

GERMAN ENERGY DAY 2023

By Montel



EU ETS: Market overview
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Head of Market Analysis



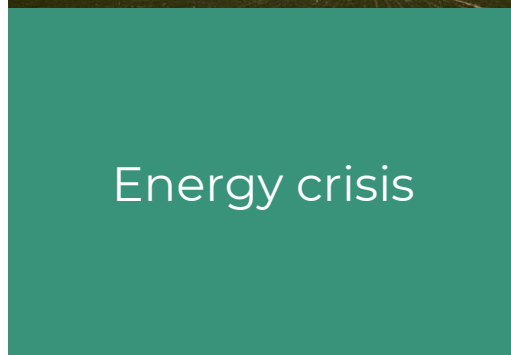
What happened in the last six months?



Ukrainian war



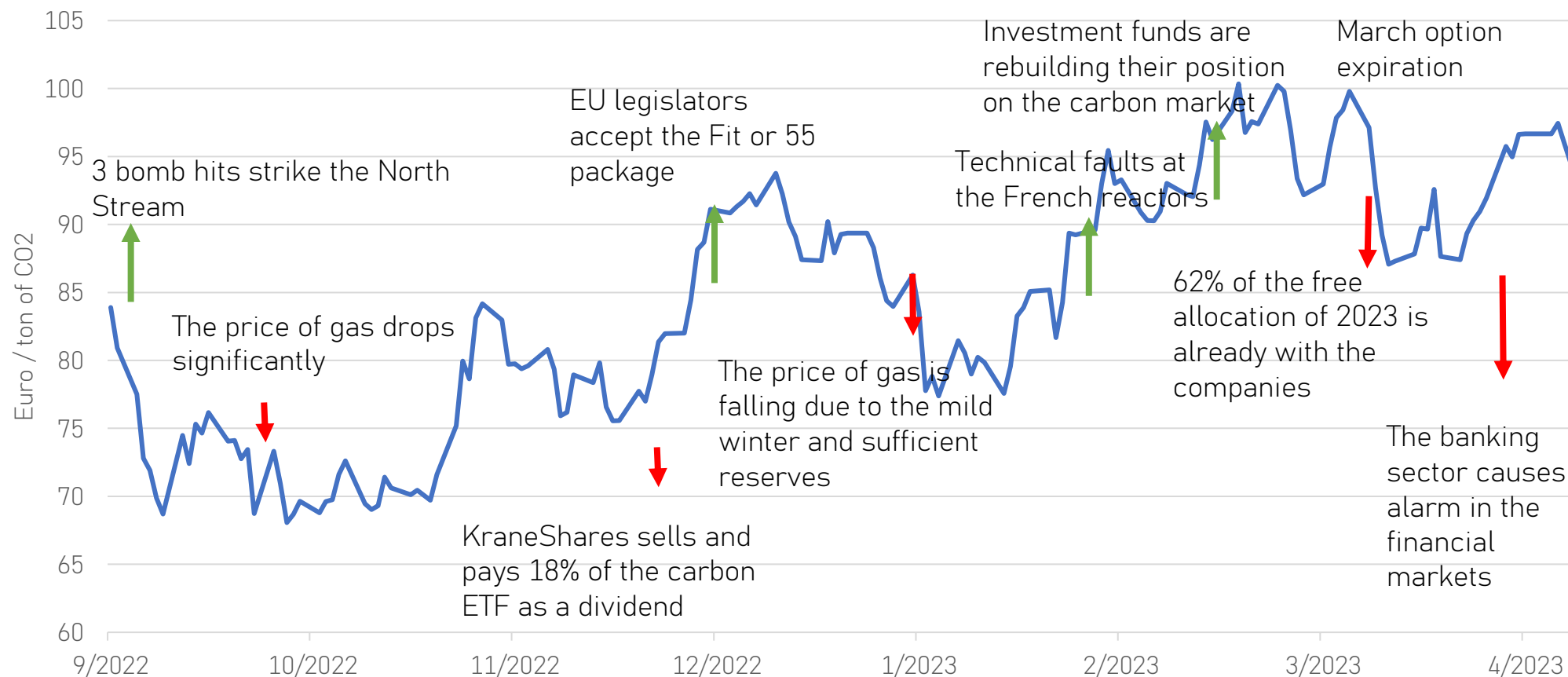
Earthquakes in the banking sector



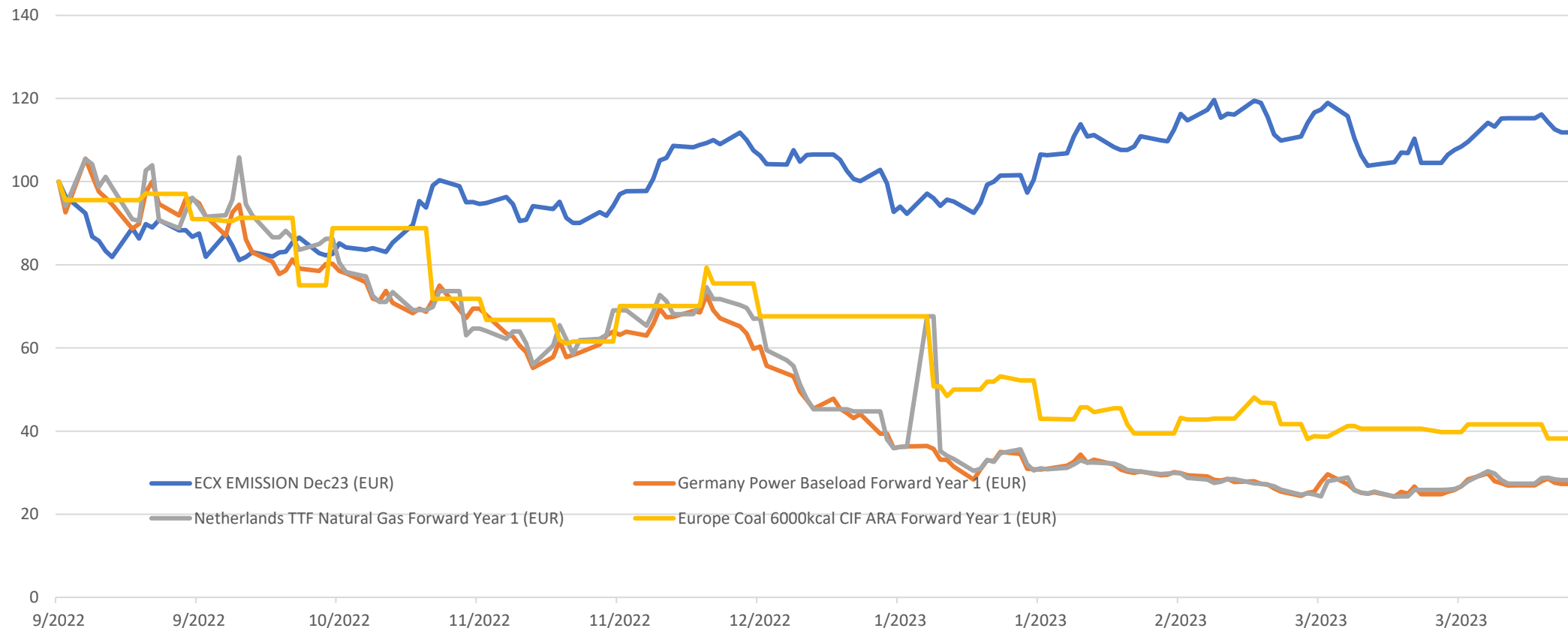
Adoption of reforms



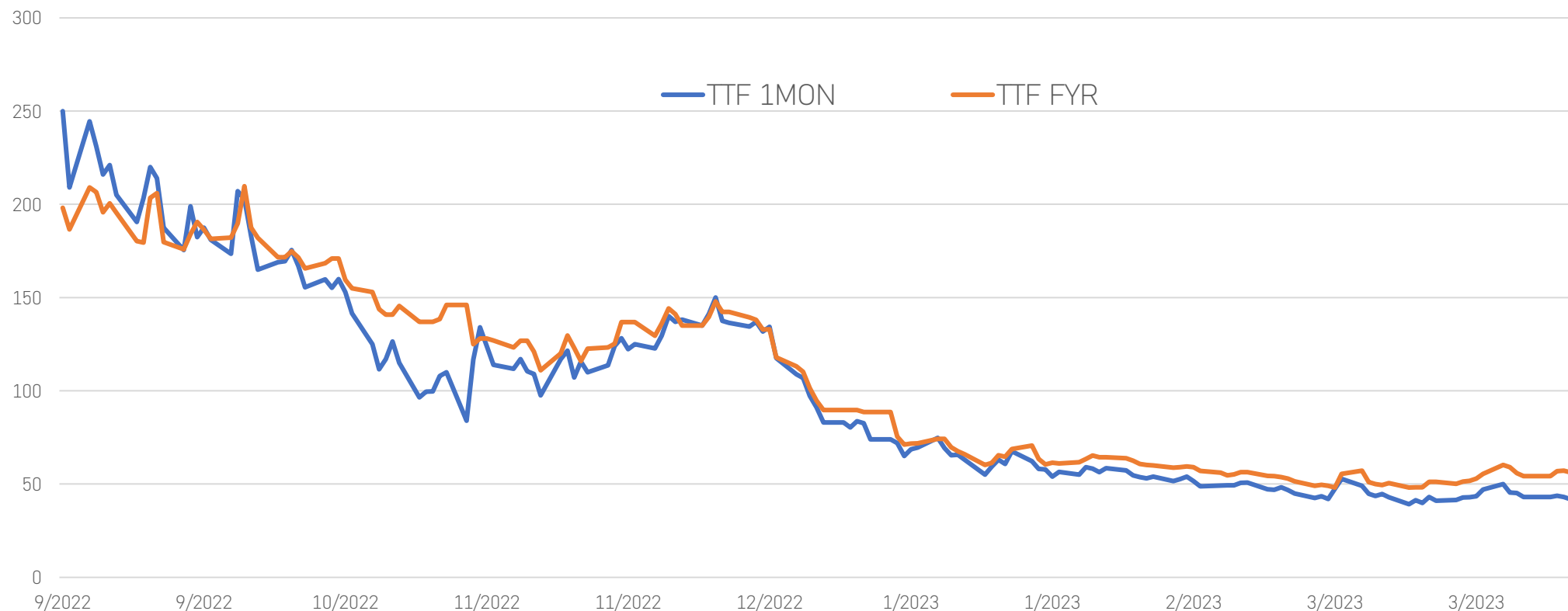
The price evolution of Emission Allowances along the lines of news



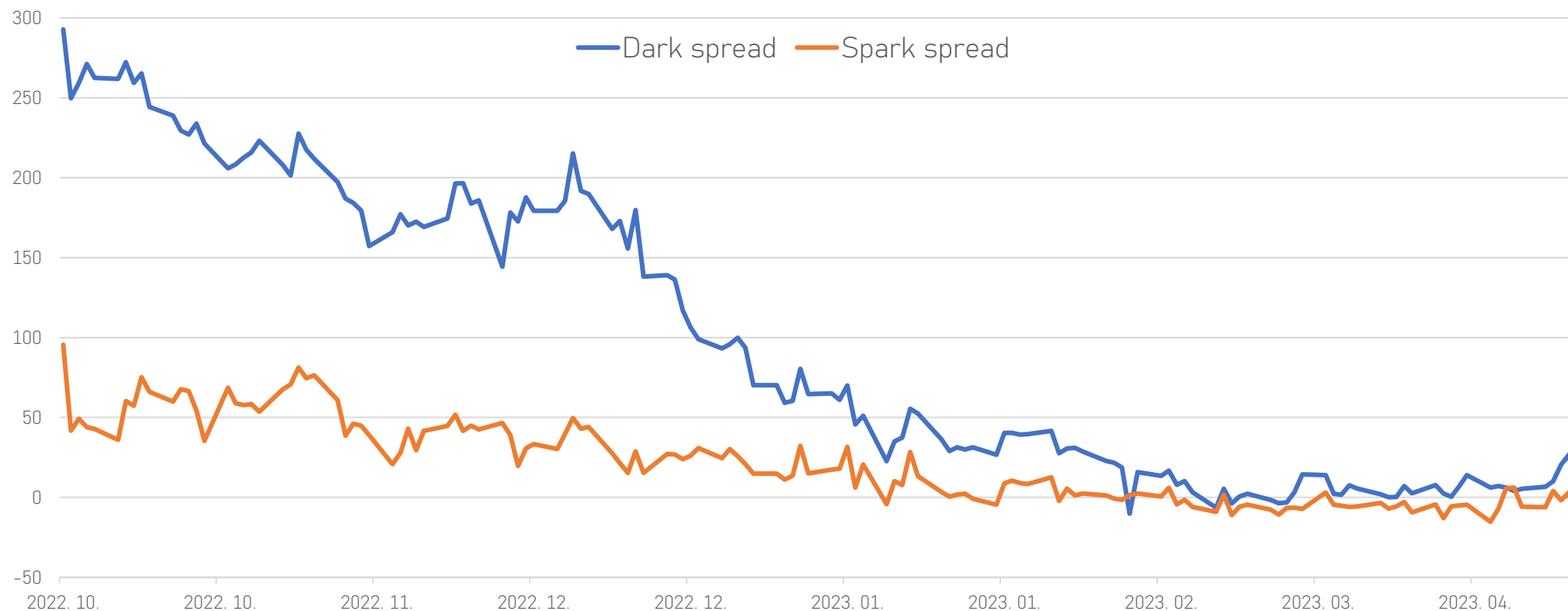
EUA outperforms coal, gas and German electricity



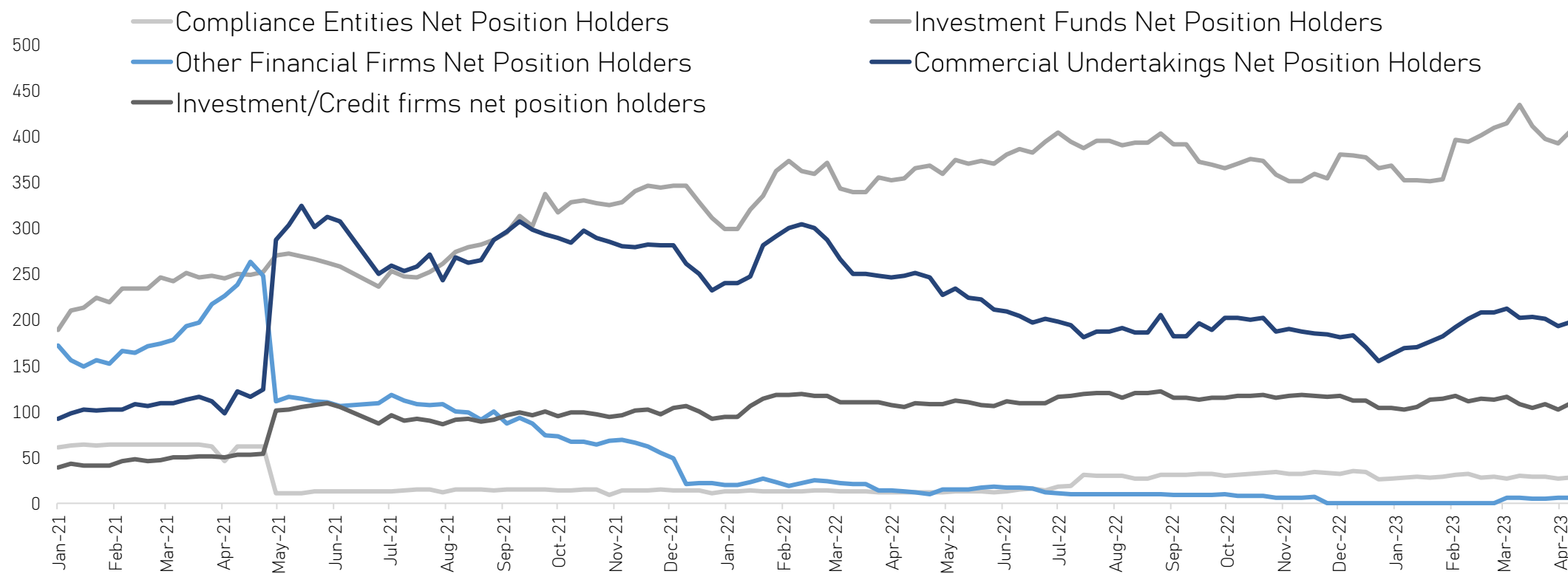
The price of European gas has decreased since September



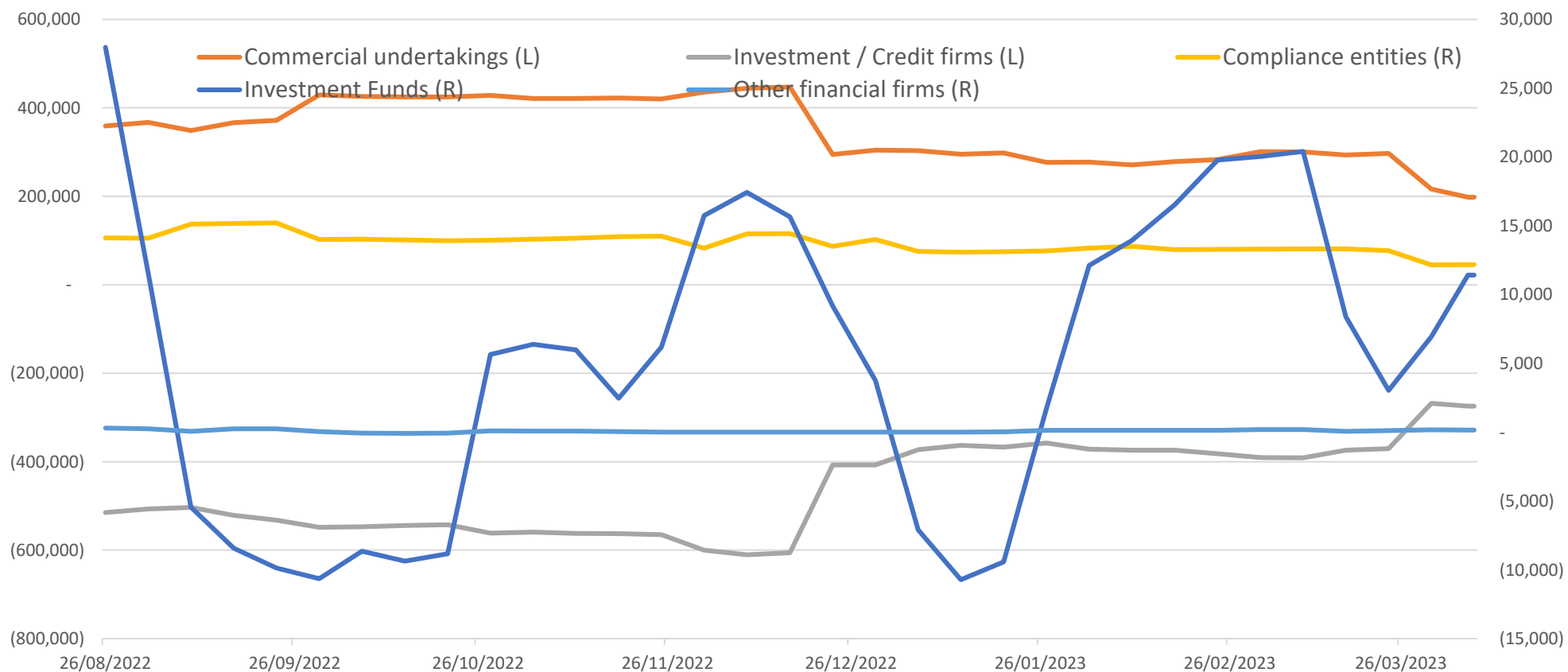
The advantage of German coal-fired power plants has decreased



Market participants with derivative positions



Size of open positions by market participants



EUA Dec23 - seasonality

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
5 Yr Avg	2.21	2.19	3.08	12.03	3.52	9.96	1.03	7.69	-4.20	-4.03	15.35	5.67
2023	10.77	7.30	-7.89	2.08								
2022	10.46	-7.15	-6.48	10.97	.10	6.94	-13.08	2.88	-16.21	19.14	6.27	-4.76
2021	.75	13.51	14.03	15.46	6.03	8.23	-5.46	13.62	1.77	-4.84	28.01	6.56
2020	-3.49	-1.26	-22.52	10.29	8.61	24.71	-1.03	8.07	-7.20	-12.06	21.85	11.09
2019	-11.76	-3.18	-1.39	19.46	-7.61	7.97	7.27	-6.98	-6.03	2.02	-1.54	-2.93
2018	15.07	9.00	31.74	3.97	10.45	1.94	17.43	20.87	6.66	-24.44	22.15	18.39

What changes are expected in the near future?

- ETS cap: regular and occasional reductions
- CBAM
- MSR
- New sectors in the system
- New ETS for buildings and road transport
- Use of ETS revenues

ETS cap

The linear reduction factor (LRF) increases from 2.2% to 4.3% between 2024-2027 and to 4.4% between 2028-2030

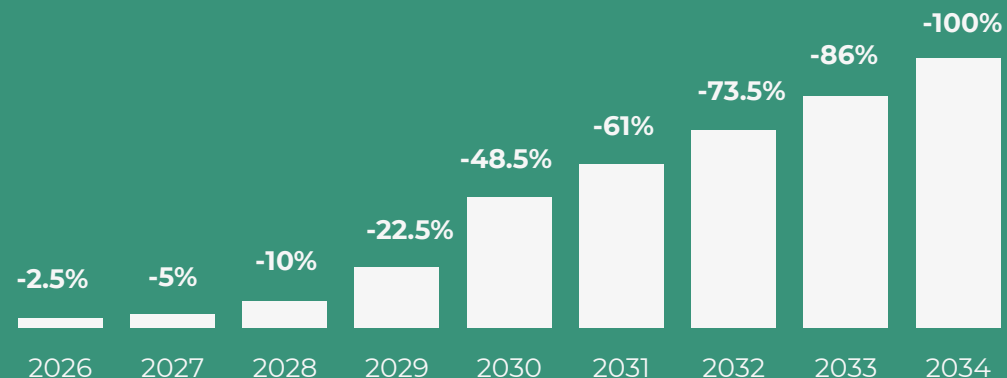


Two one-time reductions ('rebasings'):
90 million EUA in 2024 and
27 million in 2026

Carbon border adjustment mechanism (CBAM)

Affected sectors: cement, aluminum, fertilizer, electricity, hydrogen, iron and steel and some related products (also indirect emissions)

Gradual introduction:
the free EUA allocation is reduced as follows:



MSR

Annual Withdrawal Rate remains

24%

until the end of the trading period (would have been decreased to 12% from 2023)

The reserve can contain a maximum of

400M

 units.

Units above this level will be deleted.

New sectors in the EU ETS



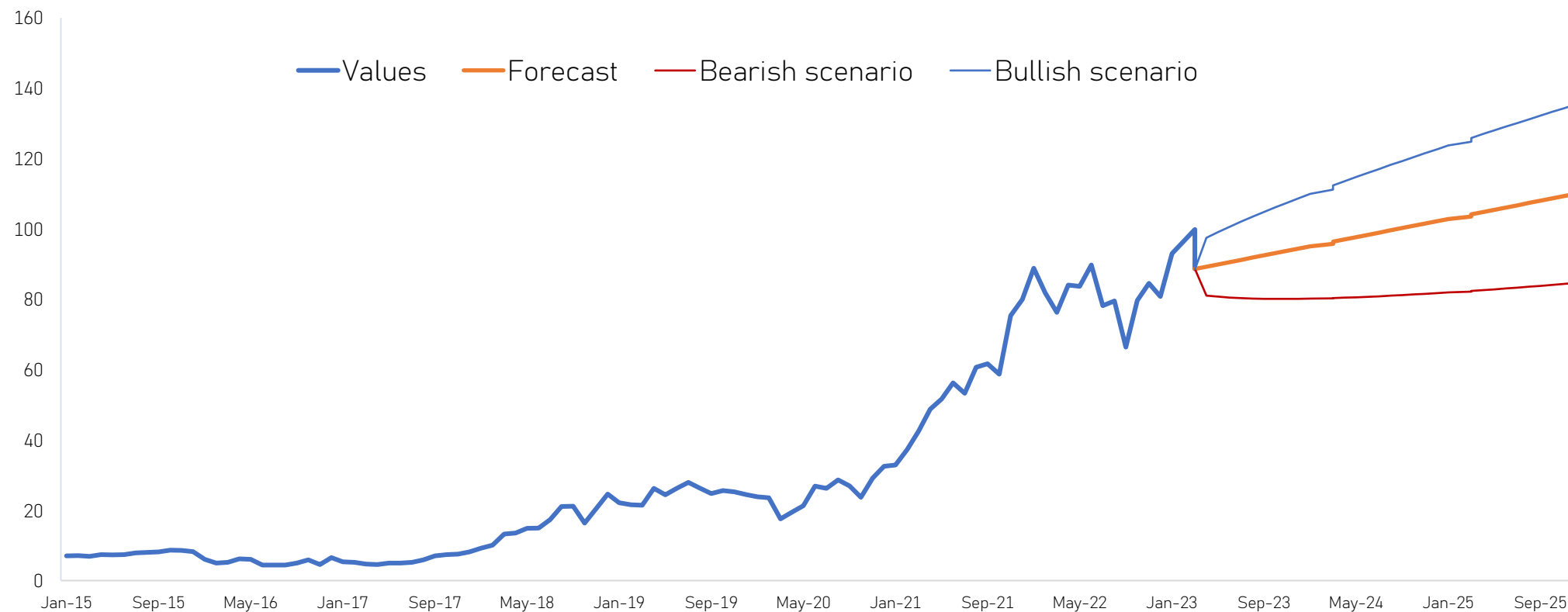
Shipping

- In 2024, only 40% of their emissions need to be covered by allowances. By 2026, this will increase to 100%.
- They don't get a free allocations

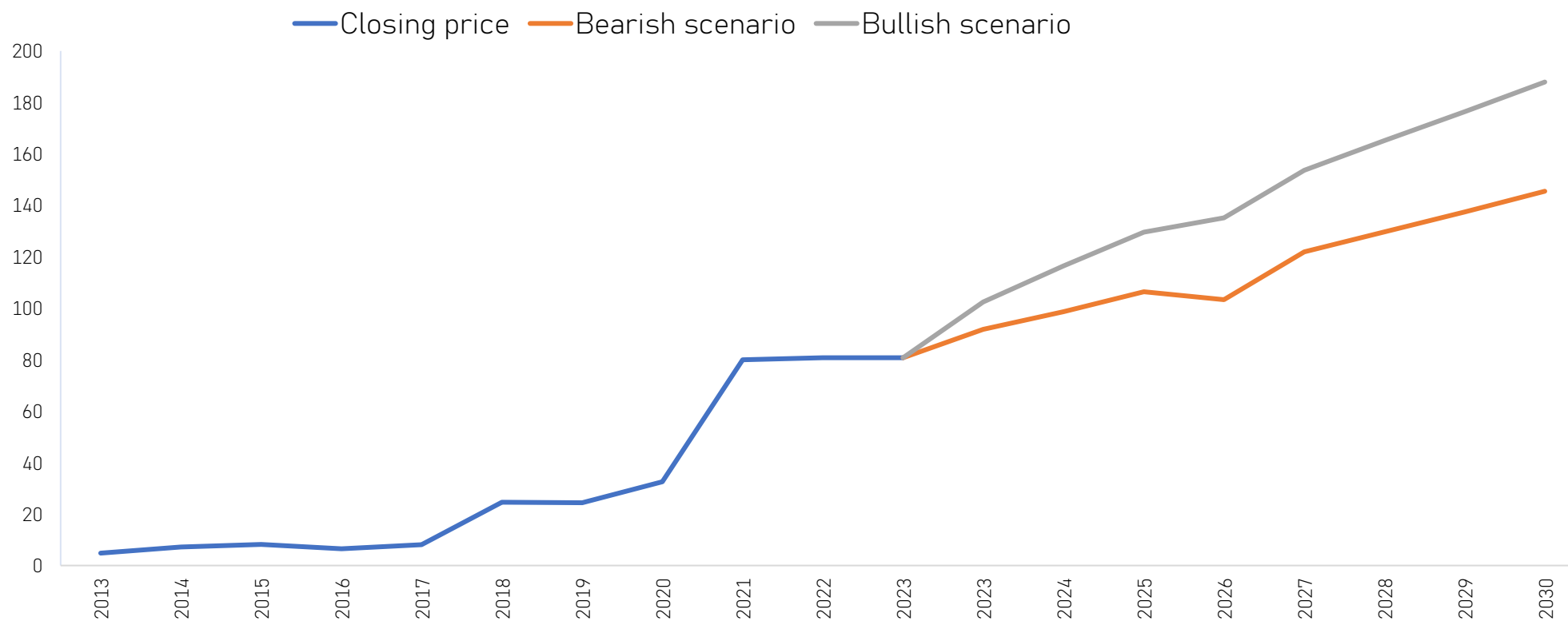
Incineration plants

- By the end of 2026, the Commission will assess whether municipal waste incinerators should be included in the system from 2028

EUA short- and medium-term price forecast



EUA long-term price forecast





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