



SPOTLIGHT ON MARKETS

NOVEMBER 2021 N°29

Preliminary report on the EU carbon market

PRELIMINARY REPORT ON EU CARBON MARKET

The Report provides an analysis of price evolution and volatility in European emission allowances and derivatives on European emission allowances.

PUBLICATIONS

Your one-stop-shop information source in the world of EU financial markets brings together the latest reports, proposals and statements.

THE MONTH AHEAD

The speaking appearances of ESMA staff in December cover topics like Financial Innovation, Trading, MiFID-Secondary Markets, Covid-19 and Financial Stability.

IN THIS ISSUE

On 1 November we were happy to welcome Verena Ross on her first day as the new Chair of ESMA. It has been a busy first month for her, with a number of Board meetings and bilateral engagement with many Board members, a first meeting with the Securities Markets Stakeholder Group, and exchanges of views with EU Commissioner Mairead McGuinness and ECB President Christine Lagarde. Ms Ross also met her counterparts from the European Supervisory Authorities and attended meetings of the Financial Stability Board and IOSCO.

November was also busy in terms of publications, and we highlight in this issue ESMA's preliminary report on the EU carbon market. The Report provides an analysis of price evolution and volatility in European emission allowances and in derivatives on European emission allowances. In this issue you can also read about ESMA's contribution to a more sustainable financial system.

Other key publications in November include the [Technical Standards on crowdfunding](#), [Draft commodity derivative Technical Standards under MiFID II recovery package](#), [Launch of public consultations on CCP resolution regime](#), the [second Risk Dashboard for 2021](#), and the [2020 Annual Report on the EU Market Abuse Sanctions](#).

A full overview of all publications can be found in the newsletter, together with information on next month's speaking appearances of ESMA staff, consultations closing in December, and vacancies. For updates, follow us on [Twitter](#) and [LinkedIn](#).

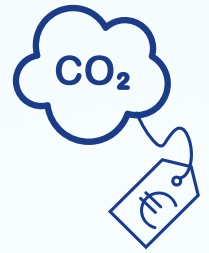
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Preliminary Report on the EU carbon market



On 18 November, ESMA published its Preliminary Report on the EU carbon market. The report responds to the request made by the European Commission (EC) to ESMA in its Communication on energy prices for a preliminary analysis of European emission allowances (EUAs) and derivatives on EUAs.

The Report presents an overview of the financial regulatory environment for the carbon market under MAR, MiFID II and EMIR and the tools available to securities supervisors to fulfil their responsibilities. The Report, based on commercial data, also provides an analysis of price evolution and volatility in EUAs and derivatives on EUAs. Weekly position reports in respect of derivatives on EUAs were used for the initial assessment of active counterparties.

ESMA, in its preliminary analysis, has identified the following:

COUNTERPARTIES

The number of **counterparties holding a position on European emission allowances' futures has tended to increase** since 2018 in all categories of counterparties, in relatively homogeneous proportions in line with the observed expansion of the EU Emissions Trading System market.

OPEN POSITION HOLDERS

Open positions are to a large extent, and almost evenly, held by investment firms and credit institutions on the one hand and by non-financial counterparties on the other hand, while the remaining percentage of open positions, held by investment funds and other financial counterparties, remains relatively low.

CATEGORIES OF POSITION HOLDERS

The **breakdown of open positions** between the various categories of counterparties **does not appear to have** significantly **changed** since 2018 and is broadly in line with the expected functioning of the market, where **non-financial entities** buy EUA futures to hedge their carbon price exposure, while **financial counterparties** act as intermediaries to facilitate trading and provide liquidity to the market.

Next steps

ESMA will conduct an in-depth analysis of the EU carbon market based on data sources available to securities regulators under European legislation. ESMA will deliver its final report to the EC in early 2022. The EC, taking into account ESMA's Final Report, will assess whether there is a need for targeted actions in the EU carbon market.

ESMA's contribution to a more sustainable financial system

As part of the European Green Deal and global efforts to deliver on the United Nations' COP26 objectives on combatting climate change, ESMA is committed to contributing to a more sustainable financial system.

European financial markets are at a point of change: investor preferences are shifting towards financial products that incorporate environmental factors. Moreover, environmental factors are increasingly affecting the risks, returns and value of investments. Considering these challenges, ESMA has a key role in helping investors better understand the impact of environmental, social and governance (ESG) factors on their investments and how an investment contributes to a sustainable future. To support this work, ESMA published its Strategy on Sustainable Finance, in February 2020, setting out concrete steps to integrate ESG factors across all areas of its activity.

ESMA actively contributes to the development of the sustainable finance rulebook and to its consistent application and supervision taking the necessary measures to promote investor protection across the EU. ESMA also engages in risk assessment and market monitoring activities focusing on potential financial stability risks stemming from ESG factors.

ESMA's support for international cooperation

ESMA believes that international cooperation is key to ensuring that consistent measures are taken to protect investors and secure financial stability as the demand for sustainability-related financial products increases. In this regard, ESMA supports, and participates in the work of IOSCO and its Sustainable Finance Task Force, as well as the relevant activities of the Network for Greening the Financial System and the Financial Stability Board.

Building an internationally comparable set of rules and principles that are applicable across the entire sustainable investment value chain is essential to address the global challenges facing financial markets due to climate change.

INVESTMENT FIRMS AND ASSET MANAGERS



April 2019

ESMA's **technical advice** on integrating sustainability risks and factors in MiFID II and in UCITS and AIFMD



February 2021

Joint Committee's draft **regulatory technical standards** on the content, methodologies and presentation of disclosures under the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR)

What's next?

- **review the suitability and product governance guidelines**, to incorporate sustainability factors
- assist National Competent Authorities (NCAs) in being **effective and consistent in their supervision of investment managers** issuing products with **sustainability characteristics and objectives**

ISSUERS



June 2020

ESMA's **response to the European Commission's** consultation on a revision of the Non-Financial Reporting Directive (NFRD)



March 2021

ESMA's **advice** under Article 8 of the **Taxonomy Regulation** on the content and methodology for the sustainability indicators



October 2021

ESMA's annual **Public Statement on European Common Enforcement Priorities** covers the impact of COVID-19 and climate-related matters

What's next?

- **actively contribute to the development of sustainability reporting standards** and foster common supervisory approaches in this area

CREDIT RATING AGENCIES



July 2019

ESMA's **technical advice** on sustainability considerations in the credit rating market



July 2019

ESMA's **guidelines** on disclosure requirements applicable to credit ratings including requirements to foster transparency around whether ESG factors were a key driver of the credit rating action



What's next?

- assess the way CRAs incorporate ESG factors in their methodologies for credit ratings and outlooks and how CRAs ensure the robustness of their methodologies

ESG RATINGS



January 2021

ESMA's **letter to the European Commission** sharing its views on the main challenges in the area of ESG ratings and assessment tools



What's next?

- contribute to the European Commission's planned work to **improve the reliability, comparability and transparency of ESG ratings**

ESG MARKET MONITORING AND RISK ASSESSMENT



September 2021

ESMA's **bi-annual report** on
Trends, Risks and Vulnerabilities
with standing section on
Sustainable Finance and related articles



What's next?

- continue **monitoring and assessing ESG-related market developments and risks** and work on further integrating climate risks, for example in its stress testing framework

GREEN BOND STANDARD



October 2020

ESMA's **response to the European Commission's** targeted consultation on
the establishment of the
EU green bond standard (GBS)



What's next?

- prepare for possible **supervisory responsibilities** arising from the EU GBS legislative proposal

CROSS-CUTTING



December 2019

ESMA's **report to the European Commission** on findings on potential undue short-term pressures in securities markets and recommendations to address them



July 2020

ESMA's **response** to the **European Commission's** consultation on the renewed strategy on sustainable finance



PUBLICATIONS



Click to read the news items

26
Nov ESMA continues to see risk of market corrections amid elevated valuations

18
Nov ESMA consults on CCP investment practices for highly liquid financial instruments

23
Nov 2020 Annual Report on the EU Market Abuse Sanctions

18
Nov Preliminary report on the EU carbon market

22
Nov ESMA seeks input on EMIR clearing threshold framework

18
Nov ESMA seeks investor protection and intermediaries experts for stakeholder panel

22
Nov Draft commodity derivative Technical Standards under MiFID II recovery package


18
Nov ESMA proposes changes to the scope of the clearing and derivative trading obligations for the benchmark transition

19
Nov New Q&As available

18
Nov Launch of public consultations on CCP resolution regime

19
Nov Verena Ross delivers keynote speech at the DSW ESG Conference 2021

18
Nov ESMA and EBA consult on framework for the supervisory review and evaluation process of investment firms



10 Technical Standards on
crowdfunding
Nov

4 ESMA highlights its
contribution to a more
sustainable financial
system
Nov

3 Verena Ross takes up her
duties as Chair of ESMA
Nov



SPEAKING APPEARANCES

by ESMA staff in December

	EVENT	ORGANISER	SPEAKER
6 Dec	"Are Europe's Capital Markets ready for the Future? Europe's Green & Digital Transition a Year After the CMU"	European Banking Federation	Claudia Guagliano
8 Dec	Algorithmic Trading Governance & Controls	Infoline / Informa	Benjamin Burlat
8 Dec	5th Annual Conference of the European Systemic Risk Board	European Systemic Risk Board	Natasha Cazenave, Executive Director
10 Dec	"Pilot MiFID: experimenting on market infrastructures"	CONSOB / Politecnio di Milano	Fabrizio Planta
13 Dec	5th Annual IOSCO/PIFS- Harvard Law School Global Certificate Program for Regulators of Securities Markets (GCP)	IOSCO/PIFS- Harvard Law School	Natasha Cazanave, Executive Director

CONSULTATIONS



Closing



16/12/21

Joint call for evidence on the European Commission mandate regarding the PRIIPs Regulation



23/12/21

Consultation on Review of the MiFID II framework on best execution reports

The full list of consultations and reply forms can be found on the [ESMA consultations page](#)





OPEN VACANCIES

POSITION

DEADLINE

Senior Policy Officer
(Investor Protection and
intermediaries profile)

13/12/21

Senior Policy Officer
(Sustainable Reporting
profile)

17/12/21

Traineeship notice –
Legal profile (F/M)

Open call
(without a specific deadline)

Traineeship notice –
Transversal profile (F/M)

Open call
(without a specific deadline)

Traineeship notice -
Financial Markets Profile
(F/M)

Open call
(without a specific deadline)

All open vacancies can be found on [ESMA's recruitment portal](#)



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