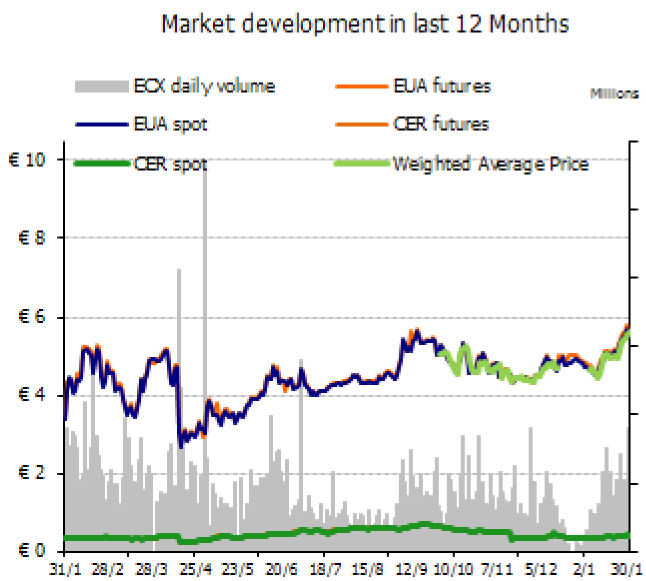
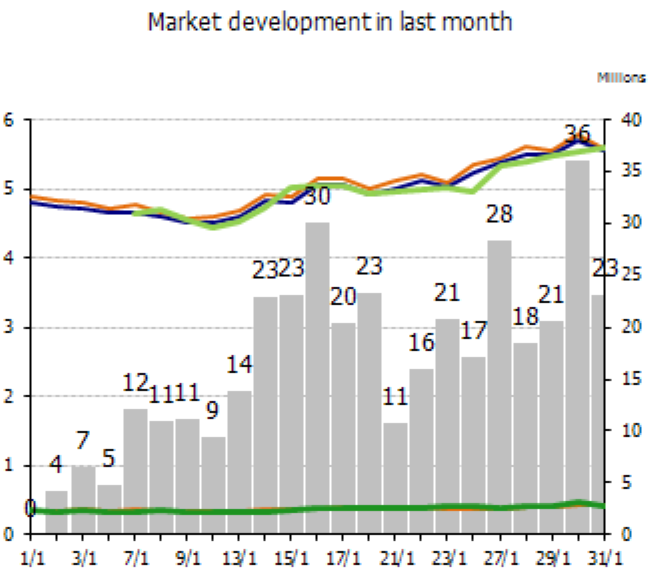
PRAVDA CAPITAL PARTNERS AG

Monthly: January and the beginning of February was the month of expectation of backloading andemissions were up. Month to month, EUA and CER gained 14.2% and 11.1% respectively in January. On Feb. 6, when the EU parliament approved to "fast track" of "backloading", EUA closed at € 6.45 adding additional 16%. On Jan 30, EUA closed at € 5.55, CERs at € 0.40.





SPOT							FUTURE						
	Dec close	Jan close	closing %	max	min	volatility %		Dec close	Jan close	closing %	max	min	volatility %
EUA	4.86	5.55	14.2%	5.70	4.50	27%	EUA	4.95	5.59	12.9%	5.78	4.58	26%
CER	0.36	0.40	11.1%	0.46	0.34	35%	CER	0.34	0.43	26.5%	0.43	0.33	30%

Měsíční objem na aukcích byl 58.4 milionů tun. Monthly volume at the auctions was 58.4 million tons.

Monthly Commentary: We were waiting with this monthly report for the approval of fast tracking of the backloading. It was approved as the EU parliament fractions did not manage stop to block the fast tracking of the backloading. **This means, the EU Commision can begin removal of the** 400 million tons from the EUA auction pipeline in 2014 **after the ministers approve the fast track on Feb 24**. (If you are tired of all these approvals, you are not alone- this is why most professionals admit the system is not functional). We can only reiterate our thought from December monthly that this may cause temporary buoyancy to the market not going as high as some say (the most optimistic prediction was some €14 in 2015) and then return to levels of today or lower. This is because oversupply now at 2 000 million will be reduced only temporarily to some 1100, and then will return to its original level of 2 000 (after the 900 million is returned) by the year 2020. That is why the EUA should return down as well. All this is true unless some deeper changes are implemented by 2015.

On Feb. 22, the EU commission released the 2030 climate and energy goals (here).The relevant points for emissions are the following: (1) The emissions targets were lowered to 40% below reference levels in 1990. The EU will debate in the parliament, whether the EU should commit to these targets at the global climate negotiations in 2015. This is an extension of the goal of 20% by 2020 and (2) by 2021, EU will implement "market stability reserve" which would remove surplus of allowance from the market. Our interpretation is that the target is not as strong as it seems as 2 000 million surplus will be carried beyond 2020 period. Some analyst (here) have estimated that the real target is weakened by this surplus to some 33% reduction by 2030 which suggests more or less balanced market. Overall, it seems the market could begin functioning after 2020 when these two measures are implemented. Until that time our conclusion remains: Current prices above 6.00 seem like a good midterm selling opportunity for those who are oversupplied.

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Our mailing address is:
Pravda Capital Trading, s.r.o.
Opletalova 1417/25
Praha 1 110 00
Czech Republic

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