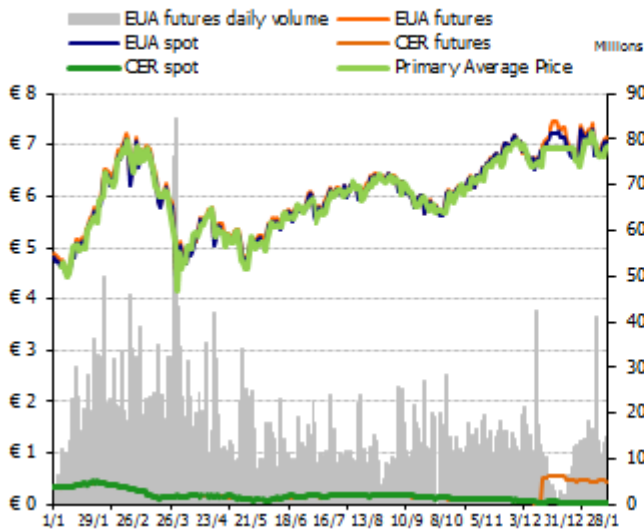
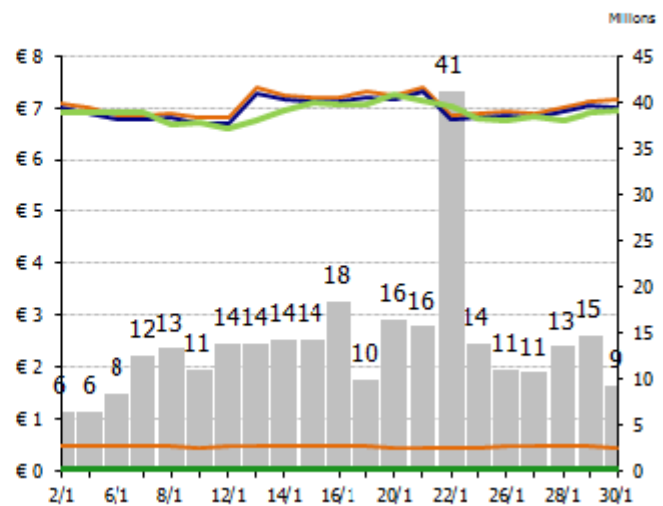


**Monthly: During January 2015 EUA price fell 1.7% to € 7.02 mainly due to the failed vote in Industrial Committee of the EU Parliament. Politics once again overrides fundament: Coal down (EUA should be up), politics down therefore EUA down. CER closed unchanged at € 0.04 on January 30<sup>th</sup>.**

Market development in last 12 Months



Market development in last month



	SPOT						FUTURE						
	Dec close	Jan close	closing %	max	min	volatility %		Dec close	Jan close	closing %	max	min	volatility %
<b>EUA</b>	7.14	7.02	-1.7%	7.30	6.71	9%	<b>EUA</b>	7.34	7.15	-2.6%	7.41	6.80	9%
<b>CER</b>	0.04	0.04	0.0%	0.04	0.03	33%	<b>CER</b>	0.54	0.45	-16.7%	0.54	0.45	20%

Měsíční objem na aukcích byl 44.8 milionů tun. Monthly volume at the auctions was 44.8 million tons.

Commentary: In the beginning of the new year, the European allowances continued to be heavily determined by regulatory issues. The price swings in January were significant, confirming our thesis that EUA remains volatile and very risky financial instrument.

This feature is illustrated by EUA jumping over 8% on 16<sup>th</sup> of January, its highest daily gain since September 2013, when Industrial Committee of European Parliament (ITRE) issued proposal setting MSR starting date to 2019. However, in the end of the Committee session 22<sup>nd</sup> January the entire proposal was refused in the ITRE as an opposing majority was formed by a MSR opponent Theresa Griffin (socialist) together with members from U.K. Independence party. The price fell 7% back under € 7 on surged volume (almost 4 times the three-month average).

It is important to say that ITRE does not have the power to veto the draft in the European Parliament. It is allowed to advise the Environmental Committee (ENVI) thus only expressing its opinion. This currently means that MSR friendly ENVI will be voting on the measure on its own without any recommendation (will do so 24<sup>th</sup> February). So the EUA is responding to the non-binding advisory vote by 7-8% movement! Imagine what may happen on a

binding vote day!

Contrary to the politics (which seems to be the main driver of the current EUA bull market), the falling energy and commodity prices didn't provide much support to the allowances: alongside oil, coal is in a bear trend since September 2014 falling under \$ 60 per ton in the end of the month; German year-ahead electricity fell to € 32 per MWh on 30th January. In such a commodity-hostile environment, one would expect negative impact on allowances, however, cheap coal was historically a bullish signal for EUA, because when coal is cheap, it is more competitive and utilities need more EUA to burn such coal at the expense of gas. Most likely, if coal and oil did not go down so much, EUA would drop even more than it did.

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