



FIS Consultancy for Shipping in the EU Emissions Trading System (EU ETS) EUA WEEKLY REPORT 29/04/24

In brief: EUAs continue slide amid lower volume

The benchmark contract closed Friday at EUR 66.92, a weekly loss of EUR 1.89 (2.82%). EUAs traded in a tighter EUR 3.44 range with lower volume than seen in recent weeks. Wednesday's Commitment of Trader's (CoT) Report showed funds cut their net short position by a considerable 5.3 Mt (21.2%) the week ending 12 April. TTF natural gas and German power continued to play an instrumental role in the direction of carbon, with energy markets enduring a bearish week after a fall-off in tensions between Israel and Iran. At time of writing, spot EUAs are down EUR 1.49, signifying a continued pattern of weakening energy prices as Middle East tensions continue to ease, US inflation figures suggest slower than expected interest rate cuts and we head into the summer cooling period. Outlook: Neutral/Bearish.

What happened? (Price movements)

- Monday opened to a bearish carbon market as EUAs tracked falling prices in the wider energy markets, with Dutch gas and German power playing instrumental roles. The Dec24 contract settled 3.6% lower at EUR 66.33
- Tuesday saw EUA prices fall even further as energy markets relaxed ahead of the upcoming summer cooling season. A drop off in tensions in the Middle East region also contributed to falling prices, with the Dec24 contract closing the day at EUR 65.67, a daily loss of 1%
- Wednesday was a more volatile day for EUAs as fluctuations in the energy markets caused carbon to move up and down throughout the day. Having traded in a EUR 2.70 range, the benchmark contract finally settled at EUR 66.47, up 1.2% on the day
- Thursday marked a return for the bulls as energy markets and EUAs spiked following news the EU may introduce a ban on the transshipment of Russian LNG. After surging 5.3% to EUR 69.97, the Dec24 contract eventually settled at EUR 68.39, a daily gain of 2.9%
- Friday saw these gains reversed as retreating TTF natural gas prices brought EUAs down with them. The benchmark contract settled 2.2% down on the day at EUR 66.92, and down 2.8% on the week, the second consecutive five-day loss.

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Why? (Market drivers)

- Commitment of Trader's (CoT) Report: CoT data last revealed the biggest reduction in net short positions in a month as investment funds cut 5.3 Mt (21.2%) the week ending April 12. Net short positions now stand at 19.6 Mt
 - Total longs decreased by 7.3 Mt to 30.9 Mt, while total shorts dropped by 12.6 Mt to 59.5 Mt
 - Analysts were quick to note the unconventional relationship between carbon prices and net short positions at present, with bearish bets increasing the week ending April 12 despite EUA prices increasing 18%, while prices dropped last week amid declining prices
- EUAs continued to track natural gas last week. Tensions between Iran and Israel eased over last weekend, leading to the May TTF contract falling 4.7% on Monday (22 April), with the benchmark EUA contract not far behind at a 3.6% reduction
 - A normalisation of US LNG supplies on Tuesday were a bearish signal to energy markets, with news a large US Gulf exporter was restarting LNG processing
 - Israel-Hamas peace talks on Friday 26 April added downward pressure to oil prices for today's open (29 April) (more below)
 - A proposed EU ban on transshipments of Russian LNG caused gas and EUAs to jump on Thursday morning. The suggested ban seeks to prevent EU ports from importing Russian supplies that are then exported to third countries. The market soon relaxed once realisation kicked in that future European gas stocks would not be significantly impacted by the ban.

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

- Monday saw the launch of the new mini-EUA contract on ICE. This futures contract will now enable trade in 100-tonne lots rather than the conventional 1,000 tonnes
- This week's auction volumes will decrease from 13,404,500 to 11,094,500

Further Reading

- JP Morgan analysts forecast downward pressure on global gas prices up to 2030 <https://www.reuters.com/sustainability/climate-energy/pressure-gas-lng-prices-help-switch-coal-says-jp-morgan-2024-04-24/>



- Oil prices fall 1% on Monday's open (29 April) following Israel-Hamas peace talks and US inflation data suggesting slower than expected interest rate cuts: <https://www.reuters.com/markets/commodities/oil-prices-pare-gains-us-inflation-concerns-2024-04-29/>

Sources

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

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