

FIS Carbon Weekly Report

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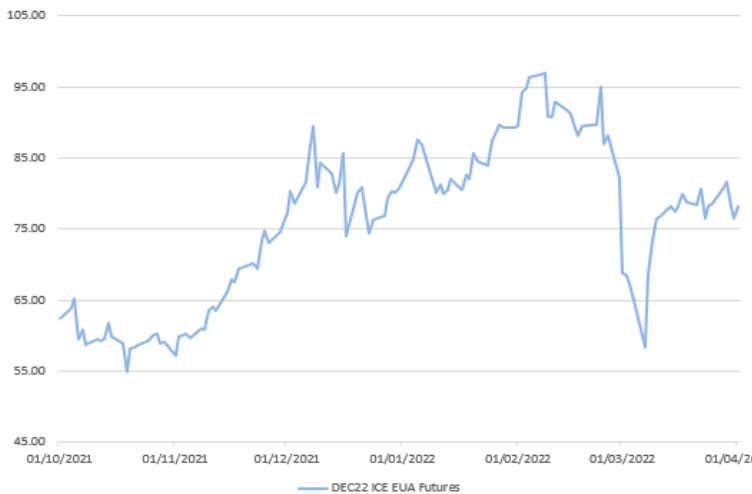
01/04/2022

Compliance Markets

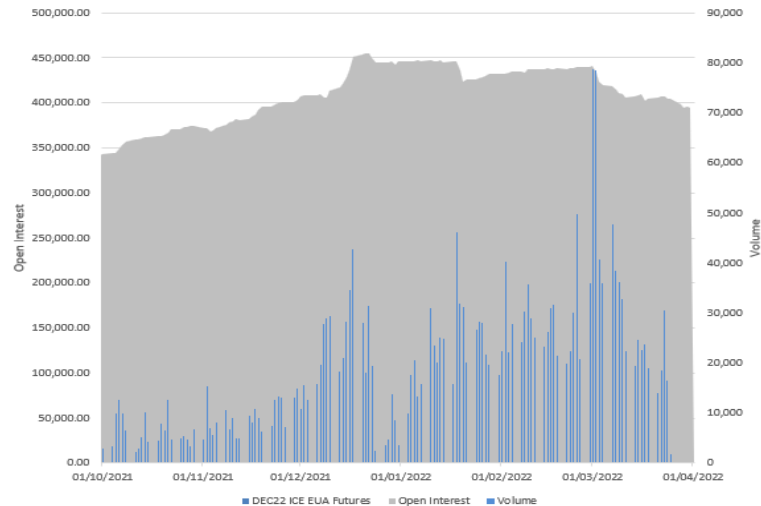
EUAs

Another week of light trading and relatively poor liquidity has been seen in EUAs. After Dec-22 settled on the 25th largely unchanged at +0.26%, this week has seen prices decrease. The contract finished down -2.9% at €78.49. Price fluctuations have largely been driven by regulatory news surrounding the ETS and wider-market developments in energy commodities, specifically TTF Gas. For the former, ESMA released a much anticipated report on the characteristics of the scheme, with no major findings of note; subsequently causing bullish prices. For the latter, Putin's demands for gas exports to be paid in Roubles caused TTF prices to drastically increase. The inverse correlation between TTF and EUAs at present continues as the price of the allowances significantly dropped from the news.

DEC22 ICE EUA Futures



EUA DEC22 Futures Open Interest/ Volume



Source: Refinitiv

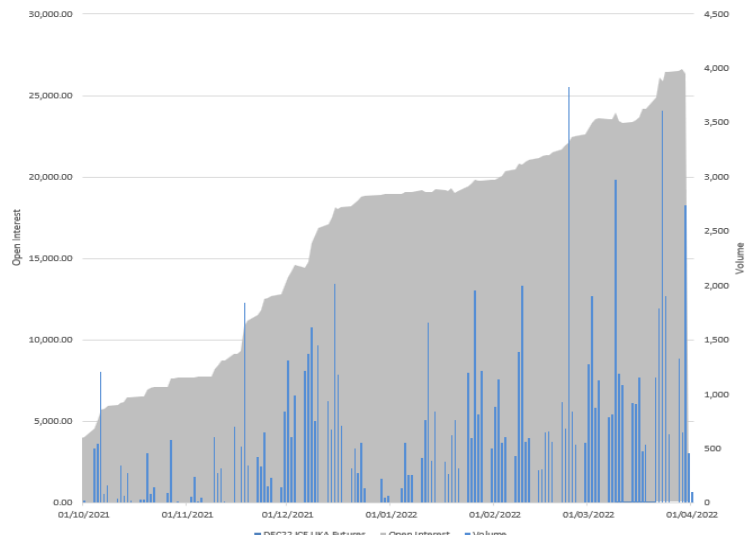
UK ETS

UK Allowance prices diverged from EUAs and closed 1.8% lower this week. The Dec-22 UKA contract fell 0.6% to settle at £75.33 on ICE as market participants awaited verified emissions data from the UK ETS' first year of trading.

DEC22 ICE UKA Futures



UKA DEC22 Futures Open Interest/ Volume



Source: Refinitiv

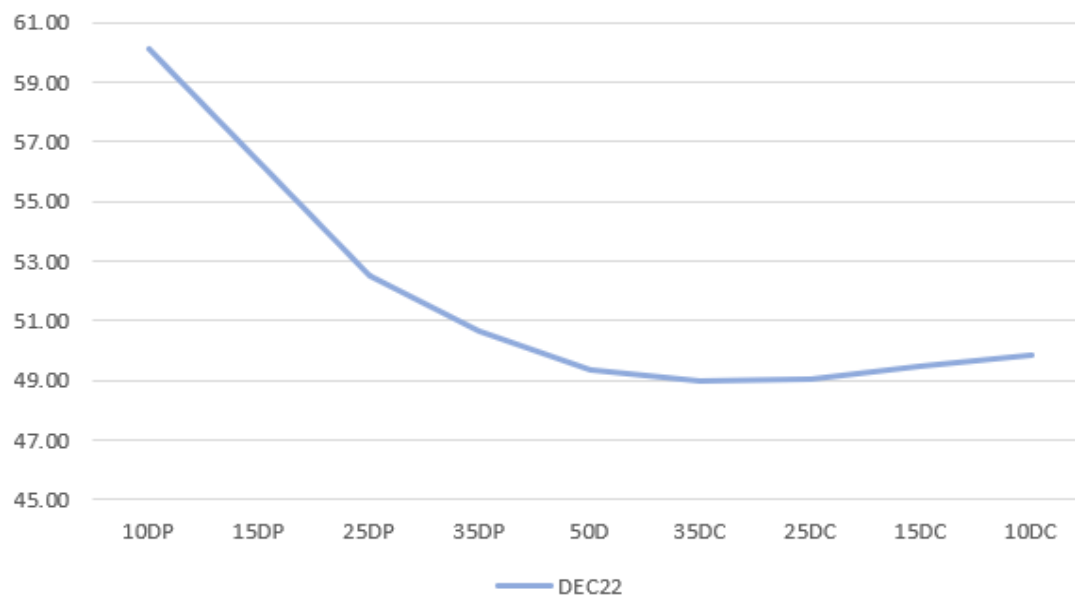
EUA Options Market

Following the expiry of the Mar-22 ICE EUA options last week, attention now appears to be back on the December expiries. Open interest is largest on the €80.00 strike calls at 13.7m tonnes (13,741 lots), and €90.00 strike calls at 11.8m tonnes (11,825 lots), and finally €110.00 strike calls at 11.5m tonnes (11,575 lots).

Volatility Surface: 28/03/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	60.11	56.34	52.51	50.66	49.34	48.96	49.06	49.50	49.87

EUA DEC22 Options Volatility



Source: Bloomberg

EUA DEC22 Historical Volatility

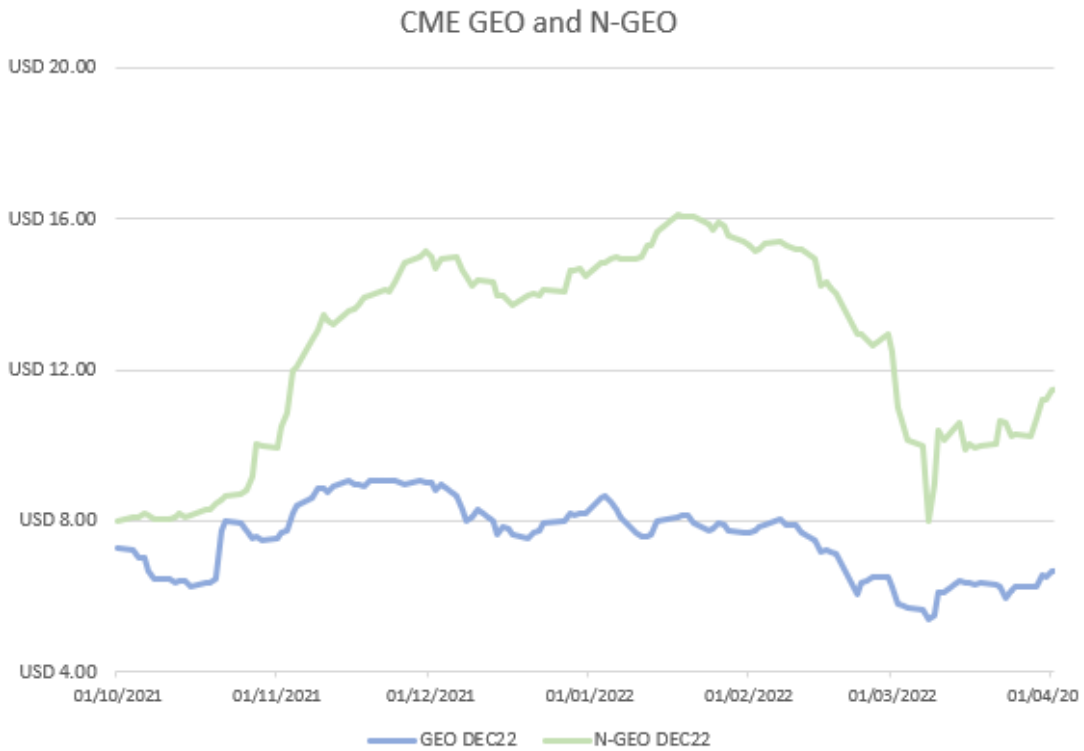


Source: Bloomberg

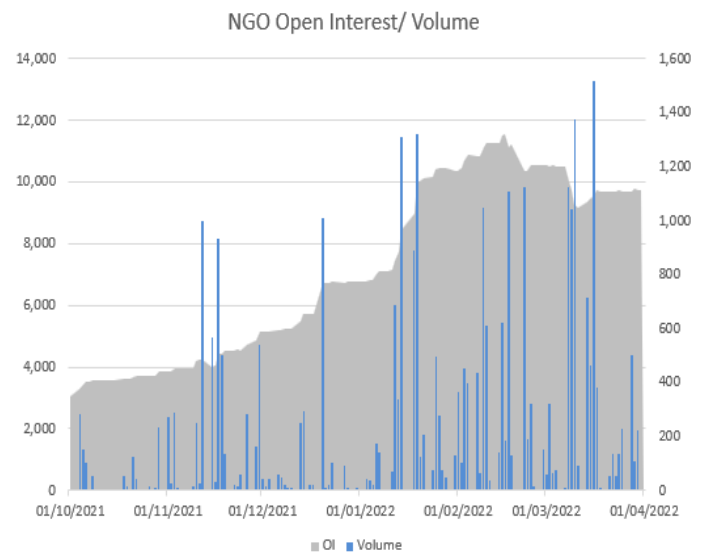
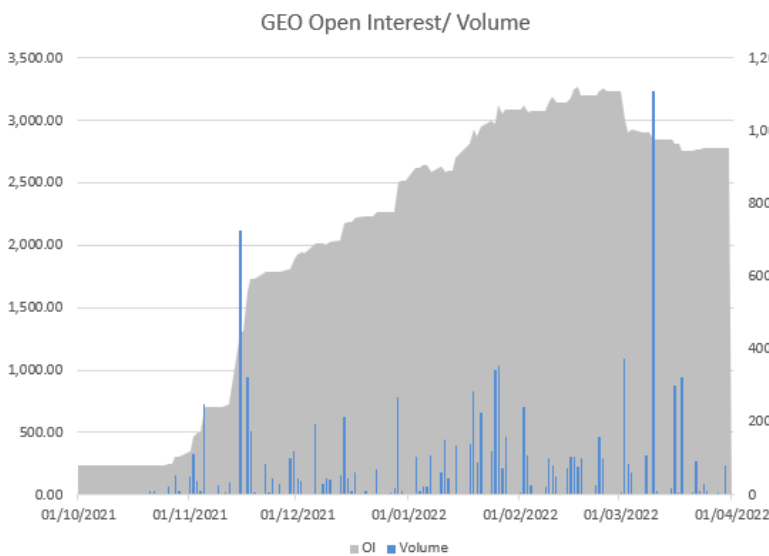
Voluntary Markets

Exchange Traded (CME GEO/ N-GEO)

Although some price recovery has been seen in the exchange-traded voluntary carbon contracts this week, trading volumes still remain fairly low. The NGO contract has posted an impressive recovery since the sell-off in March, repairing losses from a settlement low of \$8.00 on 08/03/2022 to \$11.50 on Friday (1st); a 43.75% increase. Looking at prices last week in isolated, the Dec-22 NGO contract settled +12% at \$11.50. In addition, GEO Dec-22 has also seen a strong recovery to settle on Friday up +7% at \$6.70.



Source: Refinitiv



Source: Refinitiv

Block Trades on CME (w/c 28th)

A total of 2.17m tonnes were traded on CME through 22 blocks this week on the GEO/NGO contracts. This is a notable decrease from the 5.98m tonnes traded last week and further cements the poor liquidity currently being seen in carbon emissions markets. Evidently geopolitical risks are still a key factor to be considered.

Date	Direction	Contract	Expiry	Price	Qty/tns ('000)
01/04/2022	B	NGO	Dec-22	11.45	30
01/04/2022	B	NGO	Dec-22	11.5	61
01/04/2022	B	NGO	Dec-22	11.5	61
01/04/2022	B	NGO	Dec-22	11.55	61
31/03/2022	B	NGO	Dec-23	14.3	100
31/03/2022	B	NGO	Dec-23	14.3	50
31/03/2022	B	NGO	Dec-23	14.3	50
31/03/2022	B	NGO	Dec-23	14.25	100
31/03/2022	B	NGO	Dec-23	14.25	100
30/03/2022	B	NGO	Dec-23	14.2	50
30/03/2022	B	NGO	Dec-23	14.2	10
30/03/2022	B	NGO	Dec-23	14.2	50
30/03/2022	B	NGO	Dec-24	15.75	50
30/03/2022	B	NGO	Dec-23	14.1	50
30/03/2022	B	NGO	Dec-23	14.2	25
30/03/2022	B	NGO	Apr-22	10.98	75
30/03/2022	S	NGO	Dec-22	11.25	75
30/03/2022	B	NGO	Dec-23	14	500
30/03/2022	B	GEO	Dec-22	6.4	75
30/03/2022	S	GEO	Dec-23	6.95	75
28/03/2022	B	NGO	Dec-22	10.25	500

Source: CME Direct

FIS OTC Projects

Below are current offset projects offered by FIS to help entities manage their emissions exposure and/ or achieve ESG strategic initiatives.

VCS 2082, China, v18, 50kt, indic offer USD 15.00.

VCS 2293, PNG, v17, 150kt, indic offer USD 11.75.

VCS 1382, Brazil, v16, 68kt, indic offer USD 12.00 .

VCS 1748, Cambodia, v16, 50kt, indic offer USD 12.00.

VCS 902, Zimbabwe, v16, 50kt, indic offer USD 12.00.

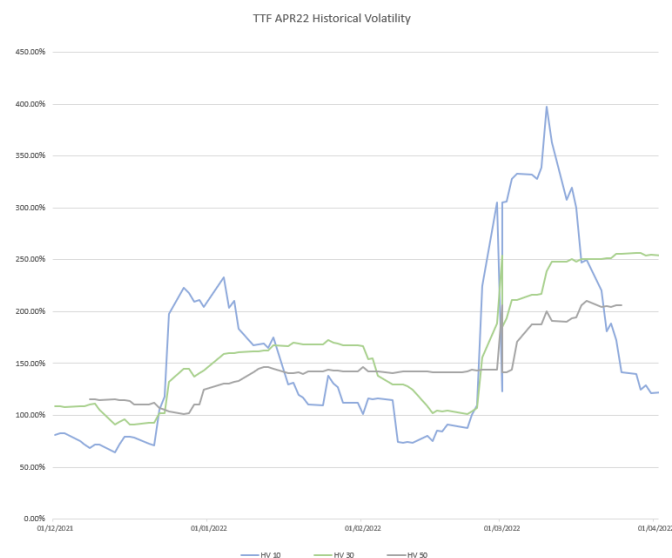
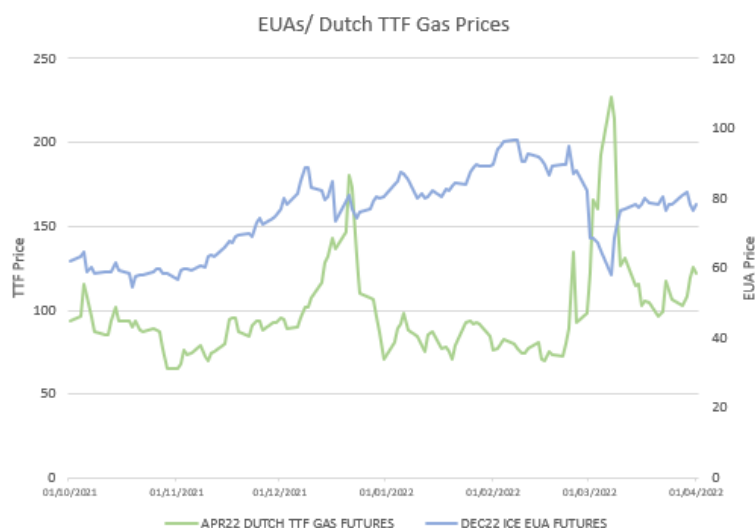
FIS Trades (w/c 28th)

The following voluntary carbon trade was facilitated by FIS in the previous week:

GS 7538 CORSIA eligible, v20, USD 8.75, 48kt.

Correlated Markets

Sending waves through energy markets this week was Putin's demands for Russian gas exports to be made in Roubles, along with setting a deadline on when the EUs payments must be made. Germany swiftly heightened energy security fears by issuing a warning on excessive gas use by firms and consumers. TTF Gas finished the week +19%, settling at €122.150MW/h with volatility and large price swings remaining a prominent feature. In oil markets, the US president announced a big release of oil reserves for a total of 180m barrels which evidently caused further volatility in the market. Brent front-month finished the week largely flat +0.85% at \$113.45/bbl.



Source: Refinitiv

Market News

Financial watchdog the European Securities and Markets Authority (ESMA) issued its final report on the EU Emissions Trading System, finding no major problems in the functioning of the market after some participants had warned of excessive speculation (S&P).

The European Commission published the 2021 EU-ETS preliminary verified emissions report on Friday (1st). The report showed that emissions in the EU ETS rose by 9.1% in 2021 (Carbon Pulse).

EU plans to label some gas and nuclear power plants as green investments face rejection by lawmakers as war in Ukraine and the resulting scramble away from Russian fossil fuels has drastically altered the bloc's energy outlook (Carbon Pulse).

Putin's rouble payment scheme for natural gas is the prototype that Russia will extend to other major exports (Reuters).

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