

**Emissions markets both close higher despite large speculative short positions and energy complex declines; Storm Debi due to bring high winds to UK and parts of Europe**

**Short position covering likely to be the key to any upside in the EUA price as funds amass 30Mt net short position; high wind output to offset chilly temperatures in central Europe. Our outlook: Neutral-Bearish (but short covering/squeeze a big upside risk)**

- EUAs closed the week at €78.50; 1.3% higher, trading in a €4.02 range (vs. €4.76 last week). A weak start saw EUAs retreat to a fresh 12-month low at €74.84 in early trade on Wednesday. However, profit taking precipitated a sharp reversal on Thursday, propelling prices back up to €77.69. The gains extended further on Friday, hitting the week's high at €78.86.
- Intraday average volatility down slightly to €2.07 (vs €2.26 last week).
- Weather: Week starts with temperatures above seasonal norms and high winds in Central Europe, but chilly temperatures expected to bite from mid-week with parts of Europe reaching sub-zero on Thursday.
- Gas inventories remain near 100%. Supply outlook remains strong.
- Europe further builds on LNG inventories, now at 72% (up again from 67%).
- Commitment of Traders report (COT) last week showed investment funds net short positions hit a record 29.9 Mt (up from 22 Mt the previous week).
- Next technical levels below are at €76.15, €74.84 and €73.74. Resistance levels on watch above are at €79.74, €81.03 and €86.60.
- Data: EUAA auction on Wednesday. EU inflation data out on Friday.
- For daily carbon market updates [sign up for the DailyRed here](#)

**UKAs surge 18.3% on short covering, amplified by lower RE output and lack of auction supply; week of mild weather ahead paired with extreme winds; UKA auction returns. Our outlook: Neutral-Bearish**

- UKAs closed the week at £44.70, up a sizeable £6.90 (+18.3%). After finding a bottom at £36.34 in the previous week, UKAs posted five days of gains; reaching a high of £45 on Friday. Intraday volatility jumped to £2.67 (vs £1.66 the week before) within a wide trading range of £7.72 (vs £3.41).
- UK gas storage back at 100% of capacity (vs. 99% previous week), while wind generation retreated to 29.2% (vs. 35% previously). Storm Debi expected to bring very high wind generation levels to the UK this week.
- The weekly average spread between UKAs and EUAs narrowed 17.5%: -€28.80 (vs -€34.84 last week) – see third chart.
- Data: GDP and manufacturing data mixed – GDP flat but 0.1% better than expected, while manufacturing was up slightly. UKA auction on Wednesday.
- £41.37, £39.75, and £36.34 stand as support levels below. Resistance levels above at £45, £48.02, and £52.89.

**Carbon ETFs leave positions unchanged**

- KFA Global Carbon ETF holdings saw no changes on EUAs nor UKAs; NAV gained 0.6% to \$465 million.

**Technical near-term outlook for EUAs**

- Bigger picture thoughts and targets: €77-78 was a big area of support. €79.34 and €80.80 are levels to watch above.

**OTHER COMPLIANCE MARKET NEWS**

- UK plans introduction of carbon border adjustment mechanism for 2026

**VOLUNTARY CARBON MARKET NEWS**

- Prices fall across the board; VCM Paper highlights carbon credit potential in Latin America and the Caribbean.

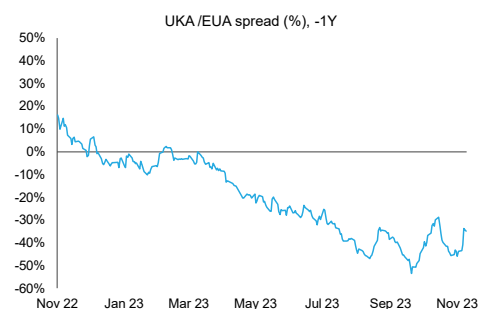
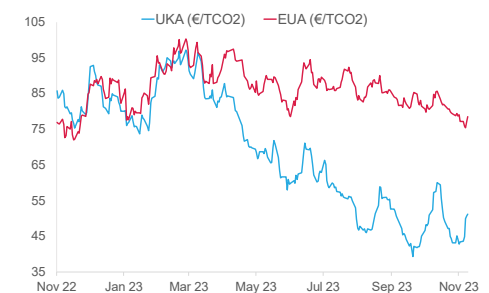
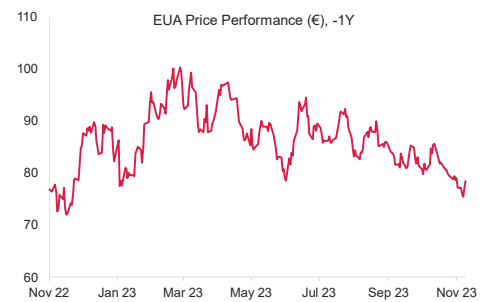
**RENEWABLE ENERGY NEWS**

- 2023 AIB GOs down ~1%; Spanish hydro stocks rise to year's high; German government buys minority stake in TransnetBW.

### Key market performance metrics

Product	Weekly Price Changes			
	3/11/23	10/11/23	Change	% Change
EUA Dec 23 (€)	77.20	78.50	1.30	1.7%
UKA Dec 23 (£)	37.80	44.70	6.90	18.3%
UKA/EUA premium /discount (€) - weekly average	-34.89	-28.80	6.09	17.5%
DE Power Cal24 (€)	118.30	114.70	-3.60	-3.0%
Coal API2 Cal24 (US\$)	118.31	115.03	-3.28	-2.8%
Dutch TTF Cal24 (€/MWh)	49.45	47.85	-1.60	-3.2%

	Krane Shares Global Carbon ETF (proxy investor interest)			
	3/11/23	10/11/23	Change (units)	Change (%)
EUA holdings (kT)	3094	3094	0	0.0%
UKA holdings (kT)	347	347	0	0.0%
NAV (US\$m)	462	465	3	0.6%



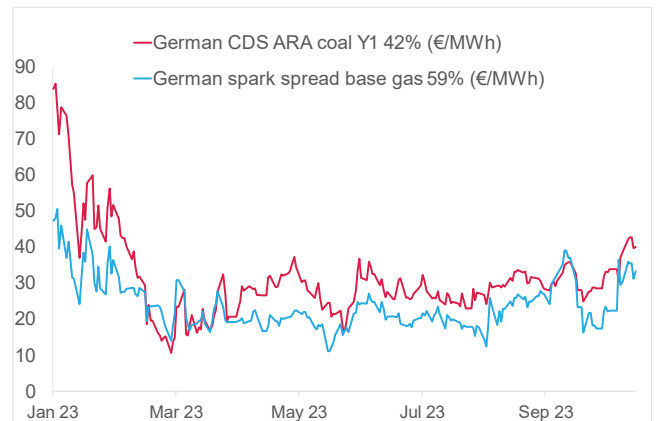
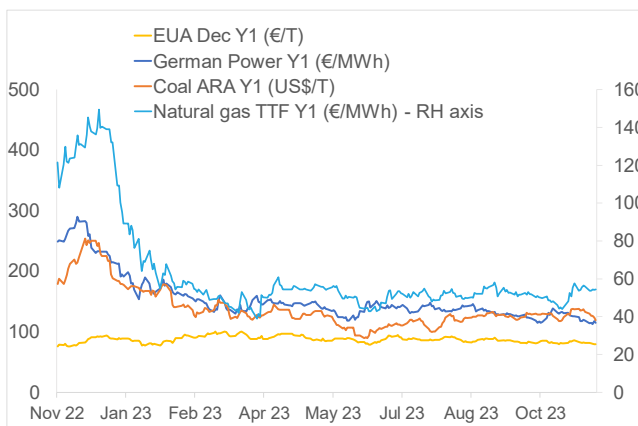
**EUA Technical outlook**


Analysis provided by the award-winning Clive Lambert at [Futurestechs Limited](http://Futurestechs Limited). If you would like to receive his full daily commodities report, please [contact Clive directly](#).

- Short Term trend: Neutral-Bullish
- Medium Term trend: Neutral
- Yesterday's candle: *Can the bulls retake €78.00-.08 to encourage the idea that we may have bottomed? If so we could start to see some traction on a move higher, targeting €79.34 next, then €80.80.* – We dipped back to €76.15 on Friday then recovered, breaking above the morning high at €77.69 late on, on the way to €78.86.
- Favoured Trade(s): Sell rallies. – rethink if we regain a 78 handle...

**Gas supplies remain strong with storage almost full; Geopolitical risks still on watch**

- The chart below on the left shows the year ahead price performance of EUAs, German power, ARA coal and TTF natural gas.
  - In the last week, Dec Y1 EUAs closed 1.7% higher, Y1 German power ended down 3%, Y1 ARA coal dropped 2.8% while Y1 TTF retreated 3.2%.
- The chart below on the right shows German year ahead power generation margins where coal and gas are the fuel sources.
  - Y1 coal margins (42% efficiency) now at c. €40.01/MWh (3.8% higher) vs Y1 gas margins (59% efficiency) at c. €33.20/MWh (up 9.21%).
  - Coal maintains top spot in the merit order.



Auction Timetable: 6 November - 17 November, 2023					
Date	Volume	Auction Platform	Allowance Type	Cover Ratio	Total Bid Quantity
06-Nov-23	3,035,500	EEX	EUA - Phase IV	1.29	3,916,000
07-Nov-23	3,035,500	EEX	EUA - Phase IV	1.35	3,398,500
08-Nov-23	3,347,500	EEX	EUA - Phase IV	1.49	4,979,000
09-Nov-23	3,035,500	EEX	EUA - Phase IV	1.50	4,567,000
10-Nov-23	2,147,000	EEX	EUA - Phase IV	1.84	3,955,500
13-Nov-23	3,035,500	EEX	EUA - Phase IV		
14-Nov-23	3,035,500	EEX	EUA - Phase IV		
15-Nov-23	766,500	EEX	EUAA - Phase IV		
15-Nov-23	3,137,000	ICE	UKA - Phase I		
16-Nov-23	3,035,500	EEX	EUA - Phase IV		
17-Nov-23	2,147,000	EEX	EUA - Phase IV		

## OTHER COMPLIANCE MARKET NEWS

**UK plans introduction of carbon border adjustment mechanism (CBAM) for 2026:** The UK Chancellor, Jeremy Hunt, is contemplating the imposition of levies on imported carbon-intensive goods from nations with lax climate regulations starting in 2026, a move mirroring the European Union's initiatives. This proposal, potentially to be revealed in the upcoming Autumn Statement, arises from a prior consultation on "addressing carbon leakage risk to support decarbonisation", which highlighted implantation considerations to shield UK industry. The EU initiated its CBAM programme in September to address "carbon leakage," where companies shift production to areas with weaker carbon regulations while retaining market access where heavy industry incurs emission costs. Hunt is expected to announce the 2026 launch of the UK's CBAM programme, aligning with the EU's commencement, preventing the UK from becoming a dumping ground for carbon-intensive products facing EU levies. While UK industries welcome the potential move, officials caution ongoing negotiations may delay the announcement until the spring Budget. Gareth Stace, Director-General of trade body UK Steel, emphasizes the need to prevent the UK steel industry from being outcompeted by high-emission, imported steel during its transition to green production. A challenge for the UK government is aligning its carbon market with the EU's to avoid levies on British exports under the EU CBAM. The Treasury, considering a UK CBAM since October 2021, acknowledges the complexity of implementation while Rishi Sunak previously expressed support, emphasizing potential cooperation with Brussels. The EU's CBAM, viewed as a significant climate law, targets imports of products like iron, cement, fertilizers, and power supplies. Regardless of the UK's CBAM decision, exports could face levies if carbon pricing remains unlinked to the EU's, impacting even renewable electricity exports due to the lower carbon price currently faced by UK emitters. Green investor confidence, potentially shaken by the UK's recent net-zero policy shifts, could benefit from a UK CBAM. While a survey indicates support from UK manufacturing managers, criticism from trading rivals, including the US and China, raises international concerns.

## VOLUNTARY CARBON MARKET NEWS

**The N-GEO (Nature-based Global Emission Offset) fell 12%.** The GER (Global Emission Reduction) and AlliedOffsets500 index both dropped by 5%.

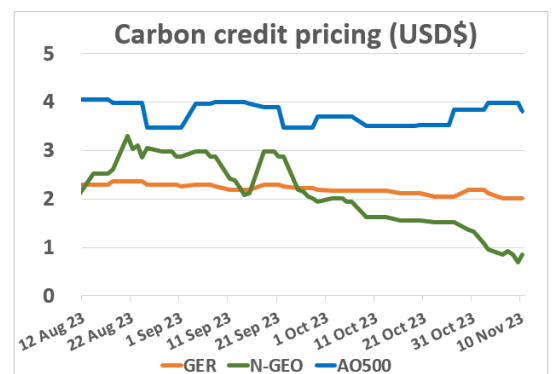
**The Voluntary Carbon Market Integrity Initiative moves forward across multiple workstreams.**

The Voluntary Carbon Market Integrity Initiative, better known as the VCMI, last week published [a paper aiming to boost carbon market investment](#) in the Latin America and Caribbean (LAC) region and also released details of corporates involved in its [early adopter programme](#) for its Claims Code of Practice.

The LAC focused paper was published in conjunction with Climate Focus and the Inter-American Institute for Cooperation on Agriculture (IICA) with the aim of promoting climate finance in the regions, including through the voluntary carbon market.

The paper highlights the "immense potential" for attracting private investment in the agricultural sector particularly in the areas of livestock, agroforestry, rice production and blue carbon.

The Claims Code Early Adopters programme will see corporates including Bain & Company and BCG run through a pilot until December, by which point the full code will have been made publicly available. To discuss how to make claims with respect to carbon credits, [contact Redshaw Advisors' Bill Goldie](#).



Sources: ACX (GER mid), CBL (N-GEO mid), and AlliedOffsets (AO500, index)

Product / index	Project coverage	10-Nov	03-Nov	US\$ change	% change
GER	Whole market	\$2.01	\$2.11	↓ -0.11	↓ -5.0%
N-GEO	Nature-based	\$0.85	\$0.97	↓ -0.12	↓ -11.9%
AO500	500 most retired projects	\$3.80	\$3.98	↓ -0.18	↓ -4.5%

The GER can be traded on [AirCarbon Exchange](#) and [Nodal Exchange](#) or purchased on [Plannet Zero's website](#)

## RENEWABLE ENERGY MARKET NEWS

### Week 45 AIB Renewables current year:

Mid-price = 3.95 EUR (-0.05 EUR/ -1.25%)

### Indicative UK RGGO Prices:

Crop: £23.50-25.50; Waste: £32.50-34.50

### Indicative UK REGO Prices:

CP22: £22; CP23: £18; CP24: £17; CP25: £15

### Spanish hydro stocks rise to year's high in week 44

Spanish hydropower stocks continued their recovery amid increased rainfall to reach 10.5 TWh during the week ending 5<sup>th</sup> November, according to the Spanish environment ministry (MITECO). Stocks were close to 66% higher than 2022 levels and have surpassed both the 5- and 10-year averages. Reservoir levels also increased by 1.4 TWh compared to the previous week, reaching 45.8% of total nominal capacity.

Hydroelectric power output was 788 GWh, gaining 38% week on week, according to grid operator Red Electrica Espana. Cumulative hydro production stood at 22.7 TWh so far this year, 33.5% above production for the same period in 2022.

Spanish day-ahead spot power prices plunged 59% on the week to average €23.02/MWh, according to OMIE Webex exchange. The drop followed low demand during the All Saints holiday on November 1, with the lowest price seen over the weekend at €1.51/MWh.

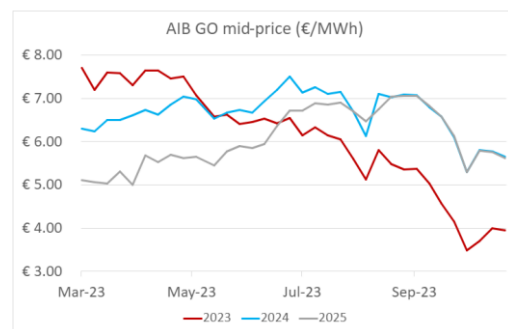
In the coming days, forecasts show mostly dry weather across Spain, with some rainfall in the northwest, according to Spanish State Meteorological Agency.

### Germany buys minority stake in EnBW's high voltage grid

Germany has acquired a 24.95% stake in EnBW's local utility subsidiary TransnetBW through state lender KfW. EnBW finance chief Thomas Kusterer said that the €1 billion purchase will help to fund growth investments to accelerate the implementation of the energy transition in Germany. The Grid Development Plan 2035 (published in 2021) identified around €10 billion in investment needed for TransnetBW alone, primarily for the major SuedLink and Ultratnet high voltage transmission projects.

The government has been increasing its access to, and control of, critical energy infrastructure for this very reason; particularly after the European Union's update of the Renewable Energy Directive (RED III) last month. The government's exposure in the sector already includes a 20% stake in rival network 50Hertz. To further increase ownership of the power transmission sector, Berlin is also close to confirming the purchase of the German division of Dutch operator TenneT for €22 billion.

Week 45 GO AIB Renewable				
Product €/GO	Bid	Ask	Mid Price	+/-
2023	3.9000	4.0000	3.9500	- 0.0500
2024	5.6000	5.7000	5.6500	- 0.1250
2025	5.5800	5.6680	5.6240	- 0.1310



## Breakdown of Redshaw Advisors' full services

### Redshaw Advisors' Compliance Carbon Services

INFORM	ADVISE	PROCURE
<p>Unrivalled market intelligence bringing you the latest pricing and developments for EU and UK carbon allowances.</p> <p>Consultancy and training on all aspects of emissions trading activities – delivered by renowned carbon market experts.</p>	<p>Advisory and risk management services to help you manage your carbon exposure and reduce the carbon cost to your business.</p> <p>Bespoke consulting advice on any aspects of global compliance markets – tailored to your needs.</p>	<p>With decades of carbon trading experience, our award-winning team can provide a route to market for all carbon emissions products, including:</p> <ul style="list-style-type: none"> <li>• EUAs</li> <li>• UKAs</li> </ul>

### Redshaw Advisors' Voluntary Carbon Market Services

INFORM	ADVISE	PROCURE
<p>Tailored training programmes covering all aspects of the voluntary carbon market – delivered by market-leading experts.</p> <p>Exclusive market outlook reports – market pricing, analytics, supply and demand trends and developments</p>	<p>Dedicated carbon market advisory services:</p> <ul style="list-style-type: none"> <li>• Carbon market and strategy advice, footprinting guidance and confidence in communicating achievements</li> <li>• Leading carbon credit market insight and analysis</li> <li>• The latest pricing intelligence across all carbon credits</li> </ul>	<p>Our market specialists can assist with carbon credit procurement strategies – across all standards, platforms and contract types.</p> <p>A commitment to transparent pricing with our maximum margin guarantee.</p>

### Redshaw Advisors' Renewable Energy Services

INFORM	ADVISE	PROCURE
<p>Latest renewable energy pricing for Environmental Attribute Certificates (EACs) and Power Purchase Agreements (PPAs).</p> <p>Custom-made training programmes on global power markets and renewable technologies – delivered by market-leading experts.</p>	<p>Multi-lingual advisory and unique solution services to help you achieve your renewable energy targets.</p>	<p>Cost-effective EAC procurement to address your Scope 1 and 2 emissions through:</p> <ul style="list-style-type: none"> <li>• GOs</li> <li>• REGOs</li> <li>• RECs</li> <li>• I-RECs</li> <li>• RGGOs</li> <li>• PPAs</li> </ul>



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