



# Katsaus päästöoikeus- markkinoihin

**Eerik Ekström**

**Market Analyst**

**Gasum Portfolio Services OY**

**Gasum**

# Gasum Portfolio Services

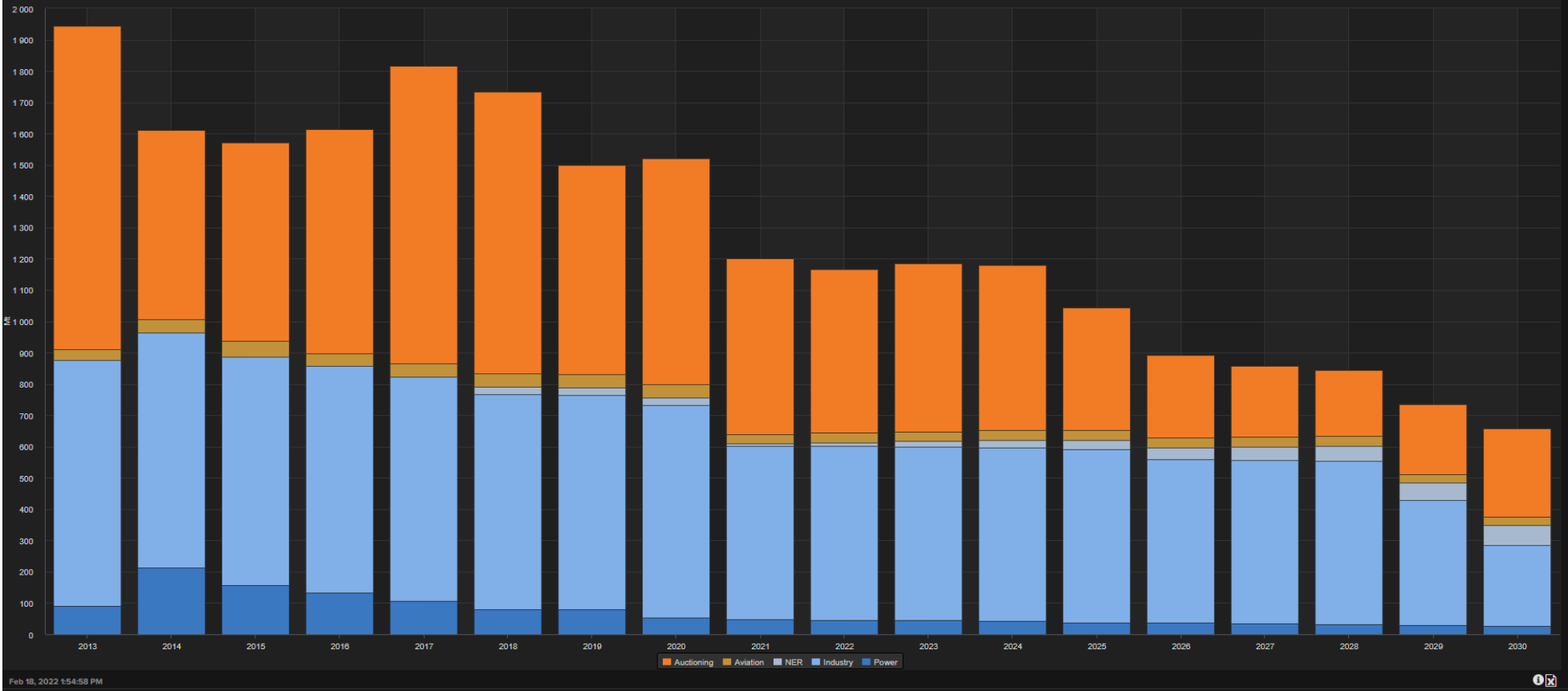
- Independent investment advisory company supervised by Financial Supervisory Authority (FIVA) Owned by Gasum Corporation owned 100 % by the State of Finland
- Independent analysis, portfolio management and market access services for medium to large customers on Electricity, LNG & Natural Gas, Emission allowances and Guarantees of Origin
- Typical customer; annual electricity usage 50-500 GWh/year, electricity / EUA portfolio mgmt. and market analysis updates
- GPS OY Offering:
  - Portfolio management varying from mandate trading to second opinion only
  - Daily / Weekly /monthly market analysis and spot price forecasting
  - Tailor-made analysis and studies
- Gasum OYJ offers 24/7 control room service, Balance services, Spot-optimization...

# EUA markets in a single nutshell

- Cap-and-Trade systems
- No international allowance – yet
- China: Piloting 40% of emissions, 2030 & 2060
  
- EUA largest market from 2005, several other systems in the world
  - By end of 2021 1/3 of people & 17 % of emissions internationally
  - Derivatives, Spot-products and auctions
- MSR & Free allocation
- Carbon Border Adjustment Mechanism
- CER
- VER
- GoO

Source: Refinitiv, EC, International Carbon Action Partnership

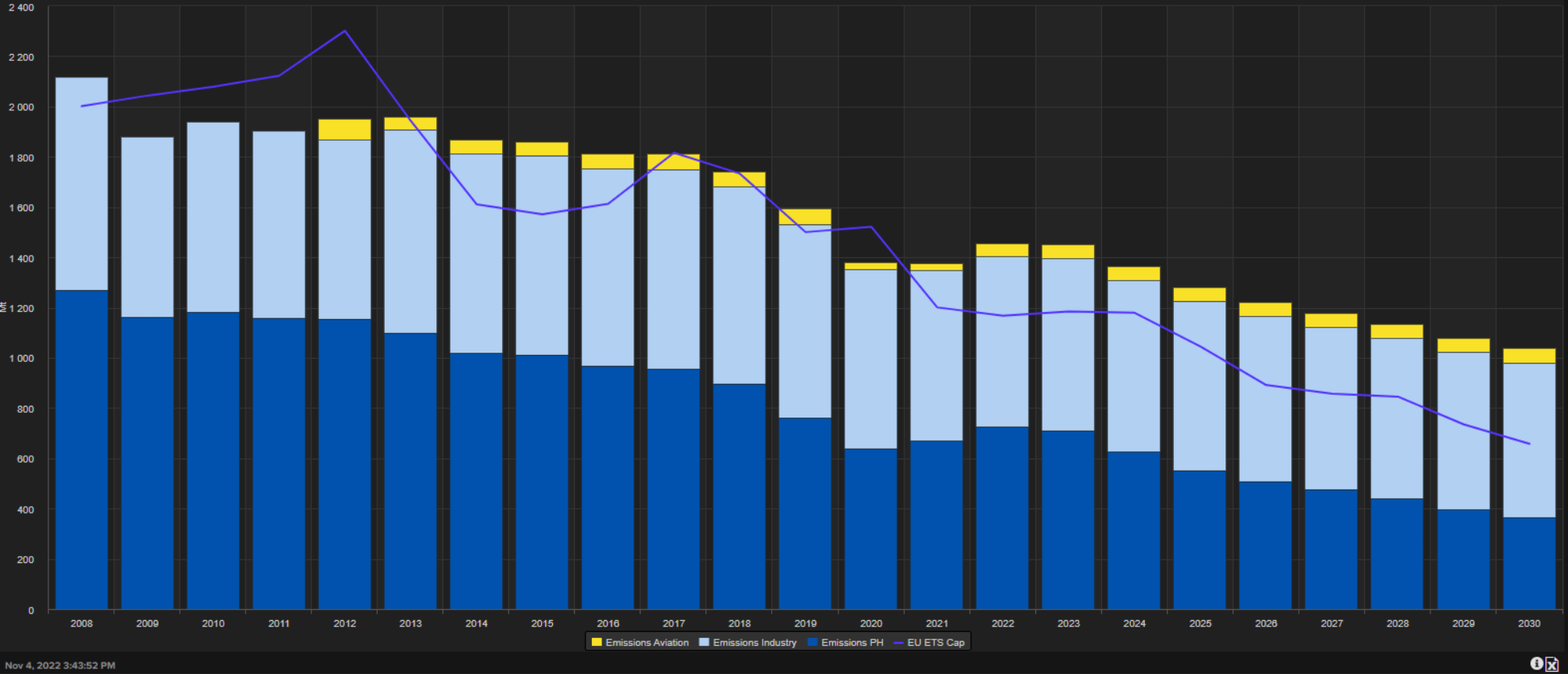
# Emission allowance supply by Refinitiv



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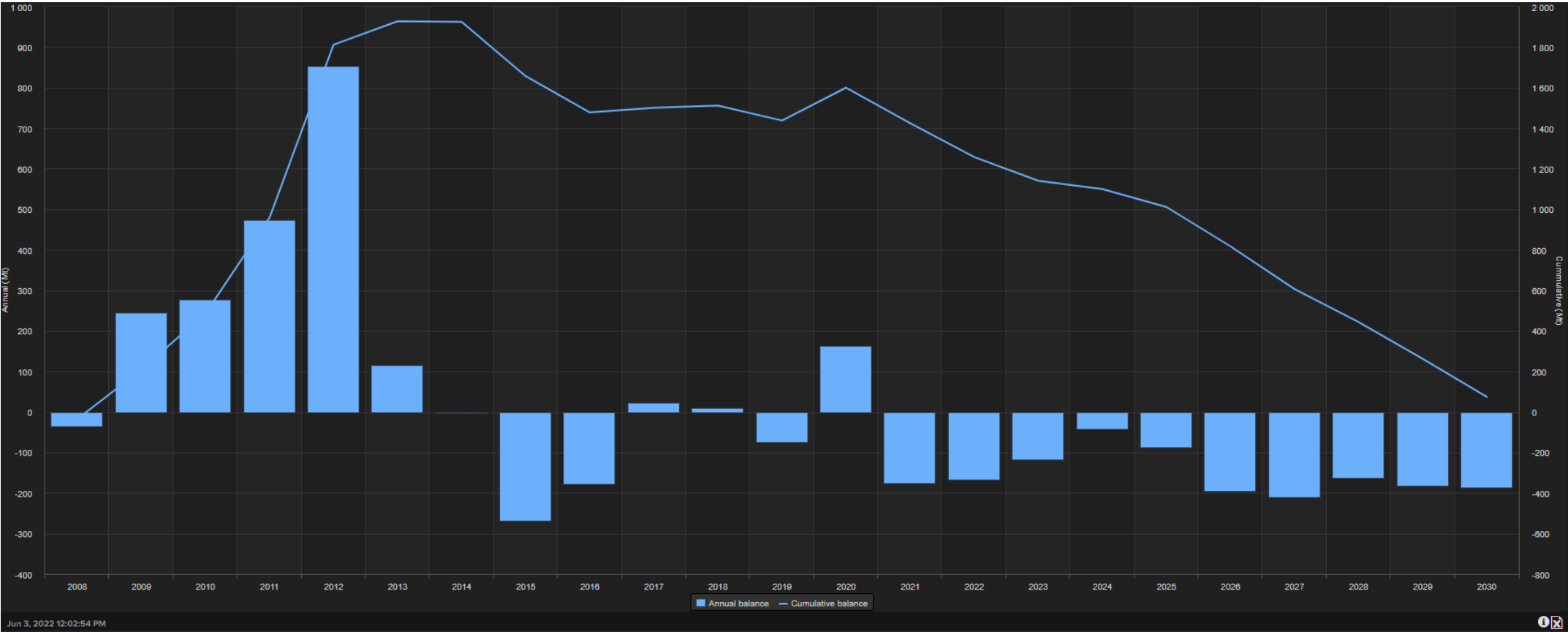


# Demand –Cap balance by Refinitiv



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# Demand –Cap balance by Refinitiv



# Political situation for EUA

- REPowerEU & Other funds funding (Frontloading)
- ETS reform
- MSR reform
- Fitfor55% 2030
- Competitiveness and re-industrialization of Europe?

# Emission allowance: fundamentals followed (beside politics)

- Power & heat production means and amounts
- EUA share of electricity production cost Q1-2023: with high fuel prices
  - Gas fired 10-15 %,
  - Coal fired 40-50 %
- Economic situation in Europe – Industrial demand ~ 50%, share increasing
- Electrification

Source: Refinitiv, EC, International Carbon Action Partnership



# Why EUA forecast will be wrong?

- Trends driven by:
  - Long term (2-5 years) :
    - Level of the Cap and supply to the Auctions (=political decisions)
    - Economical situation and energy mix (EUA demand)
    - Adjustments for the international systems
    - Long-term positions of compliance entities
  - Short term (1-2 months)
    - Rumors or decisions of all the above
    - Short term actualizing supply and demand
    - Non-compliance entity positions + IRR valuations + volatility + timing + trading + sentiment

(Graham 1934) : Short term voting machine, over long-term weighing machine?

# Why EUA forecast will be wrong?

**Example:** “Forecast for economical situation improving 2024”

Bullish:

- Demand will be better, and economy better equipped to bear high prices
- Rise in equities might support prices and possibly further demand will be priced in

But:

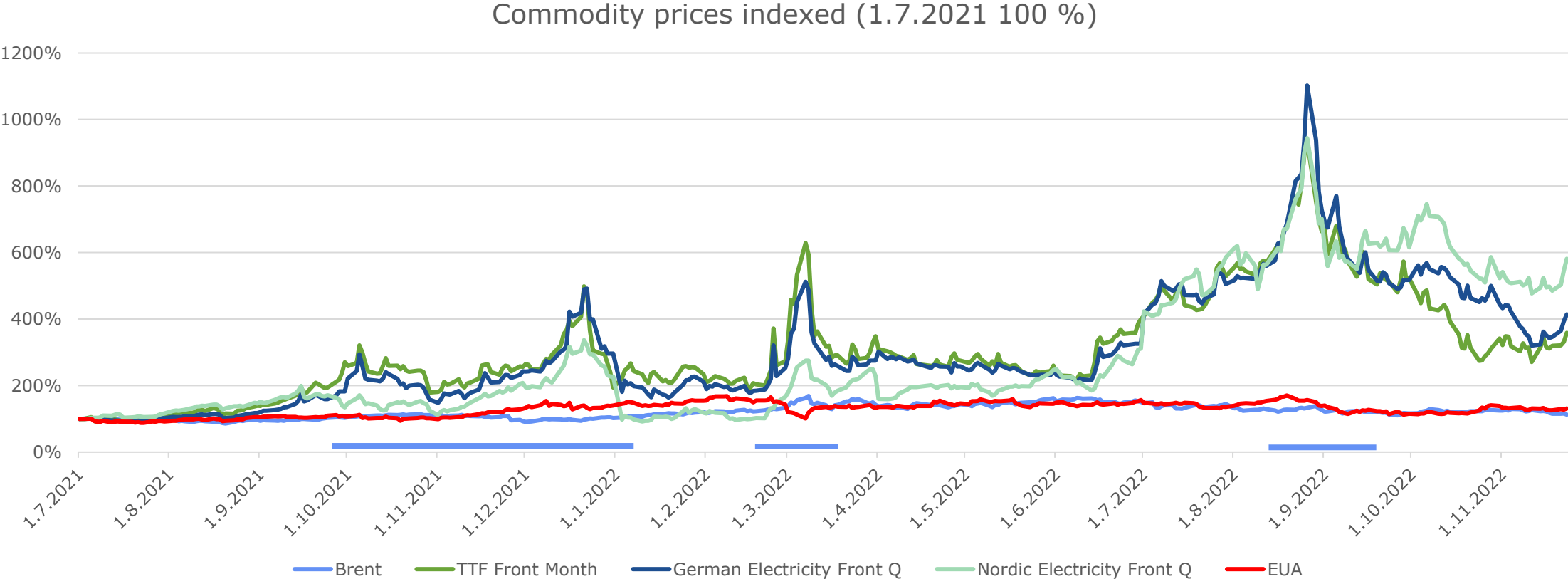
- Why is economical situation improving?
- What will the central banks do: What will be the monetary policy?
- Will this influence supply to auctions / climate targets?
- Will it decrease the demand (For example switch Coal -> Gas)

# EUA Price history 2005-



Source: Refinitiv 29/11/2022

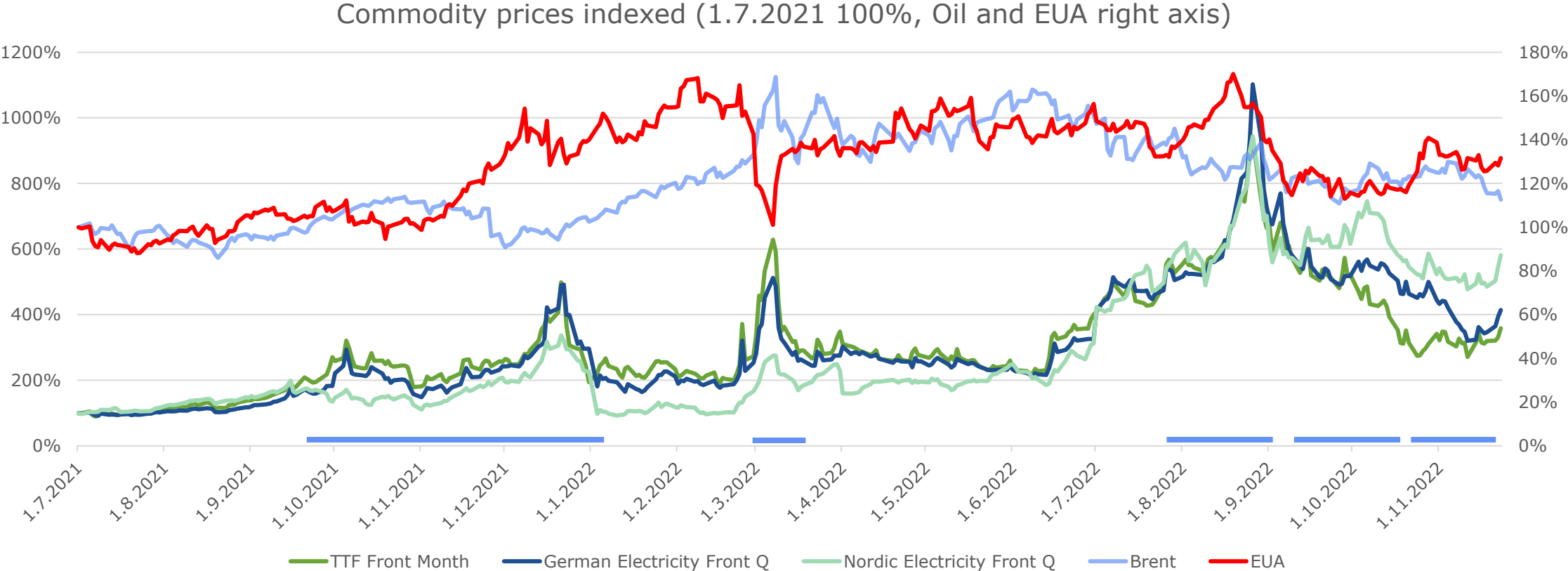
# Few Commodity price developments



Source: ICE ENDEX, EEX, NASDAQ 29/11/2022



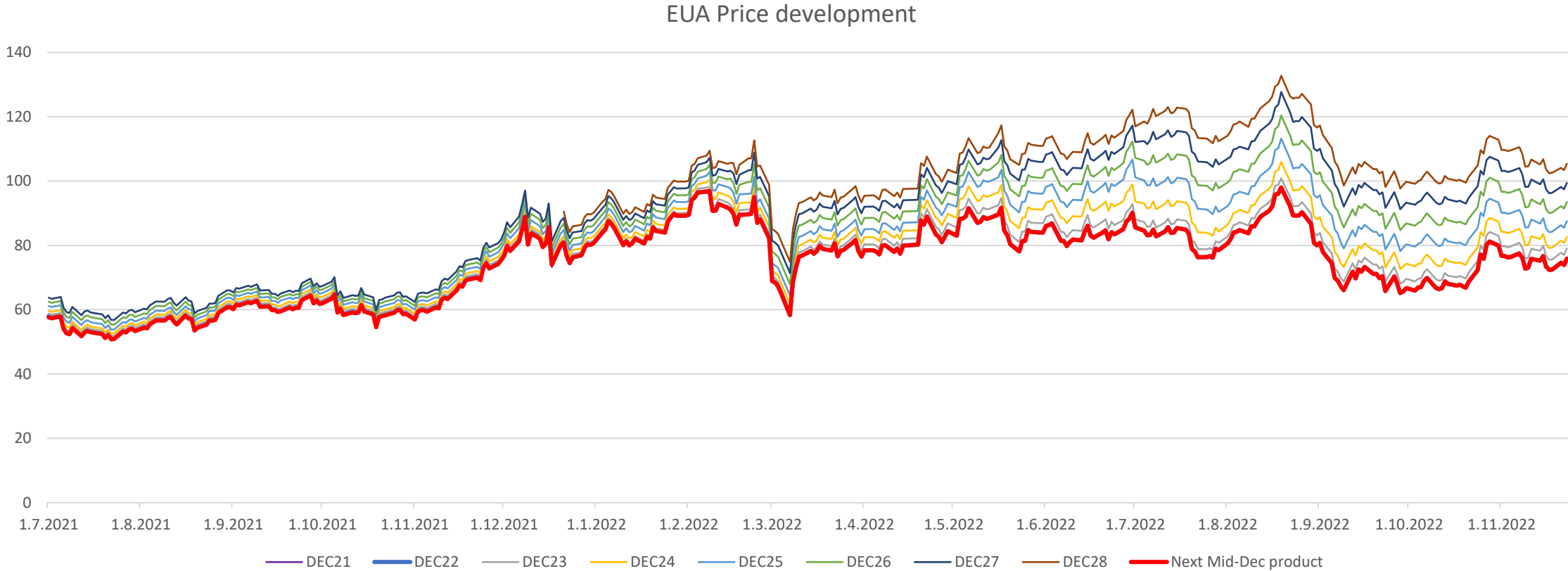
# Few Commodity price developments



Source: ICE ENDEX, EEX, NASDAQ 29/11/2022



# Mid-Dec EUA Price development



Source: ICE ENDEX 29/11/2022



# Price Forward



Source: ICE ENDEX 29/11/2022



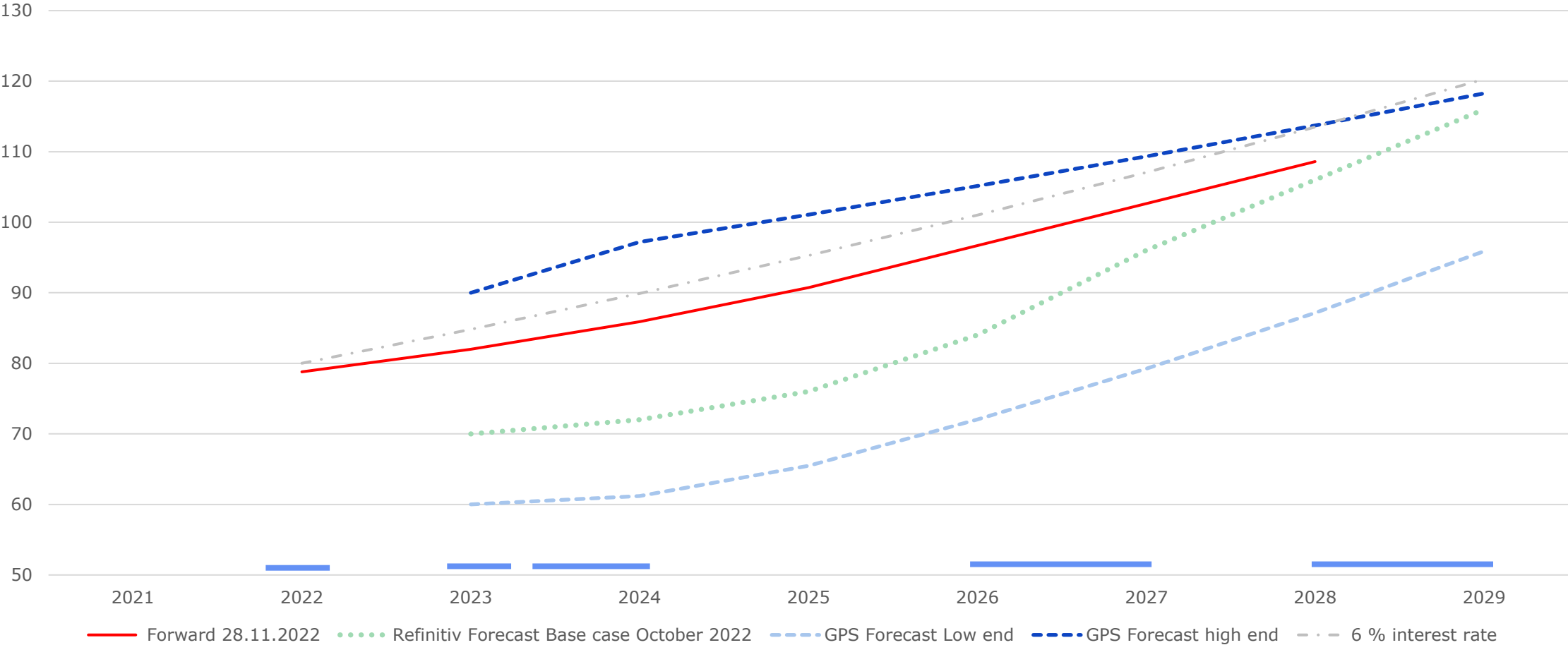
# Indicative IRR for 6 years



Source: ICE ENDEX EUADEC 2028 Future / 2022 Future settlement prices 29/11/2022



# Price Forecasts



Source: ICE, Refinitiv, GPS 29/11/2022

# EUA Price history 2005-



# Thanks!



**Eerik Ekström**

**Market Analyst**

**Gasum Portfolio Services Oy**

**[eerik.ekstrom@gasum.com](mailto:eerik.ekstrom@gasum.com)**

# Gasum