Last week, the prices of European permits for the release of carbon dioxide and other greenhouse gases were on the way to surpass the highest levels set in February with the increase in demand for fossil fuels due to the energy crisis and the expected Russian invasion of Ukraine. However, on Monday, the direction was reversed in parallel with the overall decline recorded on world stock exchanges and commodities, including oil and gas. Fear of a global recession has pushed fossil fuel prices down, spilling over into the European Union's Emissions Trading System (EU ETS). The reference futures contract for December on the ICE Endex stock exchange fell by more than five percent to just under 87 euros per tonne of carbon dioxide equivalent, compared to the highest closing level of 96.93 euros reached on February 8.

The EU is reforming its market for CO2 emission certificates

The fall in CO2 prices was due to the fact that the results of the last auction under the EU ETS mechanism were weaker than expected. Market participants are still focused on the war in Ukraine. There do not appear to have been any direct threats in recent days that the conflict will escalate, and the EU has not yet reached a consensus on a proposal to halt Russian oil imports.

Bloomberg reported that Russian Gazprom is trying to convince European customers that they can continue to pay for its gas through Gazprombank, which then converts funds into rubles, although the European Commission said earlier that it was a violation of sanctions. The risk that the Kremlin will stop supplying gas to Europe should be added to that.

The introduction of a ban on the purchase of Russian coal remains scheduled for August 10. On the side of rising pressures on CO2 prices, the European Parliament is preparing to vote on a proposal to reform the carbon market, which could lead to the extension of the system to transport and buildings.

Investors are pouring money into green energy, the carbon market

Manuela Sperandeo, director of indexing for the sustainable development sector at BlackRock, said that the investment in stock products (ETPs) in this area continues to increase. This is probably a sign of the growing interest of investors in green energy as well as in the market of certificates for greenhouse gas emissions.

The markets are also counting on the announced introduction of a temporary restriction on the prices of natural gas and coal for power plants in Portugal and Spain. The EU's efforts to get rid of Russian fossil fuels disrupt supply chains and are likely to lead to shortages.

In addition, European countries are turning to domestic resources such as underwater gas fields, which could delay the energy transition. They are looking for coal, gas and oil on other sides, which should keep prices high and indirectly increase the upward pressure on quotations within the EU ETS, unless demand for energy falls sharply due to the economic slowdown.

Source: balkangreenenergynews.com