



FIS Consultancy for Shipping in the EU Emissions Trading System (EU ETS) EUA WEEKLY REPORT 15/04/24

In brief: EUAs surge amid Ukraine strikes

The benchmark contract closed Friday at EUR 71.55, a weekly gain of EUR 10.97 (18%). EUAs traded in a EUR 12.18 range. Wednesday's Commitment of Trader's (CoT) Report revealed funds' bearish bets increased the week ending 28 March, with net short positions up 343,000 (1.4%). With the correlation between the Dec24 contract and TTF front month contract remaining high, attacks on Ukrainian energy facilities on Thursday had a significant impact on the EUA market for the remainder of the week, with the Dec24 contract rising 13.4% on Thursday and Friday. Short squeezing by funds added to upward pressure. With ongoing tensions in Ukraine and the Middle East leading to possible further spikes in energy prices, there is space for more upward movement. However, with prices at current levels, investment funds may perceive an opportunity to rebuild net short positions. Our outlook: Neutral/Bearish.



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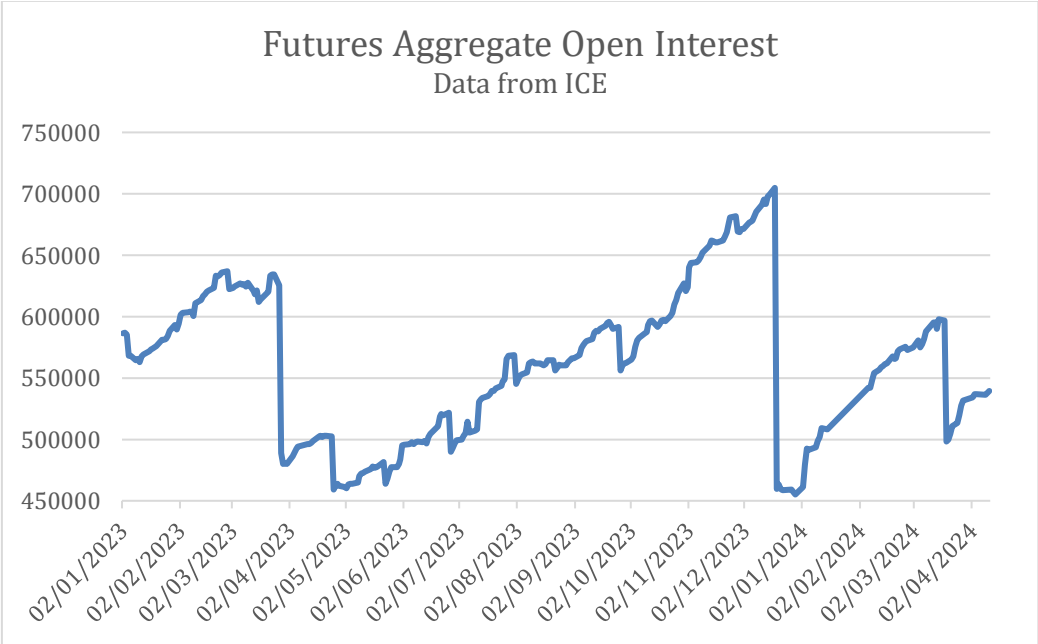
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What happened? (Price movements)

- EUAs incurred the largest one-day gain in two weeks on Monday as rising gas and power prices injected bullishness into the market. The Dec24 contract settled at EUR 63.51, a 4.8% rise on the day
- Tuesday marked the fourth consecutive daily increase for EU carbon as the benchmark contract settled at EUR 64.07, up 0.9% on the day.
- Wednesday saw the end of the bullish trend as Commitment of Trader’s (CoT) data revealed speculators return to rebuilding their net short positions (more below). The Dec24 closed the day down 1.9% at EUR 62.87
- Thursday was a day to remember for carbon as EUAs jumped by over EUR 5 following news of Russian attacks on the Ukrainian energy system, including the country’s largest power plant at Trypilska. The Dec24 contract settled at EUR 68.03, a rise of 8.2%.
- Short squeezing by funds continued to drive prices higher on Friday, with EUAs hitting their highest point since 10 January, reaching EUR 71.87 in the late afternoon. The Dec24 contract closed the day at EUR 71.55, a 5.2% gain on the day and a hefty 18% gain on the week.



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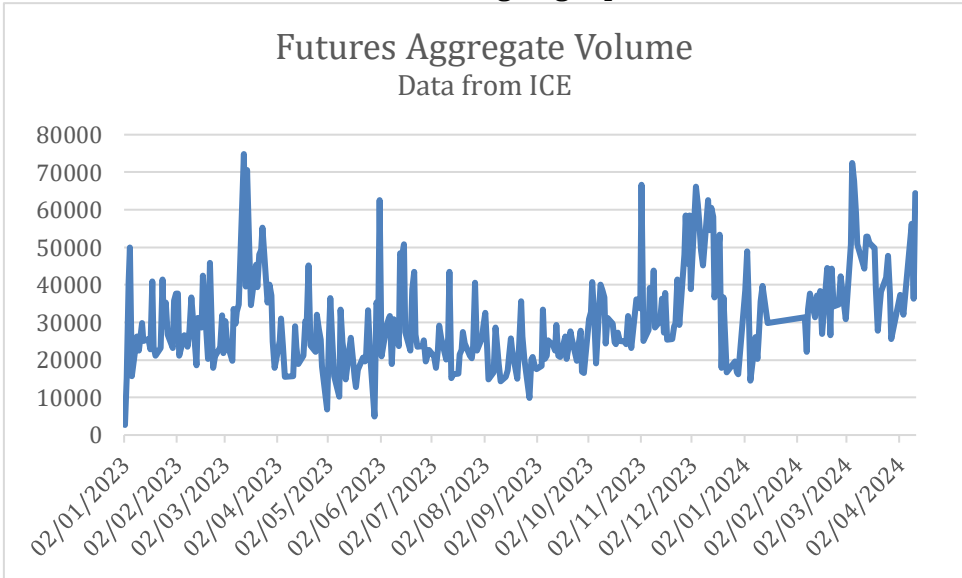
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Why? (Market drivers)

- Despite clean dark and clean spark spreads both staying in negative territory, meaning fuel switching levels are inconsequential, gas continued to heavily influence the EUA market last week
 - The Short- and medium-term correlations between Dec24 and TTF front month contract remained above 0.9
 - Energy markets spiked on Thursday following Russian attacks on Ukrainian energy facilities. Gas and power rose as much as 7.1% and 4.9%, leading to the largest one-day gain in 19 months for EUAs (8.2%)
 - May TTF contract reached peak since beginning of February, whilst German power hit highest price since 8 January.
- Commitment of Trader’s (CoT) Report: Data showed funds returned to rebuilding their net short position, with a raise of 340,000 (1.4%) the week ending 28 March to 25 Mt
 - Total longs increased by 3.3 Mt to 39.1 Mt, while total shorts increased by 3.7 Mt to 64.1 Mt
 - With gas causing EUAs to jump on Thursday and Friday, short covering followed and exaggerated the bullish effect. With the squeeze boosting prices significantly, analysts noted how the build up of short positions in the last two weeks were starting to get punished.



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

- This week's auction volumes will decrease from 13,404,500 to 11,094,500
- Despite the recent price climb, for the remainder of the year EUAs are facing bearish fundamentals including an increase in renewable capacity across Europe, industrial activity remaining in recovery mode, and gas stocks being refilled as we head into the summer period
- 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

- With Russian attacks on Ukrainian energy facilities last week causing energy prices to rise across Europe, former oil boss warns of the consequences of further attacks on the countries generation capacity facilities, deeming an 'energy war' inevitable
<https://www.theguardian.com/world/2024/apr/14/an-energy-war-is-being-waged-former-oil-boss-warns-of-price-rises-after-ukraine-infrastructure-attacks>
- Limited impact of Iranian attack on Israel sees oil prices fall back on Monday morning, although uncertainty on level of retaliation from Israel has many concerned of the future impact on price
<https://www.reuters.com/markets/commodities/oil-prices-fall-after-iran-attack-market-draws-down-risk-premium-2024-04-15/>

Sources

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

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