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Bachelor Thesis

Market Price Development of EU ETS carbon allowances

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Abstract

This paper attempts to uncover the relations between the EU ETS carbon allowance price and variables other than commodity and energy prices. It examines, whether the amount of carbon allowances in circulation, the European business climate and the stock market have an influence on the allowances' spot price. The applied statistical methods are correlation and multivariate time series regression. The amount of allowances is yet considered to be of immeasurable influence, as well as the phase the EU ETS program is in. Further, the business climate indexes are regarded too steady for precise implementation. The stock market index is to be found the main price driver of allowances in this paper.

A day-ahead price-forecasting model is attempted but finally considered to be of great imprecision for the variables examined.