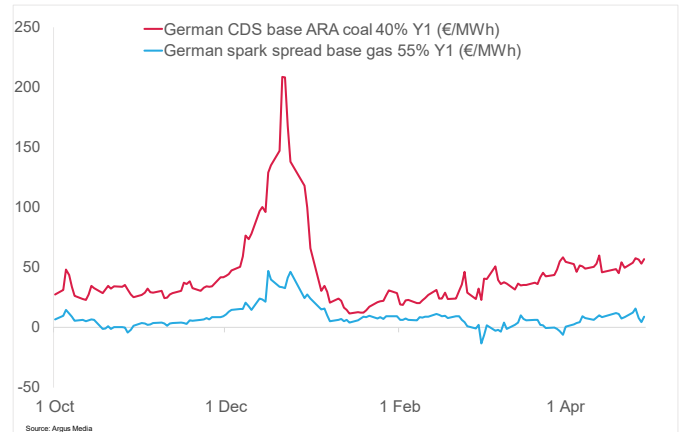
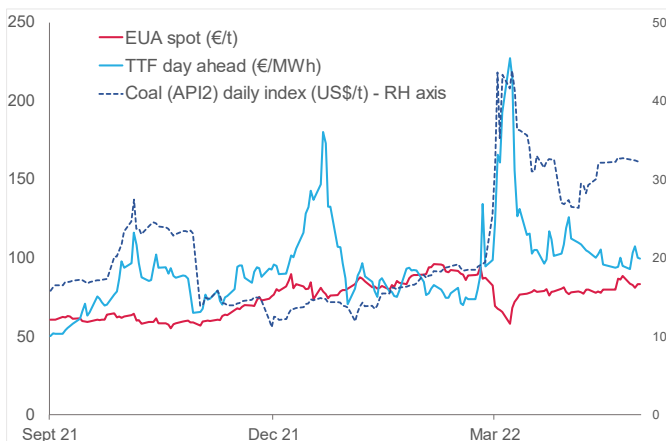
Technical outlook – bullish


Analysis provided by the award-winning Clive Lambert at [Futurestechs Limited](#). If you would like to receive his full daily commodities report, please [contact Clive directly](#).

- Short Term Trend: Bullish
- Yesterday's candle: Friday saw gains to €85.84 (€85.94 is Marabuzo resistance) then some selling. Yesterday's muted session saw us reach €84.80 where sellers responded. We have added a line to today's chart; an uptrend line; which sits at €81.42 today. We will give the bulls our backing in the short term all the while this is sitting below.
- Favoured Trade(s): Buy dips


Coal margins increase their lead over gas

- The chart below on the left shows the spot price performance of EUAs versus coal and natural gas
 - In the last week, spot EUAs fell c.6%, spot gas rose c.5% and spot coal fell c.1%
- The chart below on the right shows German forward year power generation margins where coal and gas are the fuel sources
 - Y1 coal margins stand at c.€57/MWh (up 15% this week) vs Y1 gas margins at c.€9/MWh (up c.3%)
 - Coal as a power generation fuel source continues to remain more profitable than gas



Auction Timetable: 25 April - 6 May, 2022					
Date	Volume	Auction Platform	Allowance Type	Cover Ratio	Total Bid Quantity
25-Apr-22	2,506,500	EEX	EUA - Phase IV	1.92	4,820,000
26-Apr-22	2,506,500	EEX	EUA - Phase IV	2.02	5,053,000
27-Apr-22	3,322,500	EEX	EUA - Phase IV	1.78	5,904,000
28-Apr-22	2,506,500	EEX	EUA - Phase IV	1.82	4,562,500
29-Apr-22	1,944,000	EEX	EUA - Phase IV	2.68	5,214,000
02-May-22	2,506,500	EEX	EUA - Phase IV		
03-May-22	2,506,500	EEX	EUA - Phase IV		
04-May-22	3,221,500	ICE	UKA - Phase I		
05-May-22	2,506,500	EEX	EUA - Phase IV		
06-May-22	1,944,000	EEX	EUA - Phase IV		

OTHER COMPLIANCE MARKET NEWS

MEPs call for higher EU ETS carbon cuts. EU ETS rapporteur, Peter Liese, has said the majority of the European Parliament's environment committee supports higher EU ETS carbon cuts (beyond the Fit for 55-proposed 61% by 2030). The centre-left S&D party is calling for 66% while the Greens want a 70% cut. Liese has resisted such calls stating, "We shouldn't overdo it, especially in the current energy crisis". With ongoing reliance on higher-emitting coal (over gas) for power generation, demand for EUAs has relatively increased. Liese argues that "raising the ambition on cuts will drive pricing even further". Committee voting on its reforms recommendations is set for 16-17 May. A full parliamentary vote is expected in June. The latter will provide the starting position for EU Council negotiations by representative member states.

European Central Bank (ECB) finds EU ETS speculation to be limited. The ECB has said that levels of speculation in the EU ETS have edged higher in recent years but still represent a small share of market activity. These findings are in line with those of European Securities and Markets Authority (ESMA). The ECB report that the share of open positions held by investment funds rose only marginally to c.0.7% in late 2021 from c.0.6% in 2020. Market experts believe that curbing speculative trading may reduce liquidity in the market, create less transparency and would make purchase more difficult for compliance entities. ESMA have suggested that additional monitoring and greater transparency is needed despite limited speculation. It is thought that this additional monitoring may unearth whether excessive speculation leads to an over-reaction in pricing.

VOLUNTARY CARBON MARKET NEWS

CET prices down 4% this week; CORSIA Eligible Tokens (CETs) trading on the AirCarbon Exchange (i.e. VERs based on the CORSIA standard).

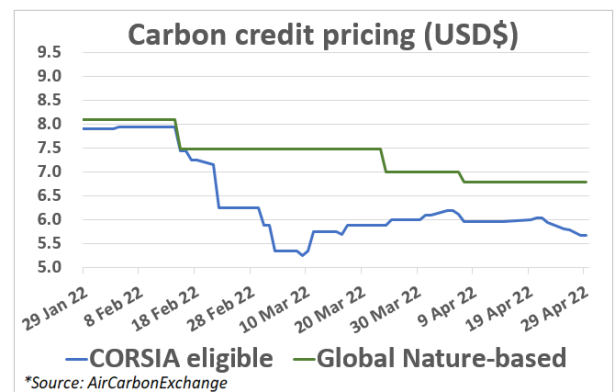
ACX nature-based prices flat week-over-week.

Finance for Biodiversity (F4B) publishes new governance model for voluntary carbon markets. The proposals encourage the adoption of three key governance principles:

- Whole-system governance which connects the carbon value chain at every level
- Complete transparency to ensure the integrity of projects, transactions and market outcomes
- The promotion of inclusive participation, especially for Indigenous Peoples

F4B also argues that nature markets require stronger and more innovative governance than typical financial markets.

Plannet Zero, part of the Redshaw Advisors group, has a team of experts to guide corporates through the voluntary carbon market. To speak to a member of the team, click [here](#).



Indicative carbon credit pricing (US\$)

Project type	29-Apr	22-Apr	US\$ change	% change
Hydro	\$5.00 - \$7.00	\$5.25 - \$7.25	↓ -0.25	↓ -4.0%
Renewable Energy	\$6.00 - \$7.50	\$6.50 - \$7.50	↓ -0.25	↓ -3.6%
REDD+	\$13.00 - \$15.25	\$13.00 - \$14.50	↑ 0.38	↑ 2.7%
Afforestation/Reforestation	\$16.00 - \$18.50	\$16.00 - \$18.50	⇒ 0.00	⇒ 0.0%

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RENEWABLE ENERGY MARKET NEWS

Week 17 AIB Renewables current year:

Mid-price = 1.8075 EUR (+ 0.0325 EUR)

France's first offshore wind farm in final stage of construction. After nearly three years in development, France's first offshore wind farm moved into a final stage of construction. The project is a joint venture between Endbridge and the Canada Pension Plan and is to be developed by EDF. Located near Saint-Nazaire, the wind farm is expected to have a capacity of 480MW and will consist of 80 turbines. The wind farm is scheduled to be operational before the end of the year and is projected to have a 25-year lifespan.

Anglesey to be the location of one of the world's largest tidal stream sites. The Morlais project, on a small island off the west coast of Anglesey, has received £31m from the EU regional funding programme. The project is to be powered by kinetic energy from tidal currents and will provide electricity for more than 180,000 homes once fully operational. The UK government has provided £175m for innovation in the marine energy sector of which £20m has been ringfenced for tidal stream energy. The west coast of Britain has one of the highest tidal ranges in the world giving the UK a unique opportunity to become a world leader in tidal stream technology.

Week 17 GO AIB Renewable			
Product €/GO	Bid	Ask	+/-
2022	1.790	1.825	0.033
2023	1.895	1.910	-0.105
2024	2.005	2.035	-0.090

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