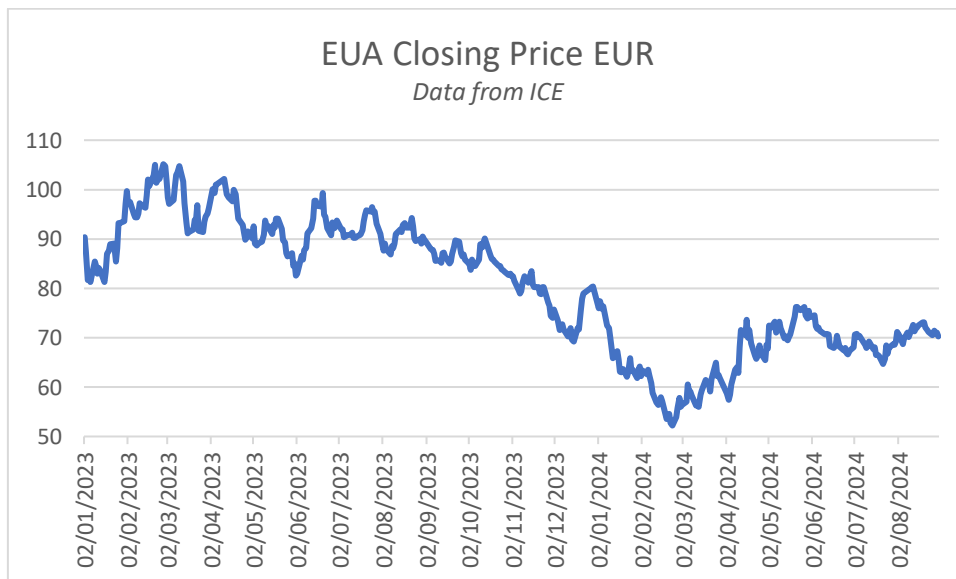


EUA WEEKLY REPORT 02/09/24

In brief: Funds Slash Net Short Amid Muted Trading

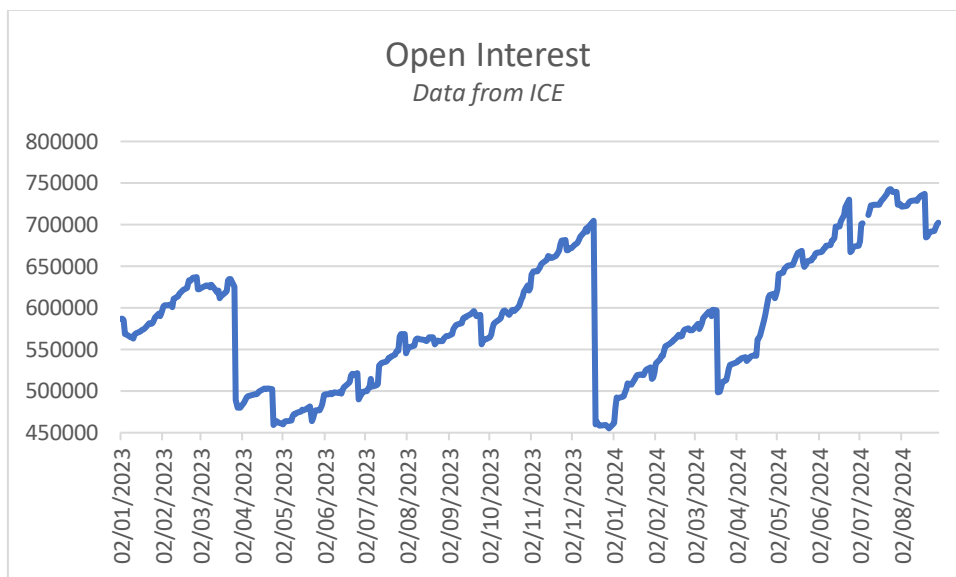
The benchmark contract settled at EUR 70.30 last Friday, down EUR 0.83 (1.2%) on the week. EUAs traded in their narrowest weekly trading range (EUR 2.25) this year, with volume below even the summer average. The Commitment of Trader's (CoT) report revealed a major reduction in fund shorts as the net position fell to 4.8 Mt, their smallest bearish bet since the end of July 2023 and the fourth consecutive weekly reduction in net short positions. Analysts posited an increase in hedging of coal-fired generation as a key driver behind the repositioning. Auctions take place four days this week, with no EUA auction on Wednesday. The Dec24 contract is trading lower on Monday morning, tracking losses in natural gas. As we move through the week, the gas market is expected to remain tense with maintenance in Norwegian fields peaking and geopolitical issues continuing to influence market dynamics. Our outlook is neutral outside of geopolitical developments.



What happened? (Price movements)

- Monday provided little to write home about with the UK public holiday dampening trader activity. The benchmark contract settled at EUR 70.49, down 0.9% on the day
- Tuesday saw carbon make gains as outages to North Sea gas production were announced. The Dec24 contract closed the day at EUR 71.49, up 1.4%

- Wednesday saw these gains reversed as CoT data revealed a large reduction in the net short position of funds (more below). The benchmark contract settled 1% lower at EUR 70.77
- Thursday saw prices bounce back as buyers supported prices throughout the day. The Dec24 contract secured a gain of 0.4%, closing at EUR 71.06
- Friday marked the end of a lackluster trading week as the Dec24 contract settled 1.2% down on the week. The benchmark contract closed the day at EUR 70.30, down 1.2% on the day

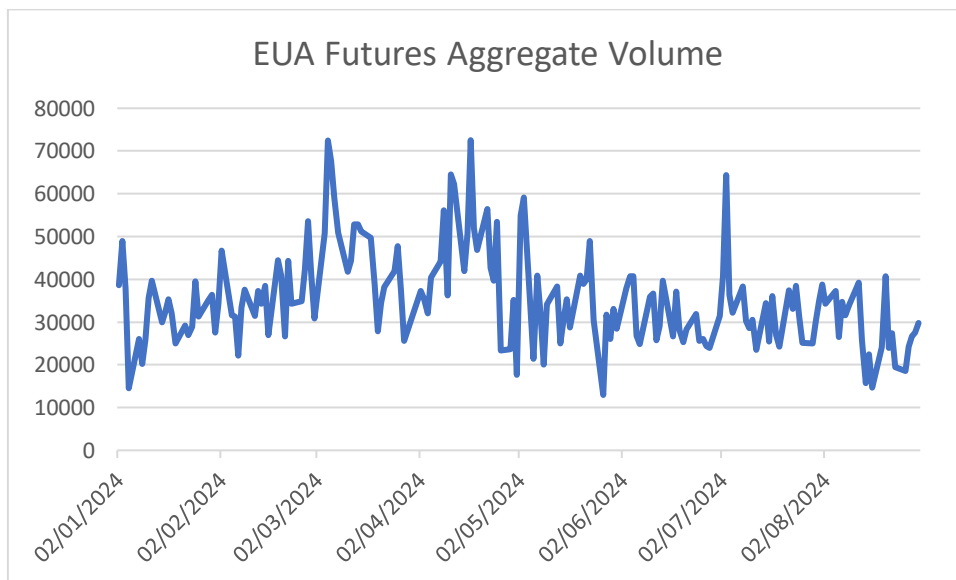


Why? (Market drivers)

- Although European gas storages were notably full at 91.97% on August 27, surpassing the five-year average of 84.05%, according to GIE data, TTF prices remained elevated last week. This was influenced by the commencement of the Norwegian maintenance season, reducing pipeline supplies to Europe to their lowest since early June at 305.7mcm/d last Tuesday, as reported by Bloomberg.
 - Additionally, ongoing conflicts in Ukraine and the Middle East, coupled with competitive LNG demand from Asia, continue to present upward risks to prices, despite the healthy storage levels.
 - This week, further upward pressure on TTF prices is anticipated due to maintenance at Nyhamna and Kollsnes, originally scheduled to start on September 4, now beginning earlier on September 2 and expected to continue until September 5.
 - As maintenance outages in fields and processing plants peak, Norwegian pipeline gas supplies to Europe have decreased to 196.4mcm/d as of Monday morning, according to Bloomberg. However, these levels are still

higher than those seen during last September's maintenance period when supply dipped as low as 122.6mcm/d.

- Commitment of Trader's (CoT) Report: CoT data from last week revealed funds reduced their net short position to just 4.8 Mt the week ending 23 August, marking the smallest bearish bet since the end of July 2023
 - While net short positions have been reported for 57 consecutive weeks, this marked the fourth week in a row that short positions have been reduced
 - Notably, commercial undertakings reported a drop in total short positions of 26.8 Mt
 - Total longs also fell by 616,000 tonnes to 41.56 Mt.



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

Macro Outlook: This week, European financial markets experienced significant volatility due to a mix of global economic concerns and regional geopolitical tensions. A recent downturn in Asian stock markets, driven by fears of an economic slowdown, has rippled through European markets, leading to sharp declines in major indices. Additionally, geopolitical concerns, especially related to ongoing tensions in the Middle East and uncertainties in Ukraine, continue to exert pressure on market sentiments. Investors are increasingly cautious, reflecting a broader trend of risk aversion amid unstable economic indicators globally.

EU Gas Market: In the EU gas sector, prices have been notably volatile. Recent reports indicate Asian spot LNG prices have increased due to outages at LNG facilities in

Australia and Malaysia, which have stirred supply concerns. Concurrently, European gas prices also saw an uptick, influenced by reduced supplies from Norway due to extensive maintenance activities and ongoing geopolitical risks impacting Russian gas flows through Ukraine. Maintenance in Norwegian gas fields has led to significant reductions in export capacities, tightening the supply in Europe even as the continent relies heavily on stored reserves, currently reported above 90%. This dynamic suggests that while storage levels provide a buffer, the market remains sensitive to short-term supply disruptions and geopolitical developments.

Weather Outlook for Europe: The weather across Europe presents a mixed picture with continuing high temperatures in Southern Europe, likely increasing cooling demand, which could strain energy supplies including gas-powered electricity. In Northern Europe, milder weather could lead to reduced energy usage but doesn't offset the broader demand pressures across the continent.

Further Reading

- A nice summary of the supply & demand factors affecting EU gas prices at the moment: <https://www.bloomberg.com/news/articles/2024-08-29/european-gas-traders-more-worried-over-current-risks-than-winter?srnd=phx-markets&sref=f2E6A62x&embedded-checkout=true>

Sources

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

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