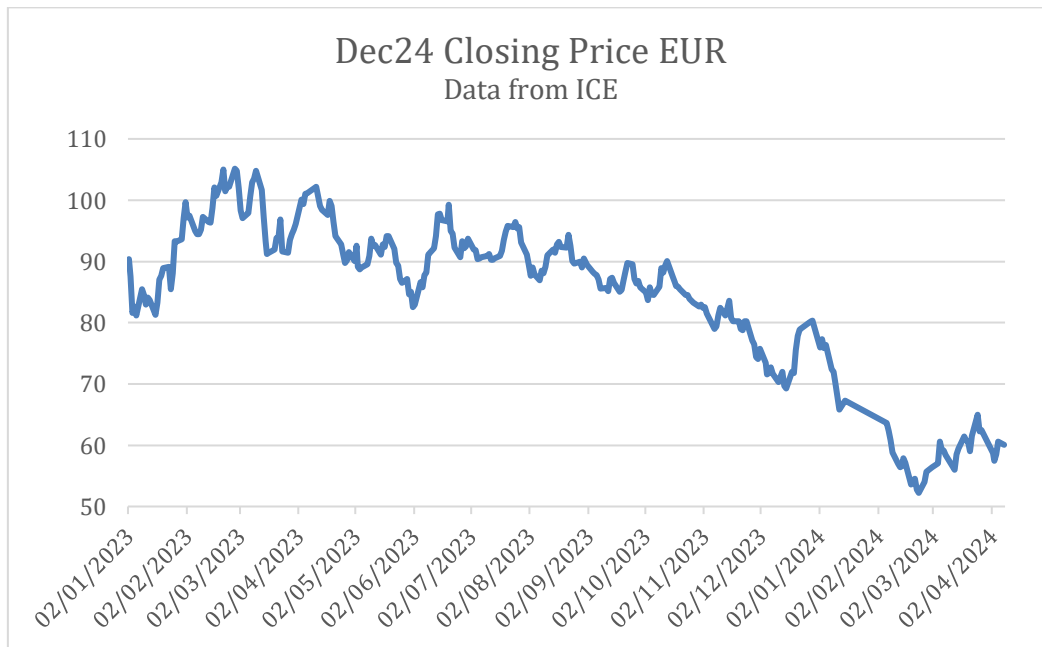




FIS Consultancy for Shipping in the EU Emissions Trading System (EU ETS) EUA WEEKLY REPORT 08/04/24

In brief: EUAs suffer first five-day decline since 23 February

The benchmark contract closed Friday at EUR 60.58, a weekly loss of EUR 1.22 (2.2%). EUAs traded in a EUR 4.60 range. Thursday's Commitment of Trader's (CoT) report revealed a further modest reduction in speculator's short positions, dropping by 1 Mt (4%) to 22.7 Mt the week ending 29 April. The news of the week was the EU's release of verified emissions under the ETS in 2023. Data showed emissions fell by 15.5% in 2023 compared to 2022, the greatest annual emissions reduction since the ETS began in 2005. However, this was in line with market expectations, so impact was limited. European gas maintained a high correlation with carbon last week, with both moving in a downward trajectory in the first half of the week before gathering some upward momentum. With full auction volumes resuming this week, temperatures reaching seasonal norms, high winds and tensions easing in the Middle East, sentiment is bearish. Our outlook: Neutral/Bearish.



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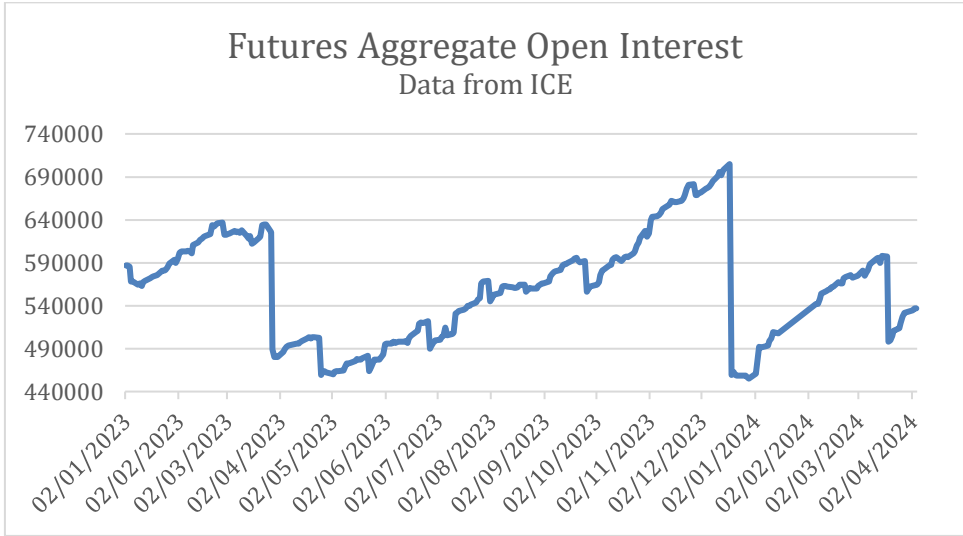
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What happened? (Price movements)

- Following Monday's Bank Holiday, on Tuesday we saw the biggest drop in EUA price for six weeks as low auction demand sparked selling. As the day progressed, weakness in gas markets added support to this downward momentum, with the Dec24 contract settling at EUR 58.72, a 5.2% loss on the day
- Wednesday marked the third consecutive daily decline for EU carbon as the market waited for the publication of verified emissions data from 2023. EUAs touched EUR 56.90, the lowest reading in nearly three weeks, with analysts suggesting the absence of a daily auction ensured prices did not go any lower. The benchmark contract settled at EUR 57.41, down 2.2% on the day
- Thursday saw the downward trend broken as EUAs rose following firmer TTF prices. The publication of 2023 verified emissions and Commitment of Trader's (CoT) report did little to excite the market, with the latter showing a modest reduction (1 Mt/4%) in funds' net short holdings. The Dec24 contract settled 1.9% up at EUR 58.50
- Friday recorded a 3.6% increase on the day as rising gas prices helped inject bullishness into the EUA market. Despite settling at EUR 60.58, the benchmark contract suffered a 2.2% weekly loss, the first five-day decline since 23 February.

Why? (Market drivers)

- Commitment of Trader's (CoT) Report: Last week CoT data was released on Thursday following Easter
 - The data revealed investment funds reduced their net short holdings by 1 Mt (4%) to 22.7 Mt the week ending 29 April. This marked the fifth consecutive drop in speculators' net short positions since bearish bets reached an all-time record of 39.2 Mt in late February
 - Analysts noted some surprise at this reduction in bearish bets, especially when considering how quickly EUAs were sold off when they reached EUR 65 the week prior
 - Total longs increased by 50,000 tonnes to 38 Mt, while total shorts dropped by 873,000 tonnes to 60.7 Mt



- Verified emissions data from 2023 failed to excite the market on Wednesday as it was revealed CO2 emissions last year fell by 15.5% compared to 2022. This was in line with market expectations, with most predictions estimating a 14% emissions reduction
 - Emissions from electricity production have decreased by 24% compared to 2022, thanks in large part to the use of renewable energy (wind and solar)
 - Energy intensive industry saw their emissions fall by 7% compared to 2022
- Energy prices continued to influence the trajectory of EUAs last week as falling TTF gas prices on Tuesday (-4.2%) and Wednesday (-2.4%) impacted carbon (-5.2% and -2.2% respectively) on both days. The drop in gas prices was brought about by forecasts for higher-than-average temperatures and windy conditions for the week ahead
 - Rising gas prices on Thursday coincided with a rise in EUAs, exemplifying the ongoing high correlation between the two markets.

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

- This week's auction volumes will increase from 7,995,000 to 13,404,500

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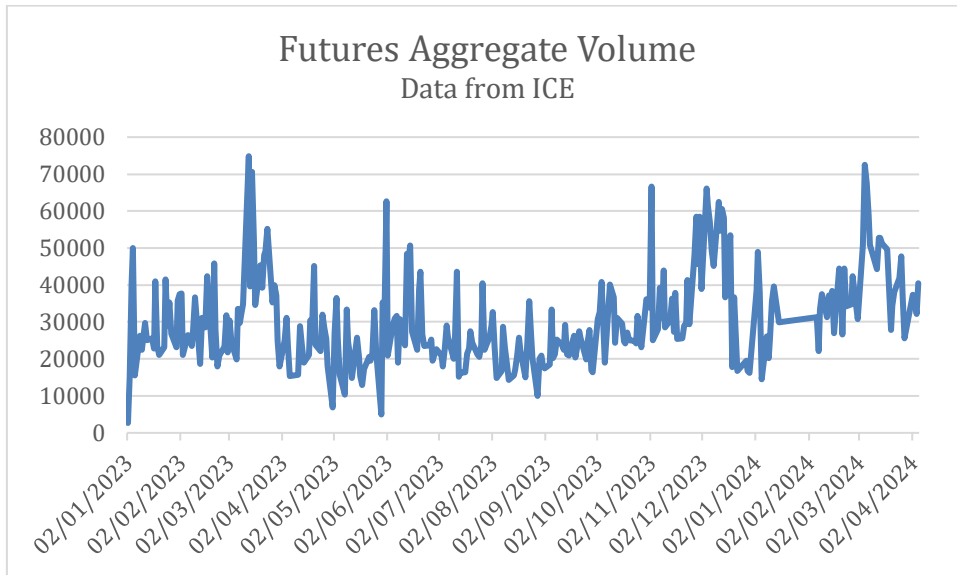
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- Israel and Hamas sent envoys to Egypt for further talks on a potential ceasefire ahead of Eid holidays, easing tensions in the Middle East that drove up oil prices by more than 4% last week on concerns of supply disruption (more below)
- Upcoming Event: Shipping Risk Management in 2024-FIS will be heading to Athens to host a workshop on FFA, Fuel Oil and EUA risk management in 2024 and beyond. The event will take place on 25 April in the Grand Hyatt Hotel just south of the centre. Register via the following link [Shipping Risk Management in 2024 - With the Experts \(zohobackstage.eu\)](https://zohobackstage.eu)



Further Reading

- EU Commission reveals record reduction in emissions in 2023, with ETS emissions now 47% lower compared to 2005 levels. The main driver for such a reduction- the progress of decarbonisation within the power sector https://climate.ec.europa.eu/news-your-voice/news/record-reduction-2023-ets-emissions-due-largely-boost-renewable-energy-2024-04-03_en
- Oil tumbles as Middle East tensions ease: <https://www.reuters.com/markets/commodities/oil-prices-lost-ground-mideast-geopolitical-tension-eases-2024-04-07/>

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Sources

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

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