We would like to thank our Partner Sponsors:
EU & UK Emissions Trading Scheme
Mid-Year Carbon Market Review

Co-Hosted by

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CF PARTNERS
EU & UK ETS Mid-Year Carbon Market Review

Welcome Remarks

Lisa Spafford
Managing Director
IETA

Fred Payne
Senior Trader
CF Partners
We provide cross-commodity market access and innovative risk-management solutions, combined with unique insights and analysis.

- Help clients keep up to date with policy
- Provide unique market insights and updates
- Develop tailored trading strategies
- Execute trades in increasingly volatile markets

About CF Partners
The UK Emissions Trading Scheme

• The UK ETS is a new carbon market, with main supply initially via auctions – 83m in 2021
• Exchange ICE running auctions every 2 weeks
• ICE also hosting futures (Dec-21, Mar-22, Dec-22) and spot contracts (daily futures)
• 39m free allocation issued to industry
• On paper UK ETS looks over-supplied in short term (122m issued 2021 vs 105mt in 2020) but UK Government ambition increasing
  ➢ 68% GHG cut by 2030, 78% by 2035 (CCC)
• Cost Containment Mechanism (CCM) to address significant price spikes in the market.
  ➢ Allows UK Gov to [potentially] add supply if UKA prices over CCM for 3 consecutive months.
  ➢ August Trigger set at £44.74 for May-July
  ➢ Sept trigger set at £49.50 for Jun-Aug
EU & UK ETS Mid-Year Carbon Market Review

Moderator:
Adam Berman
IETA

Speakers:
Mark Lewis
Andurand Capital
Bo Qin
BloombergNEF
Tim Atkinson
CF Partners
Alistair McGirr
SSE
EU Carbon Rockets to New Heights

New decade, new tricks

Bo Qin

June 24, 2021
European carbon universe in 2021

Five main drivers

- Tight carbon market
- Speculator and industrial holding
- EU climate strategy
- Tight gas market
- Power hedging

Source: Steemit, BloombergNEF
European carbon universe beyond 2021

Three reforms to reshape EU ETS

1. MSRM
   - Thresholds
   - Injection rate
   - TNAC
2. Fit for 55
   - New sectors
   - New countries
   - Trading limitations
3. CBAM

Source: ESA, BloombergNEF
EU carbon price to hit 100 EUR/t

Source: ICE, BloombergNEF
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BEYOND COAL-TO-GAS SWITCHING
Robust carbon pricing to drive Power CCS and Hydrogen Power Generation

**Working with Equinor to bring first-of-a-kind power stations to the UK**

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<th>Humber</th>
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<td>• Keadby 3 – CCGT with carbon capture</td>
<td>• Peterhead 2 – CCGT with carbon capture</td>
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<td>• Keadby Hydrogen – 100% hydrogen-fired power station</td>
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<td>• Keadby 2 – Hydrogen blending into the UK’s most efficient CCGT</td>
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<td>• Aldbrough – Exploring vital hydrogen storage</td>
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**Keadby 3**
900MW Carbon Capture Power Station
Operational by 2027

**Keadby Hydrogen**
World’s first major 100% H2 fired power station
Operational by end of decade

**Keadby 2 (SSE-owned)**
893MW CCGT
H2 blending to progressively decarbonise power station
Fully operational 2022

[Diagram showing power stations and hydrogen infrastructure]
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