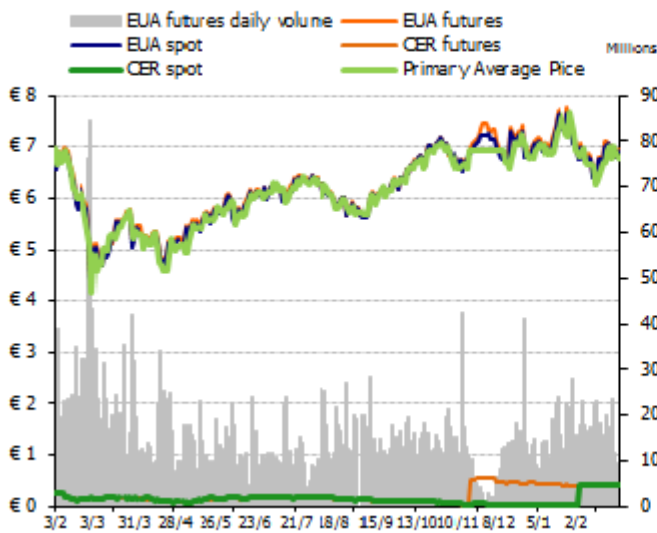
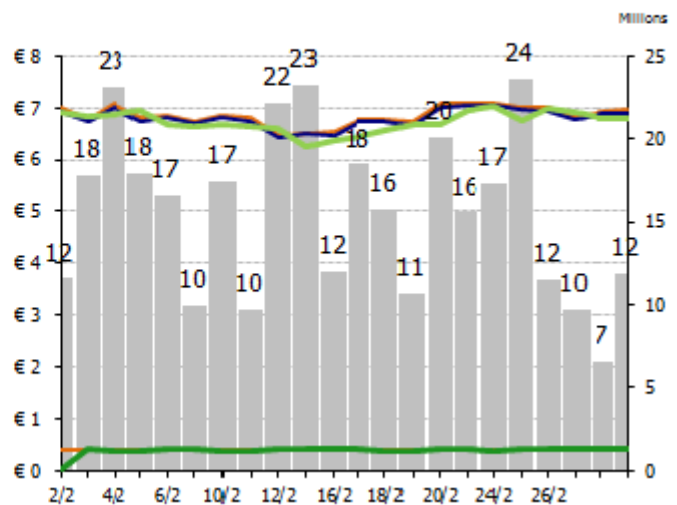


Monthly: In March EUA declined 2.4% to € 6.91 as a blocking minority led by Poland managed to postpone starting date of Market Stability Reserve (MSR) in European Council. CER is now quoted only as Phase 2 at € 0.43 on March 31th (Phase 1 CER previously priced as little as € 0.05 went void 1st April 2015).

Market development in last 12 Months



Market development in last month



	SPOT						FUTURE						
	Feb close	Mar close	closing %	max	min	volatility %	Feb close	Mar close	closing %	max	min	volatility %	
EUA	7.08	6.91	-2.4%	7.05	6.42	10%	EUA	7.15	6.97	-2.5%	7.09	6.46	10%
CER	0.02	0.43	2050.0%	0.43	0.02	2050%	CER	0.40	0.43	7.5%	0.43	0.39	10%

Měsíční objem na aukcích byl 56.5 milionů tun. Monthly volume at the auctions was 56.5 million tons.

Commentary:

March ended in red for EUA. Early in the beginning of the month, Poland's prime minister backed by seven more states (Bulgaria, Croatia, the Czech Republic, Cyprus, Hungary, Lithuania and Romania) officially turned to the European Commission asking to follow the original Commission proposal that included 2021 MSR start and no backloaded allowances transfer into the reserve. We have long warned that such a blocking coalition can be assembled as the "core" opposing countries formed mainly around eastern European coal consumers can attract some opportunity "non-core" countries.

In the end, the Polish were only partially successful: official new Latvian draft (Latvia is currently EU's presiding country) proposal assumes start of MSR in 2021 and transfer of backloaded allowances into MSR. Still, the existence of blocking minority means that pro-MSR countries will have to pull back and offer much more in exchange for passing the bill (In its previous plan, Latvia sought nations' approval for a start of the fix "no later

than 2021,” a wording that could enable an earlier introduction but was objected to by the Poland-led alliance).

Beyond EU borders, the world is preparing for the important Parisian climate change conference to be held in autumn. Nations have had set themselves 31st March as the deadline for submitting climate change “Intended Nationally Determined Contributions” plans.

Good news is that in addition to EU, Mexico, Norway, Switzerland, and United States have announced their CO2 emissions target and pledged to 26-28% reduction by 2025 relative to 2005 level. The bad news is that a number of the biggest carbon polluters, such as China, Brazil, India, Indonesia or Japan had not submitted their commitments (deadline was only indicative) and are not expected to announce them until October. EU had previously agreed to cut its emissions by 40% by 2030 relative to 1990 levels – much more ambitious target than US on comparable 2005 basis. China pledged not to raise emissions above 2030 level in 2014. We will be mapping the commitments of the remaining countries as they become announced.

Energy: Coal API2 contract is trading below \$ 59 and making new lows, which should help to spur the demand for for EUA and thus its price. The reason for weak coal prices is weak Chinese data (Chinese imports on 4 year minimum).

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