

# Weekly Summary

## LAST WEEK: EUA GAINED MORE THAN 10%

- After hitting 13 euro on Thursday, the bellwether contract has gained 13% over the last week, and 55% from the start of the year.
- Global CO2 emissions increased by 1.4% in 2017, as electricity demand was up by 3.1% and coal use rose by 1%.
- A total of 631.14 million allowances have been distributed, 83% of the total entitlement. Spain (51.47 million allowances) and Italy (46.03 million allowances) made good progress. Finland still hasn't started distributing the allowances yet.
- Electricity sector urged the European Commission to take the necessary steps to prevent overlapping policies from weakening the EU ETS.
- The French President called for a European carbon floor price and a carbon border tax.

EUA Dec18	
Open	11.13
Close	12.61
% w/w	12.89%
Weekly min.	10.89
Weekly max.	13.04
VWA	12.19
Volume	145,278
Open interest	471,331
OI % w/w	-0.49%
CER Dec18	
Open	0.19
Close	0.18
% w/w	-5.26%
Weekly min.	0.19
Weekly max.	0.19
VWA	0.19
Volume	104
Open interest	2,760
OI % w/w	3.9%

Date	Seller	Volume	Clearing Price	Cover ratio	Spot price	Price move
19 Mar 2018	EU	4,213,000	10.96	2.57	10.93	up
20 Mar 2018	EU	4,213,000	11.17	3.53	11.12	up
21 Mar 2018	UK	4,596,500	11.86	1.69	11.84	no change
22 Mar 2018	EU	4,213,000	12.54	2.70	12.50	up
23 Mar 2018	Germany	4,360,000	12.37	1.97	12.41	down

## THIS WEEK: DEADLINE TO REPORT 2017 EMISSIONS EXPIRES

- In four auctions 16.2 million allowances will be offered, 25% less than last week, because there won't be any auction on (Good) Friday.
- **31 March is the deadline for installations to report their 2017 verified emissions. This year, the last day of March is a Saturday and the Friday before is also a holiday in many countries. We therefore suggest to report emissions in the first half of the week.**
- Lower auction volume, compliance purchases and improving profitability of coal fired power plants will support the price this week, despite of it being heavily overbought already. We expect the carbon market to move between 12 and 13.50 euro.
- Please, check Vertis holiday schedule at the following link: <https://vertis.com/en/post/easter-opening-hours-2018>

**Support levels:** 12.00, 11.00, 10.56

**Resistance levels:** 13.04, 13.50

**RSI:** 77



Source: Bloomberg, ICE, Vertis

 Last Week Summary**Policy:**

The consolidated version of the ETS Directive as amended for the post-2020 period has been published in the Official Journal of the EU on Monday. You can find the English version at the following link: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0410&from=EN>

Other language versions can be selected here: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2018.076.01.0003.01.ENG&toc=OJ:L:2018:076:TOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.076.01.0003.01.ENG&toc=OJ:L:2018:076:TOC)

The published version is the same than the one adopted by the plenary of the European Parliament and the Council in February. The amended Directive takes effect 20 days after the publication in the Official Journal of the EU.

The European Federation of Energy Traders (EFET), the Union of the Electricity Industry (eurelectric) and the European Centre of Employers and Enterprises providing Public Services and Services of general interest (CEEP) published a joint statement urging the European Commission and the member states to assess the overlapping policies that will impact the EU ETS in the post-2020 period and most probably weaken the price signal the emissions trading system provides. All three associations welcome the recently adopted post-2020 reforms and would like to keep the EU ETS as the main tool to decarbonize Europe.

You can read the full statement here: <http://www.efet.org/Files/Documents/Emissions%20and%20RES/Emissions%20trading/ETS%20overlapping%20policies%20joint%20statement.pdf>

The European Council invited the Commission to present by the first quarter of 2019 a proposal for a Strategy for long-term EU greenhouse gas emissions reduction in accordance with the Paris Agreement, taking into account the national plans

France's President Emmanuel Macron signalled on Thursday that he will continue to push for an EU carbon price floor that includes a border tariff for non-Paris Agreement signatories, despite the limited support both ideas have received from European partners to date.

Norway's parliament approved the adoption of European Union energy rules on Thursday, over the objections of some centre-left parties, allowing the EU outsider to

remain a full member of EU markets, the leader of the parliament said on Thursday. The centre-right minority government feared that rejecting the EU's Third Energy Package, designed to enhance energy flows and improve regulatory oversight, would put Norway on a slippery slope to a Brexit-like ending of its close EU relations.

**Energy:**

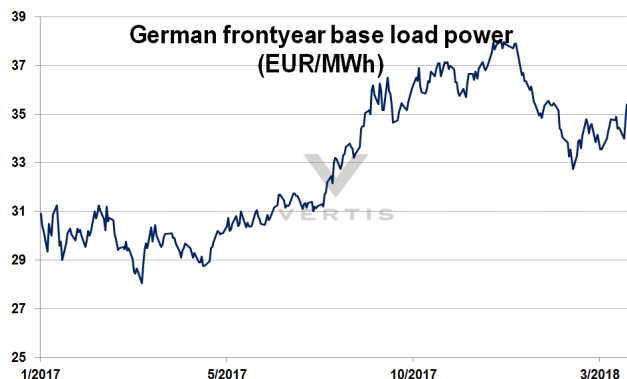
Network operator Tennet, responsible for transmission lines from northern to southern Germany, expects further delays to cable infrastructure deemed crucial to the country's renewable energy plans.

**Macro:**

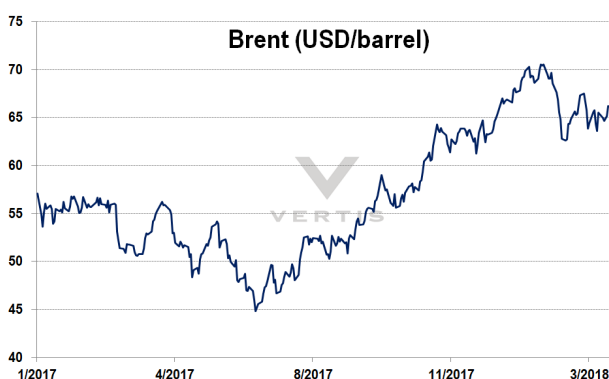
Global equity markets tumbled after US President Trump signed a presidential memorandum that is targeting up to 60 billion USD in Chinese goods with tariffs as this increases the risk of a trade war. China urged the United States on Friday to "pull back from the brink" as President Donald Trump's plans brought the world's two largest economies closer to a trade war. The escalating tensions between Beijing and Washington sent shivers through financial markets as investors foresaw dire consequences for the global economy if trade barriers start going up. US President Donald Trump has temporarily excluded six countries, including Canada and Mexico, and European Union states from higher US import duties on steel and aluminum meant to come into effect last Friday.

As expected, the US Federal Reserve increased the federal funds rate by 25 basis points on Wednesday. Expectations for further raises increased. Market expected the federal funds rate to be at 2.75% by the end of next year, while the forecast now is 3%.

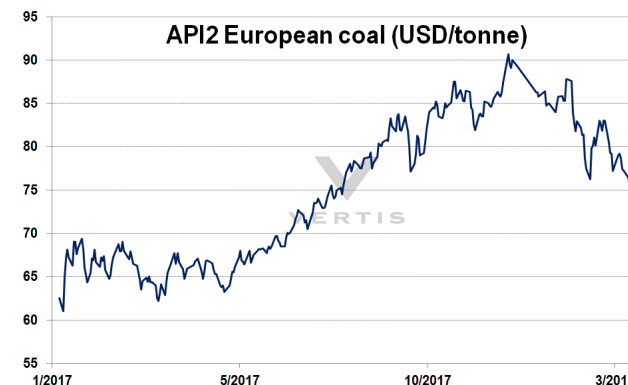
# ⚡ Energy Mix



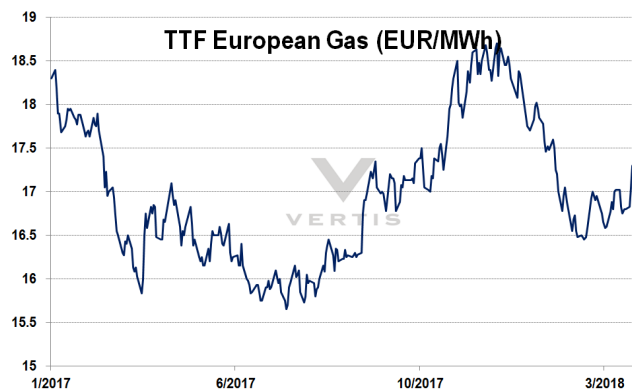
Higher carbon and gas prices and a cold April forecast helped the German benchmark power contract in increasing by 2.9% in a weekly comparison.



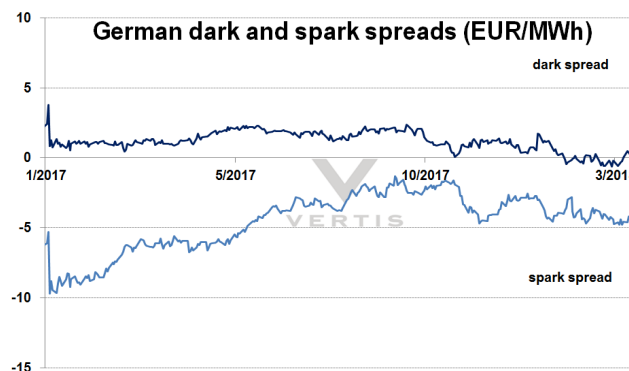
OPEC members will need to continue coordinating with Russia and other non-OPEC oil-producing countries on supply curbs in 2019 to reduce global oil inventories to desired levels, Saudi Arabian Energy Minister Khalid al-Falih said on Thursday. Brent touched 70 USD on Friday and gained 6.4% w/w.



Coal demand in Europe remained “slack” but prices also took their cue from the Asia-Pacific region. The 2019 contract lost 1.5% week on week.

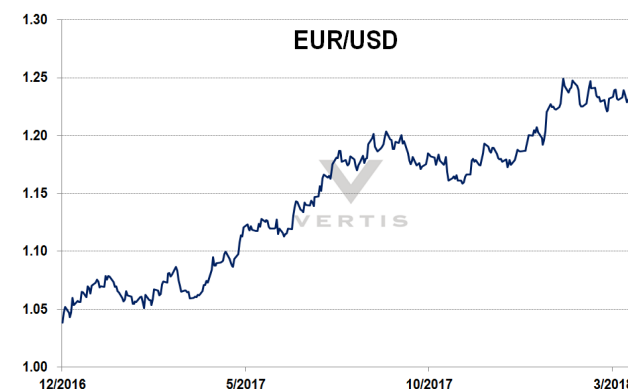


European natural gas traders are bearish for the U.K. summer contract, which expires next week, as more LNG shipments to Europe are seen, according to a weekly poll of 12 traders, brokers and analysts. Last week, however, European prices increased by 2.4% and the UK first season contract gained 1.5%.



Despite the rally in carbon prices, the German dark spread improved as power price jumped and coal fell further-

Higher gas prices, on the other hand, deteriorated the spark spread by 6.4%.



The 25 basis points rate hike by the US Federal Reserve left the greenback rather untouched. As the decision of the Fed was expected and priced in the USD did not strengthen (EUR / USD +0.5% w/w).

## This Week Outlook

### CARBON: DEADLINE TO REPORT 2017 EMISSIONS EXPIRES

Date	Event
26/03/2018 11:00:00	EU auctions 4,213,000 EUAs
27/03/2018 11:00:00	EU auctions 4,213,000 EUAs
27/03/2018	Second trilogue about the Renewable Energy Directive
28/03/2018 11:00:00	Poland auctions 3,547,000 EUAs
29/03/2018 11:00:00	EU auctions 4,213,000 EUAs
30/03/2018 11:00:00	Good Friday - No German EUA auction
<b>31/03/2018</b>	<b>DEADLINE TO REPORT 2017 EMISSIONS</b>

### MACRO: SHORT WEEK POOR IN DATA

Date	Event	Note
28/03/2018 7:00	German Gfk Consumer Climate	Exp. 10.7, Prev. 10.8
28/03/2018 13:30	US Final GDP q/q	Exp. 2.7%, Prev. 2.5%
28/03/2018 15:00	Pending Home Sales	Exp. 2.1%, Prev. -4.7%
28/03/2018 15:30	US Crude Oil Inventories	Exp. m, Prev. -2.6m
29/03/2018 9:30	UK Final GDP q/q	Exp. 0.4%, Prev. 0.4%
29/03/2018 13:30	US Unemployment Change	Exp. 231k, Prev. 229k
<b>30/03/2018</b>	<b>Good Friday - Bank Holiday in many European Countries</b>	

Source: Vertis

## Technical Analysis

The EUA Dec18 had a weak start to the week. It opened with a 3 cents gap down and after hitting briefly a daily maximum at 11.23 euro, it declined continuously in the morning to hit 10.89 euro. The strong auction and compliance buyers helped the price in recovering in the afternoon and it closed at 11.06 euro, a loss of 1% from last Friday's settlement. The traded volume of 16.4 million in the benchmark contract was in line with the March average and above Friday's 14 million.

After opening with a 3 cents gap up on Tuesday, the benchmark carbon contract slipped shortly to a daily minimum at 10.97 euro, but it recovered after the strong auction and reached 11.57 euro. Keeping almost all the gains, the price settled at 11.55 euro (+4.4%).

The front year carbon contract remained unstoppable on Wednesday too. It only hesitated in the morning it jumped to 12.73 euro (and intraday range of 1.27 euro) and finished the day at 12.65 euro, a gain of 9.5%. The traded volume of 43.5 million was more than the double of the March average.

The EUA Dec18 had a strong start to the day on Thursday as it opened with a 4 cents gap up. After hitting 13.04 euro, a level last seen in 2011, the price turned lower and fell back to a daily minimum at 12.27 euro. The price recovered slightly by the end of the day and closed at 12.34 euro, a loss of 2.5% from Wednesday's settlement. The traded volume of 34.5 million remained below Wednesday's 43.5 million, but it was still above the March average of 20.1 million.

Despite the negative global market mood Friday morning, after the US President signed the Decree about the import taxes and risking a trade war with China, the carbon market remained stable. Although the price opened with a 7 cents gap down and the auction was weak, the price recovered and finished the day with a gain of 27 cents (+2.2%).

The benchmark contract remained overbought until the end of the week based on the main technical indicators. The RSI is well above 70, the MACD is moving in uncharted territory and the price trades above the upper Bollinger band. On the other hand, the price does not show any signs of a reversal and the price could continue increasing until the end of the compliance period.

**Vertis Environmental Finance**  
 1124 Budapest, Csörsz utca 45.  
 +36 1 489 1900  
 www.vertis.com

**Bernadett Papp**  
 Senior Market Analyst  
 +36 1 489 1911  
 bernadett.papp@vertis.com

**EnergyRisk**  
**Commodity**  
**Rankings 2018**

**Winner**  
**Emission**  
**Dealer**

## Sales contacts

### Péter Szánthó

Head of Sales—Hungary  
+36 1 489 1903  
peter.szantho@vertis.com

### Zoltán Rácz, dr.

Corporate Trader—Hungary  
+36 1 489 1903  
zoltan.racz@vertis.com

### Verónica Belinchón

Corporate Trader—Spain  
+34 91 123 9008  
veronica.belinchon@vertis.com

### Christian Gordziel

Corporate Trader—Germany  
+32 494 25 38 15  
christian.gordziel@vertis.com

### Emanuel Erdem

Corporate Trader—Germany  
+32 494 25 38 15  
emanuel.erdem@vertis.com

### Tomasz Bujacz

Corporate Trader—Poland  
+48 22 219 5262  
tomasz.bujacz@vertis.com

### Alexandra Härmatis

Corporate Trader  
Sweden, Norway, Denmark  
+46 844 683 979  
alexandra.harmatis@vertis.com

### Inês Alvim

Corporate Trader—Portugal  
+34 91 123 9008  
ines.alvim@vertis.com

### José María García Berrendero

Corporate Trader—Spain  
+34 91 123 9008  
josemaria.garcia@vertis.com

### Guillaume Verger

Corporate Trader—France, Belgium  
+33 9 70 73 68 16  
guillaume.verger@vertis.com

### Mattia Ferracchiato

Corporate Trader—Italy  
+39 02 4070 8040  
mattia.ferracchiato@vertis.com

### Bartosz Wilamowski

Corporate Trader—Poland  
+48 22 219 5262  
bartosz.wilamowski@vertis.com

### Katerina Kolaciova

Corporate Trader—Czech Republic  
+36 1 489 1933  
katerina.kolaciova@vertis.com

### Patrik Petrasek

Corporate Trader—Czech Republic,  
Slovakia  
+36 1 489 1933  
patrik.petrasek@vertis.com

### Alexandra Petrujinschi

Corporate Trader—Romania  
+36 1 489 1900  
alexandra.petrujinschi@vertis.com

### Sebastian Niculescu

Corporate Trader—Romania  
+36 1 489 1900  
sebastian.niculescu@vertis.com

### Tibor Papp

Wholesale Trader  
+36 1 489 1908  
tibor.papp@vertis.com

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