



AUGUST 2019



IMPACT CARBON

**Ecoeye International**  
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## MARKET SITUATION

*Comprehensive Trading Information (January 1, 2018 – July 31, 2019)*

### KAU18

↑ 28,600 ▲550(+1.96%)

Monthly Closing Price	28,600 Won
- 1 Month Average	28,148 Won
- 3 Month Average	27,745 Won
- Total Average	25,945 Won
Total Trading Amount	6,081,830 Ton
- Intraday	2,410,995 Ton
- Negotiated	3,670,835 Ton
Total Trading Value	157.8 B Won

as of 31 July 2019, compared to previous month

### KAU19

↑ 28,550 ▲450(+1.60%)

Monthly Closing Price	28,550 Won
- 1 Month Average	28,466 Won
- 3 Month Average	28,123 Won
- Total Average	26,567 Won
Total Trading Amount	643,000 Ton
- Intraday	271,000 Ton
- Negotiated	372,000 Ton
Total Trading Value	17.1 B Won

as of 31 July 2019, compared to previous month

### KAU20

→ 28,000 (0.0%)

Monthly Closing Price	28,000 Won
- 1 Month Average	-
- 3 Month Average	-
- Total Average	-
Total Trading Amount	-
- Intraday	-
- Negotiated	-
Total Trading Value	-

as of 31 July 2019, compared to previous month

### KCU18

→ 21,800 (0.0%)

Monthly Closing Price	21,800 Won
- 1 Month Average	-
- 3 Month Average	-
- Total Average	-
Total Trading Amount	-
- Intraday	-
- Negotiated	-
Total Trading Value	-

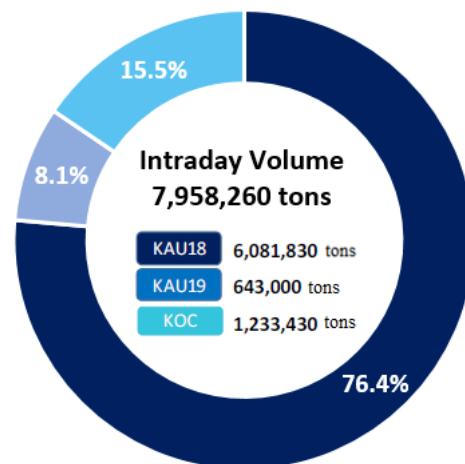
as of 31 July 2019, compared to previous month

### KOC

↑ 28,400 ▲100(+0.35%)

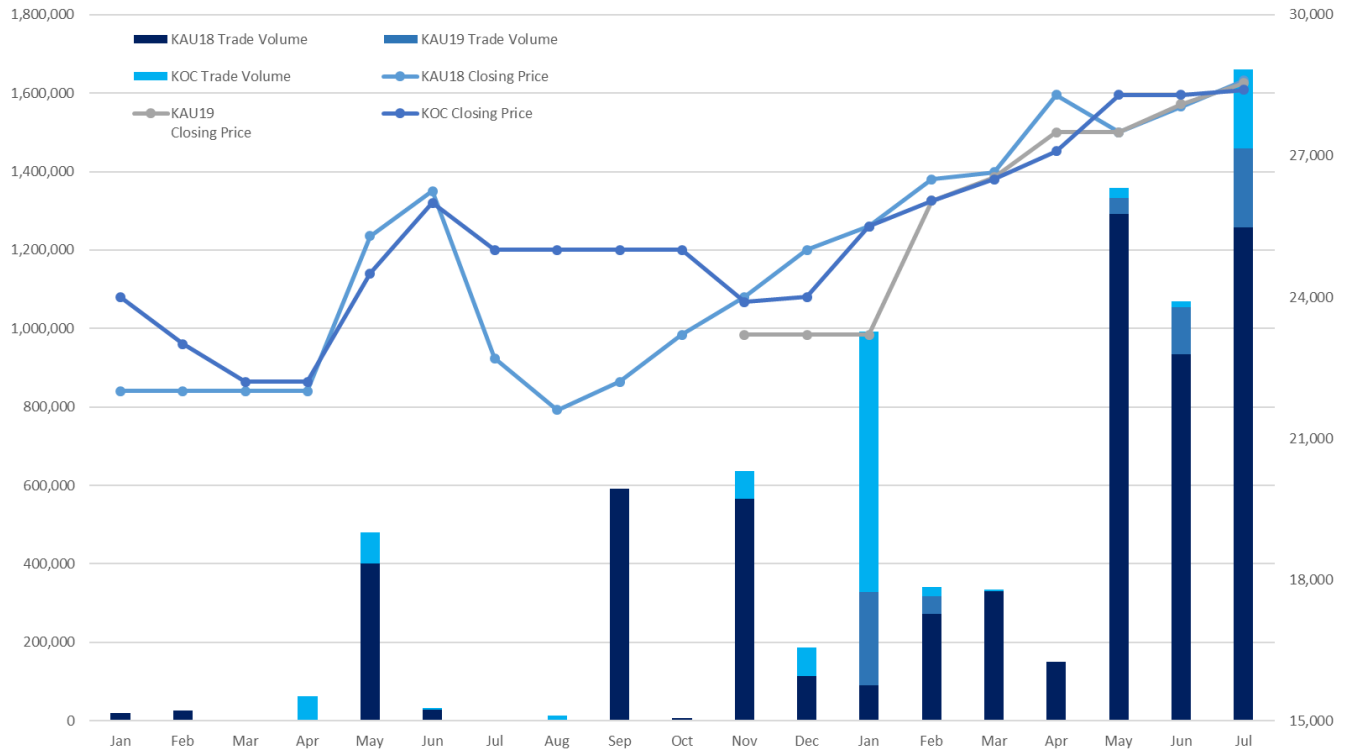
Monthly Closing Price	28,400 Won
- 1 Month Average	28,350 Won
- 3 Month Average	28,414 Won
- Total Average	25,455 Won
Total Trading Amount	1,233,430 Ton
- Intraday	256,517 Ton
- Negotiated	976,913 Ton
Total Trading Value	31.4 B Won

as of 31 July 2019, compared to previous month





*Emission Allowance Monthly Trading Information (January 2018 – July 2019)*



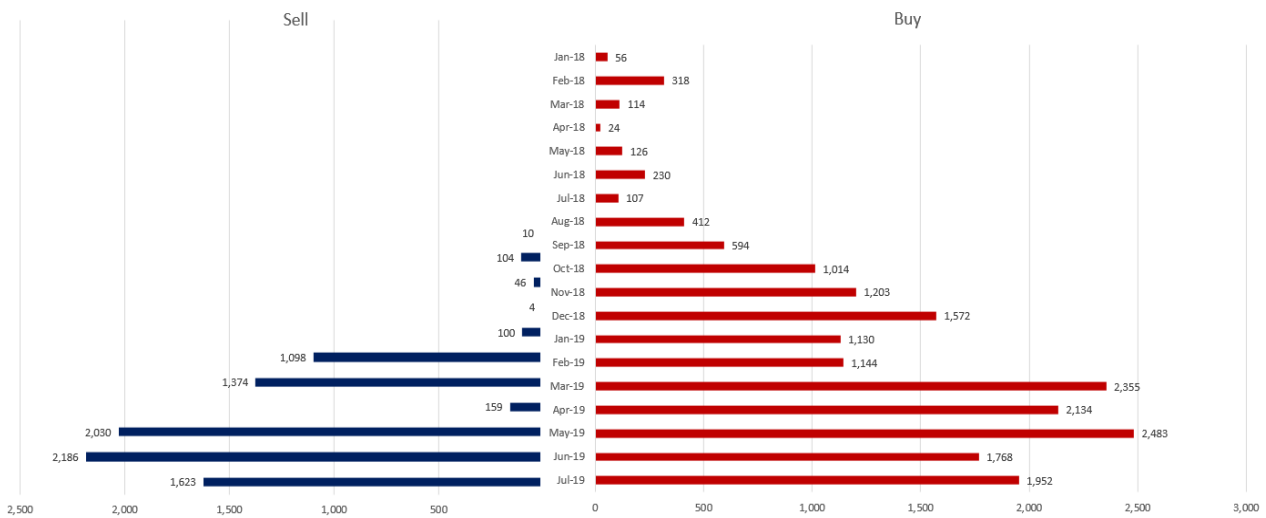
	KAU18			KAU19			KOC			
	Closing Price	Monthly Increase	Trade Volume	Closing Price	Monthly Increase	Trade Volume	Closing Price	Monthly Increase	Trade Volume	
2018	Jan	22,000	-	20,000			24,000	-	-	
	Feb	22,000	-	26,000			23,000	▼ 1,000	-	
	Mar	22,000	-	-			22,200	▼ 800	-	
	Apr	22,000	-	-			22,200	-	62,226	
	May	25,300	▲ 3,300	400,000			24,500	▲ 2,300	80,000	
	Jun	26,250	▲ 950	29,000			26,000	▲ 1,500	2,545	
	Jul	22,700	▼ 3,550	-			25,000	▼ 1,000	-	
	Aug	21,600	▼ 1,100	-			25,000	-	13,218	
	Sep	22,200	▲ 600	590,600			25,000	-	-	
	Oct	23,200	▲ 1,000	7,289			25,000	-	-	
	Nov	24,000	▲ 800	566,800	23,200	-	-	23,900	▼ 1,100	69,160
	Dec	25,000	▲ 1,000	113,553	23,200	-	-	24,500	▲ 500	72,433
2019	Jan	25,500	▲ 500	90,000	23,200	-	237,000	25,500	▲ 1,000	664,754
	Feb	26,500	▲ 1000	273,232	26,050	▲ 150	45,000	26,050	▲ 550	23,163
	Mar	26,650	▲ 150	330,000	26,550	▲ 500	-	26,500	▲ 450	4,229
	Apr	28,300	▲ 1650	149,700	27,500	▲ 500	-	27,100	▲ 600	-
	May	27,500	▼ 800	1,292,837	27,500	-	40,500	28,300	▲ 1200	25,000
	Jun	28,050	▲ 550	935,301	28,100	▲ 600	118,000	28,300	-	16,702
	Jul	28,600	▲ 550	1,257,518	28,550	▲ 450	202,500	28,400	▲ 100	200000
<b>Total</b>	-	-	<b>6,081,830</b>	-	-	<b>643,000</b>	-	-	<b>1,233,430</b>	

\*End-of-the-month closing price



Since the start of the Korean ETS, buying and selling of allowances were generally dominated by big sectors. For KAU18, the top buying sectors are the power generation/energy sector (68.1%), petrochemical sector (10.3%), industrial complexes (4.8%), waste sector (4%), and the ceramics sector (3.1%). All these combined makes up for 90.3% of the total buying transactions.

For selling shares, the top sectors are composed of the power generation/energy (25.3%), cement (20.7%), collective energy (15.2%), iron and steel (5.4%), and waste (4.6%). Meanwhile, 19 sectors accounted for 28.6% of the total selling transactions where sales portion of each sector ranged from 0.04% to 4.1%



KAU18’s buy and sell orders dramatically increased from March 2019 as the market entered the last quarter prior to compliance deadline.

After the confirmation of the national emission allocation plan and the details of the carry-over restrictions, selling orders soared to 123.6% as it outpaced June’s buying orders. The order volume rate reached a record high of 37.1%

After the notification of results for certified emissions, additional allocations, cancellations, and objections in July, the supply of the banked surpluses is expected to be completed in August. Buying demand is expected to continue.



KAU18 prices has steadily increased from the start of the year influenced by the lack of market liquidity, introduction and adjustment to the monthly auctions, and the recently implemented carry-over restrictions.

Since putting in place the banking measures in May, front year allowance prices have increased by 10.9% and although there have been no signs of price hikes in comparison to the first phase, KAU18 prices are looking to gradually increase amidst steady trades.

According the environment ministry, 2018 had 32.71 million tons of surplus which is 43.6% of the total shortfall leaving a total deficiency of 13.57 million tons. The stricter banking restrictions, which was introduced to provide liquidity, do not provide additional allowances, leaving the companies to consider their borrowing options.

With the results of the 2018 certifications and allowance transfer announced at the end of July, the surplus is expected to be fully supplied from August and is expected to be traded as negotiated/OTC and SWAP transactions. Although the shortfall in the first implementation year is likely to be resolved, it is expected that demand for additional buying will increase due to concerns over future shortage of emission permits.

As the second phase is expected to have serious shortage, borrowing will also expand. Since only 50% of the first year's borrowing rate is recognized and high demand persists, allowance prices will continue rising as the market shifts to an allowance-lacking market.

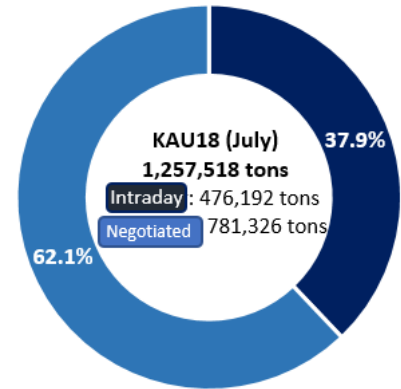
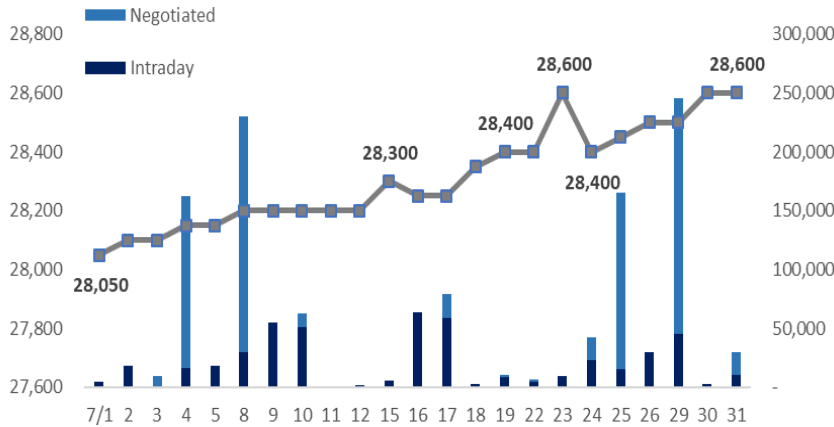
At present, market prices have shown to maintain their upward trend. KAU18 price has broken the previous resistance price of KRW 28,000 when it entered the range in mid-June and is now being observed as it rises nearer the higher resistance level of KRW 29,000 in the backdrop of large-scale bilateral deals.



KAU18 Intraday Trend (July 1 – July 31, 2019)

KAU18 trading volume amounted to 1,257,518 tons, up by 300,000 tons compared to the previous month.

20.7% of KAU18’s total trading volume was traded in July, and 57.3% of the total volume was traded from May until July. KAU18 price which started at KRW 28,050 at the beginning of July ended at KRW 28,600 up by 1.96%

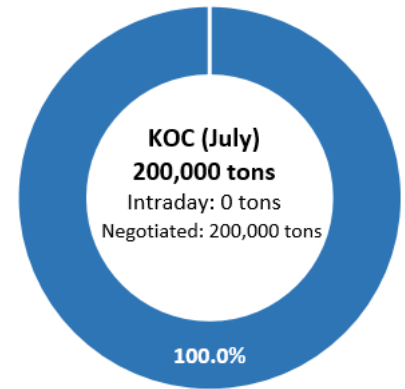
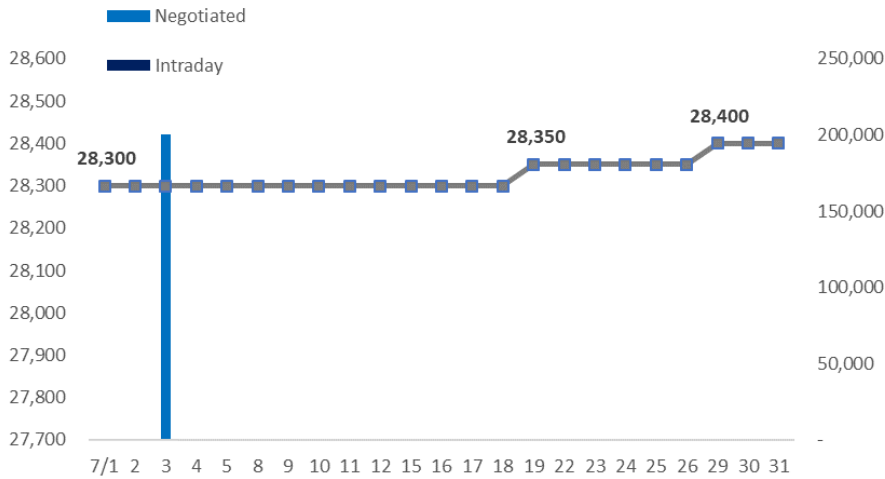


Date	Closing Price	Gap	Fluctuation Rate	Intraday	Negotiated	Total
1-Jul-2019	28,050	-	-	5,000	-	5,000
2-Jul-2019	28,100	50	0.18	18,313	-	18,313
3-Jul-2019	28,100	-	-	-	9,100	9,100
4-Jul-2019	28,150	50	0.18	16,000	145,994	161,994
5-Jul-2019	28,150	-	-	18,500	-	18,500
8-Jul-2019	28,200	50	0.18	30,061	200,000	230,061
9-Jul-2019	28,200	-	-	54,656	-	54,656
10-Jul-2019	28,200	-	-	50,832	12,226	63,058
11-Jul-2019	28,200	-	-	-	-	-
12-Jul-2019	28,200	-	-	2,000	-	2,000
15-Jul-2019	28,300	100	0.35	5,840	-	5,840
16-Jul-2019	28,250	- 50	(0.18)	64,068	-	64,068
17-Jul-2019	28,250	-	-	59,125	20,000	79,125
18-Jul-2019	28,350	100	0.35	2,729	-	2,729
19-Jul-2019	28,400	50	0.18	9,021	1,706	10,727
22-Jul-2019	28,400	-	-	5,000	2,000	7,000
23-Jul-2019	28,600	200	0.70	9,104	-	9,104
24-Jul-2019	28,400	- 200	(0.70)	22,626	20,000	42,626
25-Jul-2019	28,450	50	0.18	14,855	150,300	165,155
26-Jul-2019	28,500	50	0.18	30,000	-	30,000
29-Jul-2019	28,500	-	-	45,462	200,000	245,462
30-Jul-2019	28,600	100	0.35	3,000	-	3,000
31-Jul-2019	28,600	-	-	10,000	20,000	30,000
<b>Total</b>	-	-	-	<b>476,192</b>	<b>781,326</b>	<b>1,257,518</b>



KOC Intraday Trend (July 1 – July 31, 2019)

In July, KOC trade volume was 200,000 tons which was traded under one negotiated deal. KOC price rose by 100 won to KRW 28,400 after two strong gains even without trading. In 2019, approximately 2 million tons of KOC were issued, but as most of the supplies were pre-traded, the supply that entered the market was minimal.



Date	Closing Price	Gap	Fluctuation Rate	Intraday	Negotiated	Total
1-Jul-2019	28,300	-	-	-	-	-
2-Jul-2019	28,300	-	-	-	-	-
3-Jul-2019	28,300	-	-	-	200,000	200,000
4-Jul-2019	28,300	-	-	-	-	-
5-Jul-2019	28,300	-	-	-	-	-
8-Jul-2019	28,300	-	-	-	-	-
9-Jul-2019	28,300	-	-	-	-	-
10-Jul-2019	28,300	-	-	-	-	-
11-Jul-2019	28,300	-	-	-	-	-
12-Jul-2019	28,300	-	-	-	-	-
15-Jul-2019	28,300	-	-	-	-	-
16-Jul-2019	28,300	-	-	-	-	-
17-Jul-2019	28,300	-	-	-	-	-
18-Jul-2019	28,300	-	-	-	-	-
19-Jul-2019	28,350	50	0.18	-	-	-
22-Jul-2019	28,350	-	-	-	-	-
23-Jul-2019	28,350	-	-	-	-	-
24-Jul-2019	28,350	-	-	-	-	-
25-Jul-2019	28,350	-	-	-	-	-
26-Jul-2019	28,350	-	-	-	-	-
29-Jul-2019	28,400	50	0.18	-	-	-
30-Jul-2019	28,400	-	-	-	-	-
31-Jul-2019	28,400	-	-	-	-	-
<b>Total</b>	-	-	-	-	200,000	200,000

**Table 1. K-ETS Phase 2 (2018-2020) Schedule**

	1Q	2Q	3Q	4Q	
2018 (1st Year)	Jan	2: KAU 18 Listing ~31: MP submitted by new entities of 2nd year	May	30: 2017 notification of certified emissions/additional quota	
	Mar	~31: 2017 MP submission application for additional allocation	Jun	~11: 2017 banking application (borrowing X, 5/31~) 22: KCU 18 Listing ~29: notification/application for appeals	
			Jul	~02: 2017 Emission certificate submission (5/31 ~) ~02: Application for ETS Voluntary Participation Aug 31: designation and notification of new entrants ~09: 2017 Submission of emission allowance 10: Delisting of KAU17/KCU17 31: Phase 2 Allocation	
				Oct	31: Phase 2 Quota Notification
				Nov	8: KAU19/KAU20 Listing
				Dec	~31: 2018 request for MP review
	1Q	2Q	3Q	4Q	
2019 (2nd Year)	Jan	23: First auction of allowances	Apr	10 Fourth auction of allowances	
	Feb	13: Second auction of allowances	May	8: Fifth auction of allowances 31: 2018 notification of certified emissions/ allocation addition or cancellation	
	Mar	13: Third auction of allowances ~31: 2018 emissions certification and MP submission (est) 2018 additional allocation application	Jun	10: (est) Operation of market maker system 12: (est) Sixth auction of allowances ~30: (est) Appeals for certified emissions and additional quota	
			Jul	1: (est) deadline of notification of complaints/objections 10: (est) Seventh auction of allowances ~29: (est) notification of results (carry-over) ~31: (est) designation and notification of new entrants	
			Aug	2: 2018 additional quota/cancellation amount notification of results 14: (est) Eight auction of allowances	
		Sep	11: (est) carry-over/borrowing (~8/31) 11: (est) Ninth auction of allowances ~30: surrender of allowances (incl. companies with complaints)		
				Oct	8: (est) Tenth auction of allowances
				Nov	13: (est) Eleventh auction of allowances
				Dec	11: (est) Twelfth auction of allowances
	1Q	2Q	3Q	4Q	
2020 (3rd Year)	Jan	~15: (est) 2019 request for MP review	May	31: (est) 2019 notification of certified emissions/additional allocation	
	Mar	~31: (est) 2019 emissions certification and MP submission (est) 2019 application for additional allocation	Jun	~10: (est) 2019 allowance banking and borrowing ~30: (est) 2019 surrender of allowances (est) 2019 notification/application for appeals	
			Jul	31: (est) notification of results (complaints/objection) ~31: (est) Phase 3 Allocation Plan (est) Phase 3 Assignment of Compliance Entities (est) designation and notification of new entrants	
			Aug	~10: (est) 2019 surrender of allowances (for companies with objection) ~31: (est) Phase 3 application for allowances allocation	
				Oct	31: (est) notification of Phase 3 allocation quota
	1Q	2Q	3Q	4Q	
2021	Jan	~15: (est) 2020 request for MP review	May	31: (est) 2020 notification of certified emissions/additional allocation	
	Mar	~31: (est) 2020 emissions certification and MP submission (est) application for additional allocation	Jun	~10: (est) 2020 banking of allowances (borrowing X) ~30: (est) surrender of allowances (est) 2020 notification of appeals	
			Jul	31: (est) notification of results (complaints/objections)	
			Aug	~9: (est) 2020 surrender of allowances (for companies with objections)	





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Ecoeye is a carbon specialist firm with a strong track record on emission reduction project development and a leading offset provider in Korea. We provide carbon trading services, ETS advisory and domestic market analysis and forecasting

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