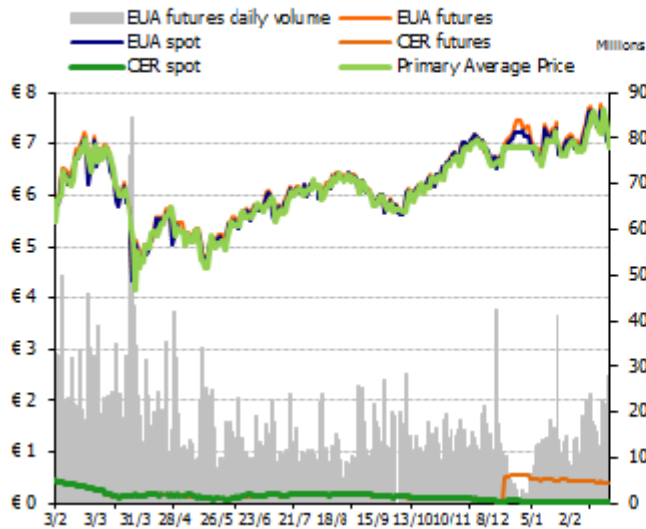
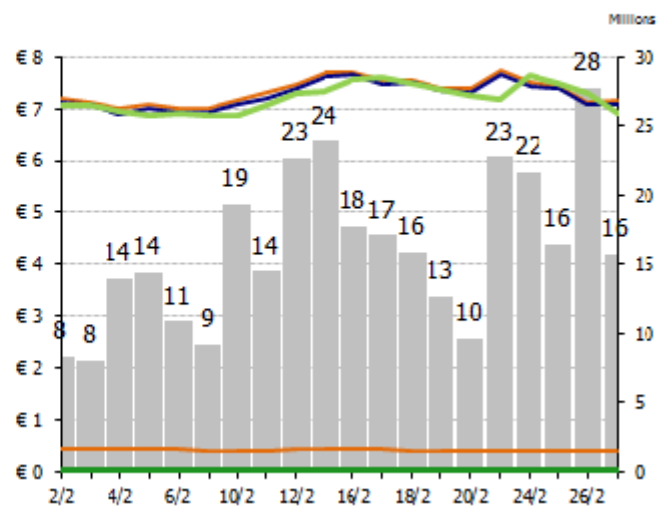


Monthly: In February 2015 **EUA advanced 0.9% to € 7.09** as Environmental Committee successfully approved MSR draft. **CER lost 50% and closed at € 0.02 on February 27th**.

Market development in last 12 Months



Market development in last month



	SPOT						FUTURE						
	Jan close	Feb close	closing %	max	min	volatility %	Jan close	Feb close	closing %	max	min	volatility %	
EUA	7.02	7.08	0.9%	7.67	6.91	11%	EUA	7.15	7.15	0.0%	7.76	6.99	11%
CER	0.04	0.02	-50.0%	0.04	0.02	100%	CER	0.45	0.40	-11.1%	0.45	0.40	13%

Měsíční objem na aukcích byl 47.8 milionů tun. Monthly volume at the auctions was 47.8 million tons.

Commentary: Politics stayed in focus. On 24th February, the Environment Committee of the EU Parliament (ENVI) voted to approve a compromise on the proposed Market Stability Reserve (MSR) and thus confirmed devotion to carbon market reform from the side of lawmakers.

The approved measure was agreed by a strong majority of 57 to 10 MPs and included following conditions:

1. MSR will start “by the end of 2018”, without further specification.
2. Previously backloaded allowances will be transferred directly into MSR, so there won't be any glut by the end of the decade when these were supposed to flood the market.
3. 300 mil. of allowances will be auctioned by 2025 and the proceeds used for the innovation fund in support of low-carbon technologies.

The carbon market appreciated namely the earlier starting date that it was hoping for and the fact that backloaded allowances won't be released to auctions; a little disappointment was lack of specification as for the launch date.

Strong support for the measure in ENVI means that reporting MP Ivo Belet might begin so-called dialogue

discussions with the EU Council without having to submit the draft to the plenary of the Parliament. This could speed up the whole legislation process. However, a lot more negotiation is expected as some countries hold even bolder stance (Germany hoping for 2017 start) whereas others remain skeptical (Poland and other eastern countries sticking to originally proposed 2021 starting date). Indeed, the price in the end of the month landed back to € 7 due to Polish threat to water down MSR and speculation that blocking majority in Council has been formed.

In line with recent development, we generally think the market is already pricing in the earlier implementation of MSR and thus we are inclined to see more of a downside if Polish manage to block the vote.

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