

EUA Market developments



Source: Bloomberg

Exchange-traded carbon products

Period: 1 Apr 2022 – 28 Apr 2022

Ticker	Return	AUM added (millions)
CO2 LN (€)	5.0%	€ 4.5
KEUA (\$)	4.1%	\$-0.8
CARB (\$)	0.3%	\$-6.6
KRBN (\$)	-0.4%	\$-54.5
KCCA (\$)	-3.2%	\$-9.0
CO2 NZ (NZD)	3.8%	\$ 2.6

Source: Bloomberg, retrieved 2nd May 2022

April marks the last month of the annual EU ETS compliance cycle, as companies covered by the EU ETS need to surrender EUAs for their 2021 emissions by 30th April 2022. While historically EUA prices tend to be bullish in April, this year's price action was rangebound, except for a short-term jump during the last week of April.

The publication of the preliminary 2021 emissions data on 1st April brought no surprises, the data suggests that emissions covered by the EU ETS increased by around 7.5% last year. From a fundamental perspective, the ongoing conflict in Ukraine and the resulting high natural gas prices continue to dominate: On the one side, it remains cheaper to burn coal over gas, so that the power sector emissions remain high. In contrast, however, the rising inflation and high commodity prices could result in a slowdown of economic growth and with that emissions, so that market participants see a more mixed picture going forward.

On the regulatory side, the EU "Fit for 55" reform as well as the MSR review advanced in the process: The MSR review was approved by the EU Parliament and is now heading to the EU Council. The "Fit for 55 reform" saw a controversial vote in the Parliament's industry committee, which included an amendment to curb speculative activity in the EU ETS. The leading Environment committee might take this into account when voting in May on its report before the text goes to a full plenary vote..

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Avg million EUAs sold per auction	2.30	2.09	2.38	2.52	2.35	2.47
Avg subscription rate	150%	144%	144%	139%	219%	230%

Source: EU Commission, EEX, SparkChange

EUA Market outlook

The market fundamentals remain mixed: The macro environment creates a higher uncertainty on emissions development. On the other side, the ongoing operation of the Market Stability Reserve (MSR) keeps curbing supply of fresh allowances, so that the market remains tight overall.

May will show some important developments on the regulatory side, with the publication of the MSR withdrawal volumes as of September as well as the EU Parliament's Environment committee's vote on the "Fit for 55" reform.

Events to watch

- 15th May – EU Commission to release updated MSR statistics, including the Auction withdrawal rate as of September 2022
- 16/17th May – EU Parliament's Environment Committee to vote on the Fit for 55 reform

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SparkChange is a provider of specialist carbon investment products and data, enabling investors to achieve both financial returns and positive environmental impact. The company was established by experts in environmental products and capital markets technologies to set a new standard in carbon investing. Our mission is to revolutionise access to carbon. More investors with access means a bigger impact on the environment. That doesn't just change a world of investing. It can change the future of our planet.

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