

28/01/2022

## Market Review

## Compulsory Markets

EUAs

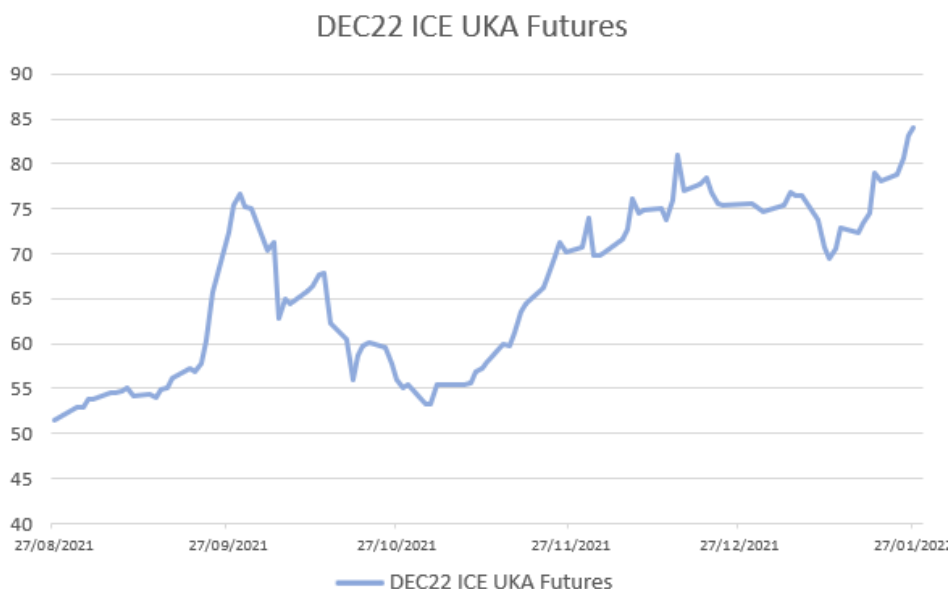
An increase of 6.8% for EUAs this week has put the market on track for another all time high. The €90 threshold is now a solidified price target, with Bloomberg reporting a €100 projection for 2022. Spot auctions for the allowances were fairly quiet this week, thus suggesting recent price increases are from speculators rather than compliance entities.



Source: Bloomberg

UK ETS

DEC 22 ICE UK Allowance Futures hit a new high of £84.45 this week, an increase of 6.9%. The UK ETS fortnightly auction also cleared its highest price to date of £81. Traders are paying attention to the spread between EUAs and UKAs, as the gap now stands at ~€11.

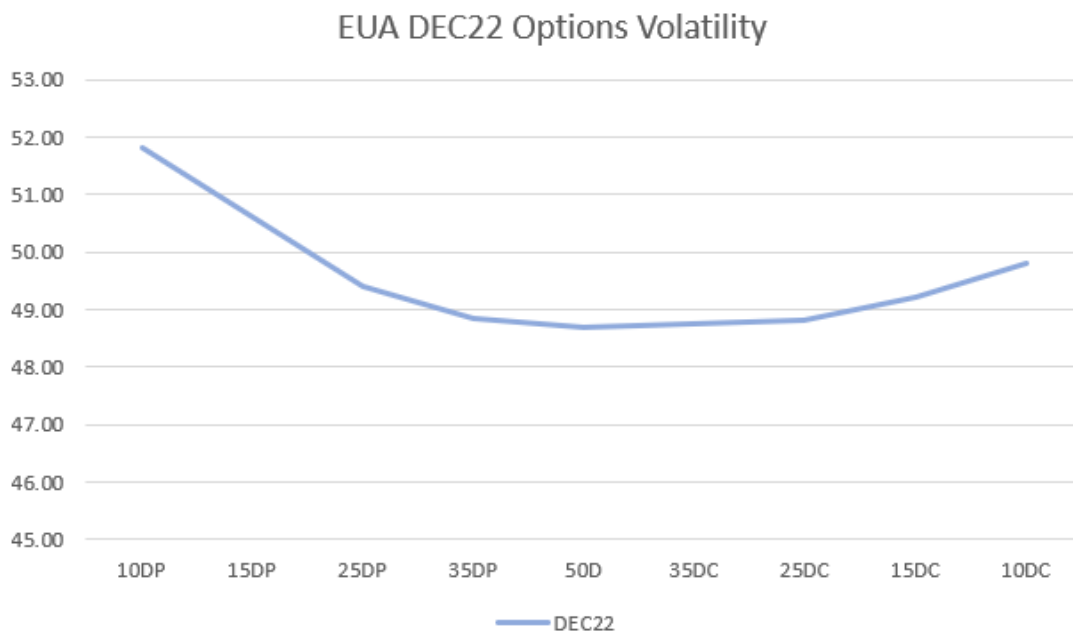


Source: Bloomberg

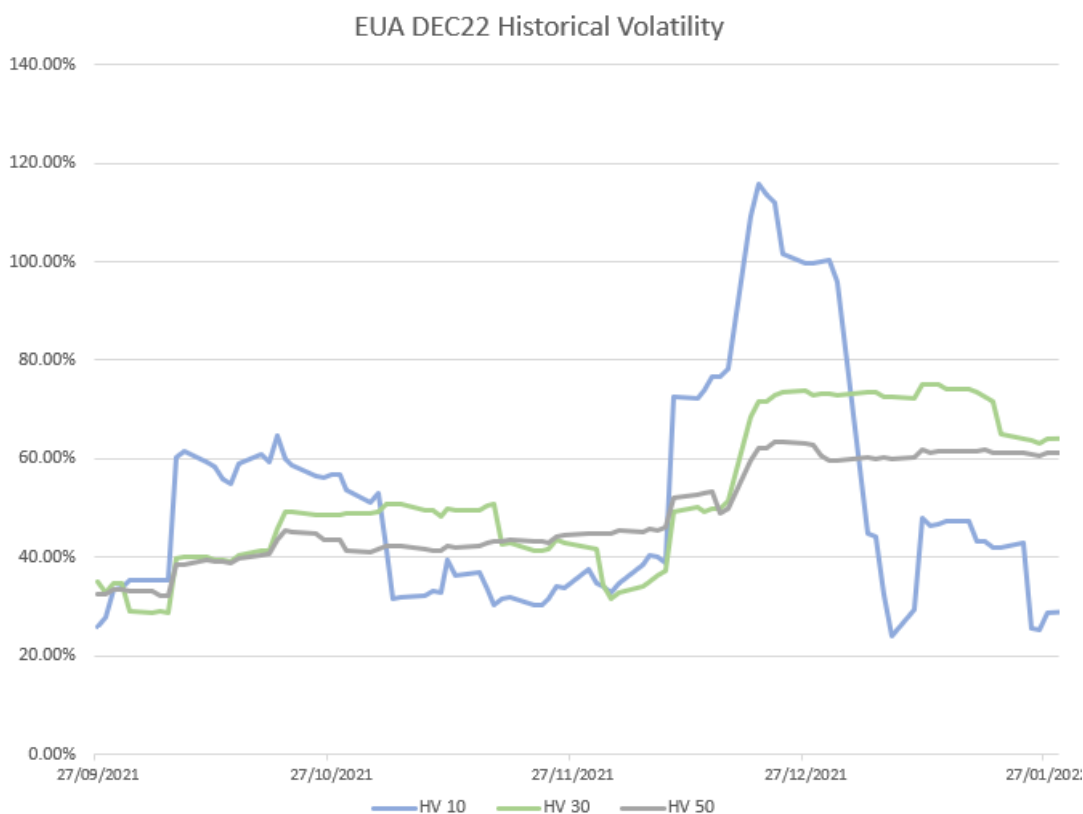
## EUA Options Market

Open interest for EUA call options totalled 221,478 yesterday (27th). The three most popular strikes on the DEC22 are the €100 call with an open interest of 14,128, DEC22 €80 strike at 20,823, and DEC22 €75 strike at 10,547.

Volatility Surface: 28/01/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	51.80	50.62	49.39	48.85	48.70	48.75	48.81	49.21	49.79



Source: Bloomberg



Source: Bloomberg

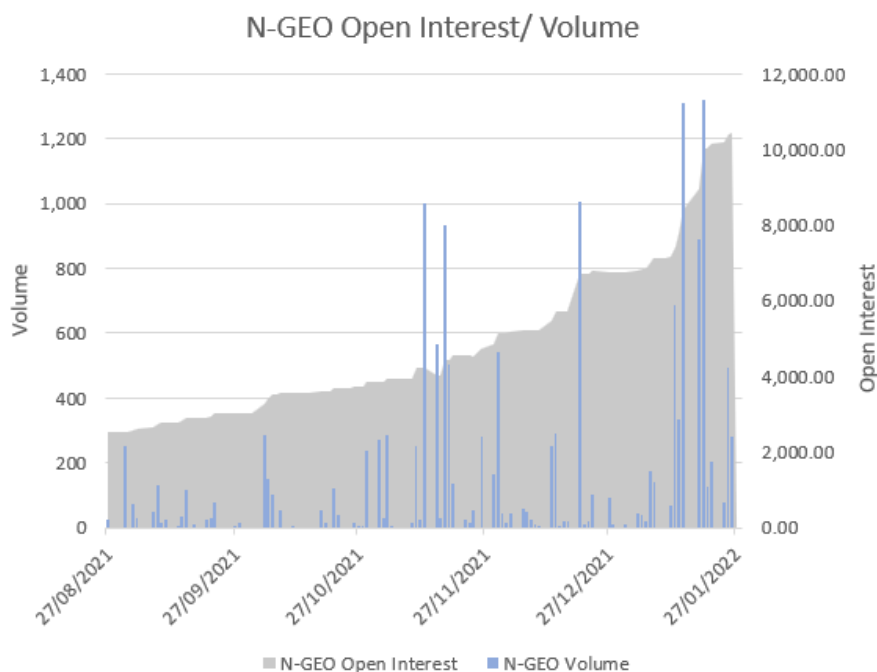
## Voluntary Markets

### Exchange Traded (CME GEO/ N-GEO)

Positive trading signals have been seen on both the GEO and N-GEO contracts this week, average prices sit at \$8 for GEO, and \$16 for N-GEO. Open interest on the N-GEO surpassed 10k and currently stands at 10,472, further enhancing the liquidity of the contract.



Source: Refinitiv



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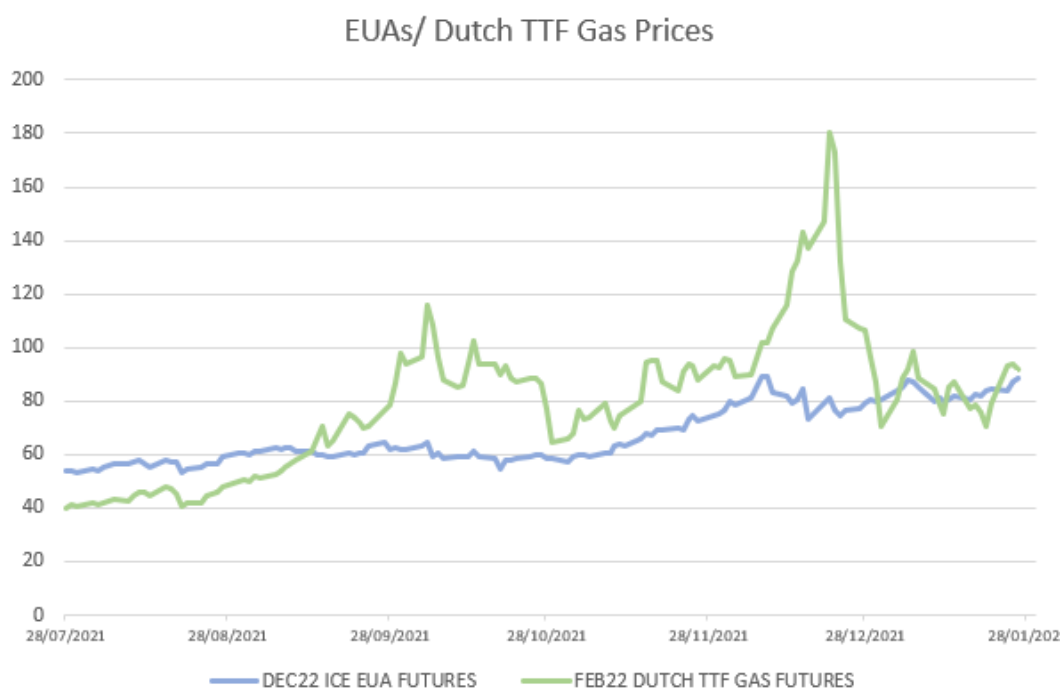
### Block Trades on CME (w/c 24)

The below summarises total block trades per day seen on the CME Offset Futures contracts. A total of 2.76m tonnes were traded through blocks this week, up from 2.4m w/c 17/01/2022.

	GEO/ NGO	Median Price	Qty/tns ('000)
26/01/2022	GEO	8.00	572
	NGO	8.00	642
25/01/2022	GEO	15.50	611
	NGO	15.55	817
24/01/2022	GEO	7.96	60
	NGO	16	60

## Correlated Markets

Volatile trading persists in Dutch TTF Gas for the front FEB22 contract, with bull and bear signals showing in tandem. Prices are very much moving in a horizontal channel with little direction bias evident. Cal-23 German baseload power is 1.3% higher at €134.65/MWh on EEX, while cal-23 API2 coal added 2.1% to \$116.25/tonne on ICE. A warmer weather forecast tied with cooling tensions between Ukraine and Russia suggest further volatility is anticipated.



Source: Bloomberg

## Regulatory News

The EU approved a Romanian utility (CE Oltenia) restructuring worth €2.66bn. This decision is suggested to increase EUA purchasing.

The UK decided against intervening with their ETS, following the record prices seen in the market. Under the national ETS framework, the Authority can intervene in the market if average prices remain above a set threshold for three consecutive months.

Debate on who pays for shipping emissions within the EU ETS persists, with divisions between shipowners and charterers as both parties have taken different viewpoints on who is liable. This comes after data was released highlighting that shipping emissions rose 4.9% in 2021 to 833m tonnes (Simpson Spence & Young, 2022).

## Contact

### Kieran Batterbury

KieranB@freightinvestor.com

+44 (0) 207 090 1120

### Theodore Goulios

TheoG@freightinvestor.com

+64 6535 5189

### Fan Huilian

HuilianF@freightinvestor.com

+44 (0) 207 090 1120

### Alistair Pettey

AlistairP@freightinvestor.com

+44 (0) 207 090 1120

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