Prices decreased

CCA* V18 Front Month prices decreased by $0.02 to $15.43 (-0.13%), and Dec-18 decreased by $0.04 ending at $15.48 (-0.26%). In CAD, CCA* V18 Front Month decreased by $0.03 closing at $20.22 (-0.15%), and Dec-18 decreased by $0.05 closing at $20.29 (-0.25%). The CCA volume traded declined to 6,078kt, and the CCA total open interest increased to 119.7Mt.

California to publish 2017 GHG emissions

California will release its 2017 GHG facility and entity emissions on Monday, November 5. ClearBlue expects the total 2017 verified emissions to be 321.3MtCO₂e, about 3MtCO₂e less than in 2016. Most of the emissions reduction in 2017 are expected to come from the electricity sector, which witnessed the highest hydroelectric generation in 11 years. The other main sources of GHG emissions are expected to be stable. The announcement is expected to have a limited impact on market prices but a large decrease or increase in emission could see prices react.

OUR FORECAST:

Last week, front-month CCA prices stagnated, decreasing slightly by $0.02 and closing at US$15.43. The December contract decreased by $0.04 to $15.48. As the year-end approaches, the December contract price is expected to merge with the 2019 auction reserve price, which will be set between 15.55 and 15.60.

Our overall view on prices remains unchanged. Despite the current over-supply of allowances in the market, sentiment is strong and market certainty until 2030 has created fresh demand from hedgers and speculators. On the supply side, the additional volume from the previously unsold allowances bank continues to be absorbed and ~20.9M allowances were transferred to the APCR due to the fact that California allowances remained unsold for over 24 months. This is the fourth auction in a row where the unsold volume is absorbed and the next auction will see again 15.8M allowances added to the supply. This will in our opinion continue to limit the upside to prices until next year. February 2019 could be the last auction to see additional California volume from the unsold allowances reserve and prices could then start to increase more rapidly. As indicated previously, with the December-18 contract now trading close to next year’s floor, the market bull run has paused and we expect the upside to prices to be limited until the next auction.

On the currency side, the USD/CAD has consolidated its gains above an important level. For more on our view on the USD/CAD, see our technical analysis report.

Total Open Interest and Volume:

Important Dates:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 5, 2018</td>
<td>California 2017 GHG Facility and Entity Emissions Posted</td>
</tr>
<tr>
<td>November 14, 2018</td>
<td>November 2018 WCI Auction #17; US October CPI released</td>
</tr>
<tr>
<td>November 15, 2018</td>
<td>CARB Board meeting</td>
</tr>
<tr>
<td>December 1, 2018</td>
<td>ARB Announces Auction Reserve Price and Annual Auction Budget for 2019</td>
</tr>
<tr>
<td>December 1, 2018</td>
<td>Ontario mid-year 2018 GHG emissions verification report due</td>
</tr>
</tbody>
</table>

Source: ICE

V18 Annualized Implied Funding Rate: