LAST WEEK: EUA GAINED MORE THAN 10%

- After hitting 13 euro on Thursday, the bellwether contract has gained 13% over the last week, and 55% from the start of the year.
- Global CO2 emissions increased by 1.4% in 2017, as electricity demand was up by 3.1% and coal use rose by 1%.
- A total of 631.14 million allowances have been distributed, 83% of the total entitlement. Spain (51.47 million allowances) and Italy (46.03 million allowances) made good progress. Finland still hasn’t started distributing the allowances yet.
- Electricity sector urged the European Commission to take the necessary steps to prevent overlapping policies from weakening the EU ETS.
- The French President called for a European carbon floor price and a carbon border tax.

**EUA Dec18**

<table>
<thead>
<tr>
<th>Date</th>
<th>Seller</th>
<th>Volume</th>
<th>Clearing Price</th>
<th>Cover ratio</th>
<th>Spot price</th>
<th>Price move</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 Mar 2018</td>
<td>EU</td>
<td>4,213,000</td>
<td>10.96</td>
<td>2.57</td>
<td>10.93</td>
<td>up</td>
</tr>
<tr>
<td>20 Mar 2018</td>
<td>EU</td>
<td>4,213,000</td>
<td>11.17</td>
<td>3.53</td>
<td>11.12</td>
<td>up</td>
</tr>
<tr>
<td>21 Mar 2018</td>
<td>UK</td>
<td>4,596,500</td>
<td>11.86</td>
<td>1.69</td>
<td>11.84</td>
<td>no change</td>
</tr>
<tr>
<td>22 Mar 2018</td>
<td>EU</td>
<td>4,213,000</td>
<td>12.54</td>
<td>2.70</td>
<td>12.50</td>
<td>up</td>
</tr>
<tr>
<td>23 Mar 2018</td>
<td>Germany</td>
<td>4,360,000</td>
<td>12.37</td>
<td>1.97</td>
<td>12.41</td>
<td>down</td>
</tr>
</tbody>
</table>

**CER Dec18**

- In four auctions 16.2 million allowances will be offered, 25% less than last week, because there won’t be any auction on (Good) Friday.
- 31 March is the deadline for installations to report their 2017 verified emissions. This year, the last day of March is a Saturday and the Friday before is also a holiday in many countries. We therefore suggest to report emissions in the first half of the week.
- Lower auction volume, compliance purchases and improving profitability of coal fired power plants will support the price this week, despite of it being heavily overbought already. We expect the carbon market to move between 12 and 13.50 euro.

**Support levels:** 12.00, 11.00, 10.56  
**Resistance levels:** 13.04, 13.50

**RSI:** 77

Source: Bloomberg, ICE, Vertis
Policy:

The consolidated version of the ETS Directive as amended for the post-2020 period has been published in the Official Journal of the EU on Monday. You can find the English version at the following link: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0410&from=EN


The published version is the same than the one adopted by the plenary of the European Parliament ant the Council in February. The amended Directive takes effect 20 days after the publication in the Official Journal of the EU.

The European Federation of Energy Traders (EFET), the Union of the Electricity Industry (eurelectric) and the European Centre of Employers and Enterprises providing Public Services and Services of general interest (CEEP) published a joint statement urging the European Commission and the member states to assess the overlapping policies that will impact the EU ETS in the post-2020 period and most probably weaken the price signal the emissions trading system provides. All three associations welcome the recently adopted post-2020 reforms and would like to keep the EU ETS as the main tool to decarbonize Europe.


The European Council invited the Commission to present by the first quarter of 2019 a proposal for a Strategy for long-term EU greenhouse gas emissions reduction in accordance with the Paris Agreement, taking into account the national plans.

France’s President Emmanuel Macron signalled on Thursday that he will continue to push for an EU carbon price floor that includes a border tariff for non-Paris Agreement signatories, despite the limited support both ideas have received from European partners to date.

Norway’s parliament approved the adoption of European Union energy rules on Thursday, over the objections of some centre-left parties, allowing the EU outsider to remain a full member of EU markets, the leader of the parliament said on Thursday. The centre-right minority government feared that rejecting the EU’s Third Energy Package, designed to enhance energy flows and improve regulatory oversight, would put Norway on a slippery slope to a Brexit-like ending of its close EU relations.

Energy:

Network operator Tennet, responsible for transmission lines from northern to southern Germany, expects further delays to cable infrastructure deemed crucial to the country’s renewable energy plans.

Macro:

Global equity markets tumbled after US President Trump signed a presidential memorandum that is targeting up to 60 billion USD in Chinese goods with tariffs as this increases the risk of a trade war. China urged the United States on Friday to “pull back from the brink” as President Donald Trump’s plans brought the world’s two largest economies closer to a trade war. The escalating tensions between Beijing and Washington sent shivers through financial markets as investors foresaw dire consequences for the global economy if trade barriers start going up.

US President Donald Trump has temporarily excluded six countries, including Canada and Mexico, and European Union states from higher US import duties on steel and aluminum meant to come into effect last Friday.

As expected, the US Federal Reserve increased the federal funds rate by 25 basis points on Wednesday. Expectations for further raises increased. Market expected the federal funds rate to be at 2.75% by the end of next year, while the forecast now is 3%.
Higher carbon and gas prices and a cold April forecast helped the German benchmark power contract in increasing by 2.9% in a weekly comparison.

European natural gas traders are bearish for the U.K. summer contract, which expires next week, as more LNG shipments to Europe are seen, according to a weekly poll of 12 traders, brokers and analysts. Last week, however, European prices increased by 2.4% and the UK first season contract gained 1.5%.

OPEC members will need to continue coordinating with Russia and other non-OPEC oil-producing countries on supply curbs in 2019 to reduce global oil inventories to desired levels, Saudi Arabian Energy Minister Khalid al-Falih said on Thursday. Brent touched 70 USD on Friday and gained 6.4% w/w.

Coal demand in Europe remained “slack” but prices also took their cue from the Asia-Pacific region. The 2019 contract lost 1.5% week on week.

Despite the rally in carbon prices, the German dark spread improved as power price jumped and coal fell further. Higher gas prices, on the other hand, deteriorated the spark spread by 6.4%.

The 25 basis points rate hike by the US Federal Reserve left the greenback rather untouched. As the decision of the Fed was expected and priced in the USD did not strengthen (EUR / USD +0.5% w/w).
The EUA Dec18 had a weak start to the week. It opened with a 3 cents gap down and after hitting briefly a daily maximum at 11.23 euro, it declined continuously in the morning to hit 10.89 euro. The strong auction and compliance buyers helped the price in recovering in the afternoon and it closed at 11.06 euro, a loss of 1% from last Friday's settlement. The traded volume of 16.4 million in the benchmark contract was in line with the March average and above Friday's 14 million.

After opening with a 3 cents gap up on Tuesday, the benchmark carbon contract slipped shortly to a daily minimum at 10.97 euro, but it recovered after the strong auction and reached 11.57 euro. Keeping almost all the gains, the price settled at 11.55 euro (+4.4%).

The front year carbon contract remained unstoppable on Wednesday too. It only hesitated in the morning it jumped to 12.73 euro (and intraday range of 1.27 euro) and finished the day at 12.65 euro, a gain of 9.5%. The traded volume of 43.5 million was more than the double of the March average.

The EUA Dec18 had a strong start to the day on Thursday as it opened with a 4 cents gap up. After hitting 13.04 euro, a level last seen in 2011, the price turned lower and fell back to a daily minimum at 12.27 euro. The price recovered slightly by the end of the day and closed at 12.34 euro, a loss of 2.5% from Wednesday's settlement. The traded volume of 34.5 million remained below Wednesday's 43.5 million, but its was still above the March average of 20.1 million.

Despite the negative global market mood Friday morning, after the US President signed the Decree about the import taxes and risking a trade war with China, the carbon market remained stable. Although the price opened with a 7 cents gap down and the auction was weak, the price recovered and finished the day with a gain of 27 cents (+2.2%).

The benchmark contract remained overbought until the end of the week based on the main technical indicators. The RSI is well above 70, the MACD is moving in unchartered territory and the price trades above the upper Bollinger band. On the other hand, the price does not show any signs of a reversal and the price could continue increasing until the end of the compliance period.

Source: Vertis
Sales contacts

Péter Szánthó
Head of Sales—Hungary
+36 1 489 1903
peter.szantho@vertis.com

Zoltán Rácz, dr.
Corporate Trader—Hungary
+36 1 489 1903
zoltan.racz@vertis.com

Verónica Belinchón
Corporate Trader—Spain
+34 91 123 9008
veronica.belinchon@vertis.com

Christian Gordziel
Corporate Trader—Germany
+32 494 25 38 15
christian.gordziel@vertis.com

Emanuel Erdem
Corporate Trader—Germany
+32 494 25 38 15
emanuel.erdem@vertis.com

Tomasz Bujacz
Corporate Trader—Poland
+48 22 219 5262
tomasz.bujacz@vertis.com

Alexandra Hármatis
Corporate Trader
Sweden, Norway, Denmark
+46 844 683 979
alexandra.harmatis@vertis.com

Inês Alvim
Corporate Trader—Portugal
+34 91 123 9008
ines.alvim@vertis.com

José María García Berrendero
Corporate Trader—Spain
+34 91 123 9008
josemaria.garcia@vertis.com

Guillaume Verger
Corporate Trader—France, Belgium
+33 9 70 73 68 16
guillaume.verger@vertis.com

Mattia Ferracchiato
Corporate Trader—Italy
+39 02 4070 8040
mattia.ferracchiato@vertis.com

Bartosz Wilamowski
Corporate Trader—Poland
+48 22 219 5262
bartosz.wilamowski@vertis.com

Katerina Kolacikova
Corporate Trader—Czech Republic
+36 1 489 1933
katerina.kolacikova@vertis.com

Patrik Petrasek
Corporate Trader—Czech Republic, Slovakia
+36 1 489 1933
patrik.petrasek@vertis.com

Alexandra Petrujinschi
Corporate Trader—Romania
+36 1 489 1900
alexandra.petrujinschi@vertis.com

Sebastian Niculescu
Corporate Trader—Romania
+36 1 489 1900
sebastian.niculescu@vertis.com

Tibor Papp
Wholesale Trader
+36 1 489 1908
tibor.papp@vertis.com

Important Information:

The information and opinions in this communication were prepared in good faith by Vertis Environmental Finance. Vertis Environmental Finance makes no representation or warranty either express or implied as to the accuracy or completeness of such information and expressly disclaims any warranties of merchantability, fitness for any particular purpose or use with respect to the data included herein. This communication is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or to sell any instruments or to participate in any trading strategy.

It is the responsibility of each interested party to make their own enquiries that the information provided is appropriate to their individual circumstances in addition to any legal, regulatory, tax or other implications for themselves or their business.

The information is solely for your internal use and may not be issued as the basis of any product or reproduced, redistributed or transmitted in whole or in part in any form or by means, electronic or mechanical, including photocopying or by any information storage or retrieval system without the prior express written consent of Vertis Environmental Finance.

© 2018 Vertis Environmental Finance Ltd.