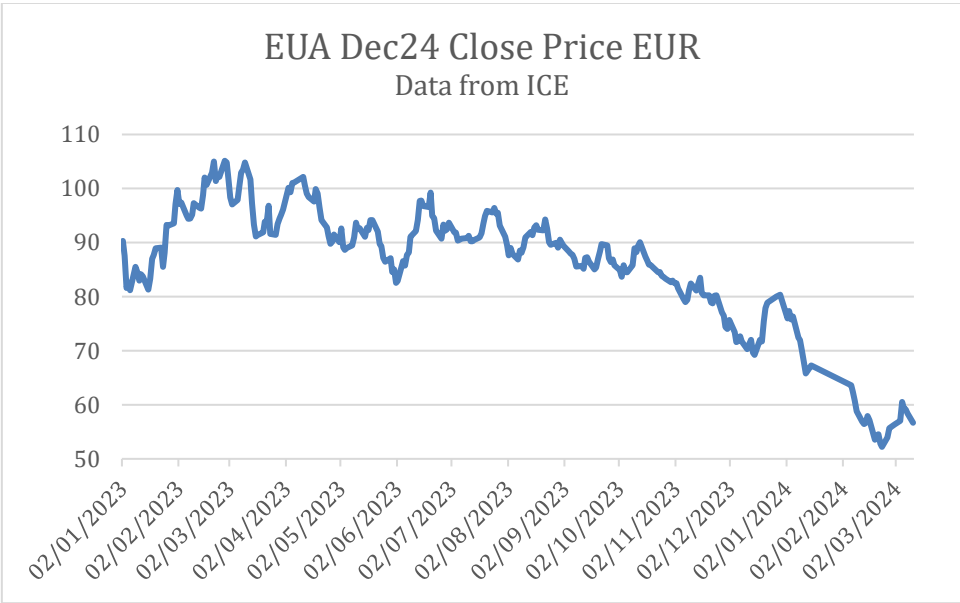




FIS Consultancy for Shipping in the EU Emissions Trading System (EU ETS) EUA WEEKLY REPORT 11/03/24

In brief: EUAs see second five-day gain in ten weeks

The benchmark contract closed Friday at EUR 58.39, a weekly gain of EUR 2.02 (3.6%). EU carbon traded in a large EUR 9.38 range. Overall traded volume on Tuesday was the highest it has been in a year, as short covering amplified upward pressure from rising energy markets—carbon surged 6.2%. Wednesday’s Commitment of Trader’s (CoT) report revealed a modest reduction in speculators’ positions, with net shorts decreasing by 2.4 Mt (6.1%) to 36.8 Mt. While the data failed to cause much reaction in the market, eyes have turned to this Wednesday’s CoT report. In the absence of rising gas prices and short covering this week, we expect the market to reverse the gains made from last week. Outlook: Bearish/Neutral.



What happened? (Price movements)

- Monday was a day of two halves for EU carbon. Initial weakness in European gas drove prices to a low of EUR 53.75, before a strong recovery saw prices climb by

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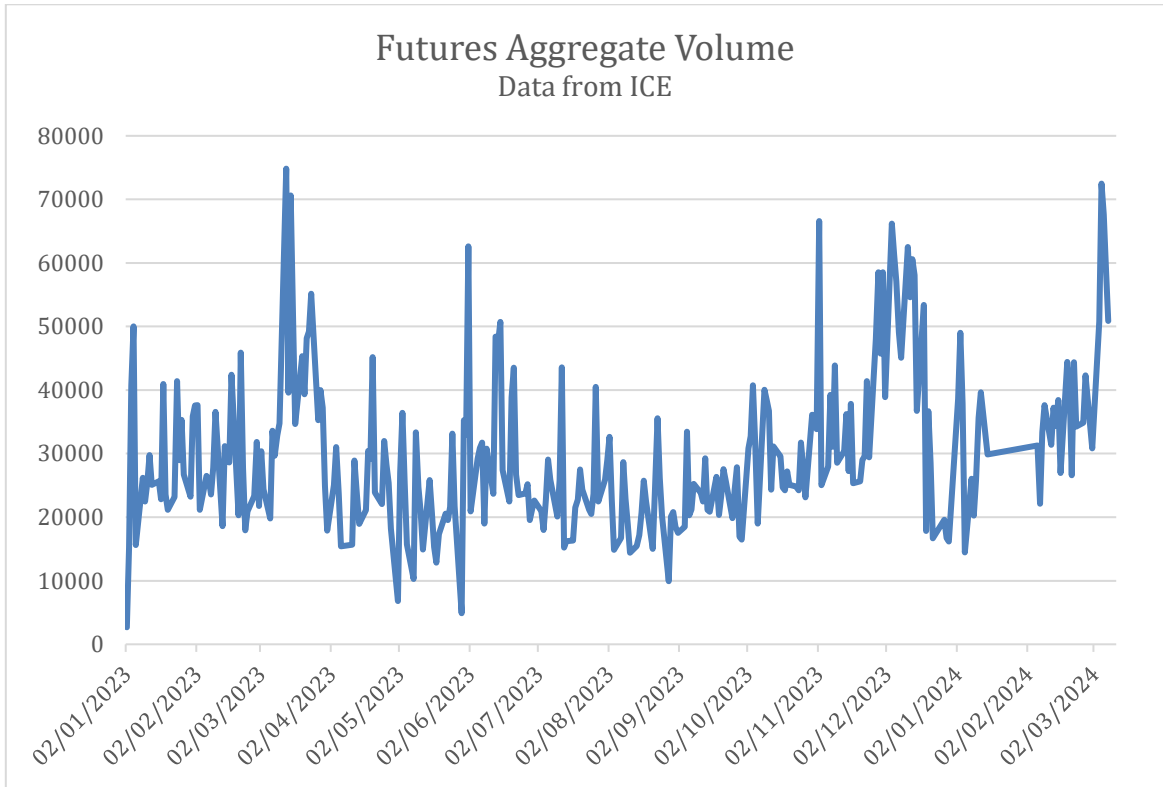
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as much as 5.2%. The benchmark contract closed at EUR 57.03, a 1.2% gain on the day

- On Tuesday, EUAs recorded their biggest daily gain in 15 months. The Dec24 contract surged 6.2% to close at EUR 60.54
- Wednesday saw some gains reversed as a drop-off in TTF gas pulled EUAs down with it. The Commitment of Traders (CoT) report added little to excite the market. The benchmark contract settled 2.2% down on the day at EUR 59.23
- Thursday was a volatile day in EU emissions. Positive fundamentals and short covering spurred the bulls and falling gas the bears. The Dec24 contract lost 0.1%, settling at EUR 59.16
- Friday saw modest losses as the benchmark contract settled down 1.3%. Despite this, EUAs closed the week up 3.6%, the second consecutive weekly increase following eight losses in a row.



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Why? (Market drivers)

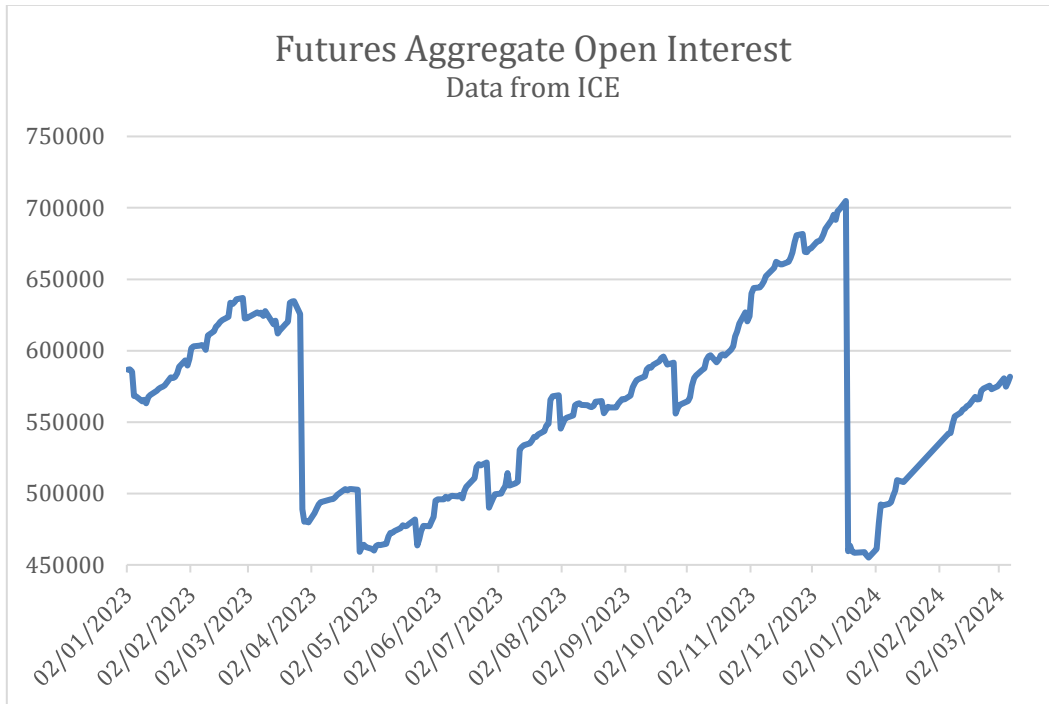
- Gas markets once again played an instrumental role in the direction of carbon as rising TTF prices contributed to rallies in the first half of the week
 - Gas prices and subsequently EUAs jumped on Monday due to news from the US that LNG exporter EQT would be slashing March production as a result of low prices deriving from the US Gulf
 - A fall in renewable output and the prospect of colder weather added upward pressure to energy prices on Tuesday
 - Gas markets lost momentum on Wednesday, contributing to a two-day drop-off in EUAs
- Wednesday's absence of a Polish auction likely played a small part in Tuesday's significant price rally, with traders and compliance entities conscious of the reduced available volume
 - Prices rose early on Wednesday (as much as 4%) amid the auction absence
 - Auction results ceased to significantly impact the market last week, with bearish signals from auction discounts ignored on Thursday and Friday.
- Commitment of Traders (CoT) Report: Last week's data showed funds reduced their net short position by 2.4 Mt (6.1%) to 36.8 Mt the week ending 1 March
 - This outcome did not have any serious impact in the market, with traders anticipating a modest reduction in short positions
 - All eyes are on this Wednesday's CoT report, after an abundance of short covering last week. This contributed strongly to upward price movements on Monday and Tuesday amid gains in the gas markets
 - Total longs decreased by 29,000 to 35.4 Mt, while total shorts fell by 2.4 Mt to 72.2 Mt
- Besides TTF price rises and short covering, analysts noted dip buying as a further upwards driver last week.

What's coming up? (Trends and key developments)

- With the end of winter approaching and mild weather expected to last through mid-March, gas and carbon could sustain further downward pressure as the heating season is due to end in a couple of weeks (more below)



- Latest data from REPowerEU shows the initiative has raised EUR 2.8 bln since July 2023
- This week's auction volumes will increase from 11,094,500 to 13,404,500.



Further Reading

- Nike incorporate biofuels into their EUA Maritime strategy, claims it will reduce CO2 emissions by 25,000 tonnes
<https://theloadstar.com/nike-in-biofuel-deal-with-cma-cgm-despite-feedstock-concerns/>
- Despite prospects of more bullish fundamentals in the summer, structural weakness remains due to healthy LNG and gas inventories, as well as depressed demand from industrials set to persist
<https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/030624-traders-eye-bullish-summer-conditions-as-european-gas-markets-heat-up>

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Sources

All pricing data taken from Intercontinental Exchange (ICE) and European Energy Exchange (EEX)

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