

06/05/2022

Voluntary Markets

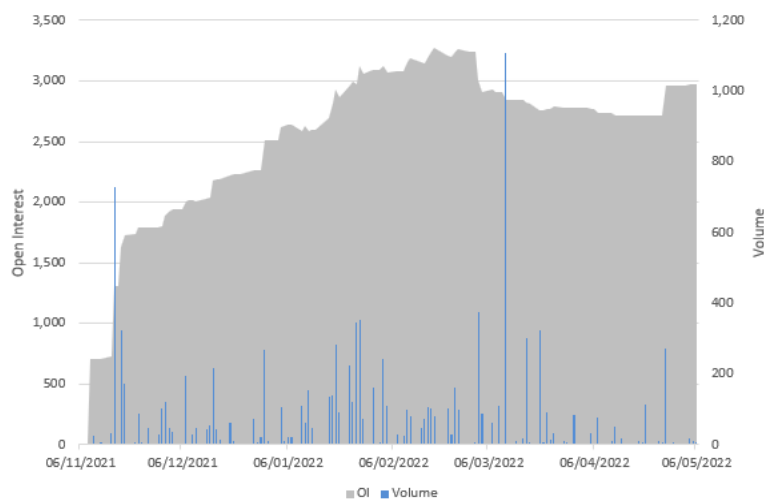
CME Futures

Prices in the exchange-traded voluntary carbon market lost some ground last week despite positive trading volumes. The Dec-22 GEO contract printed on Monday (2nd) at \$5.83, but the contract lost \$0.04c from Tuesday to Thursday. After settling on Friday (6th) at \$5.62, the contract is -3.6% down WoW. Within the nature-based contract, Dec-22 NGO fell from Monday's (2nd) settlement at \$11.04 to eventually settle at \$10.99 on Friday (6th). Trading volumes in the nature-based contract, however, casts a positive outlook for the contract with 1.07m tonnes being traded. In addition, open interest increased to 9,708.

CME DEC22 GEO Futures



CME GEO DEC22 Open Interest/ Volume

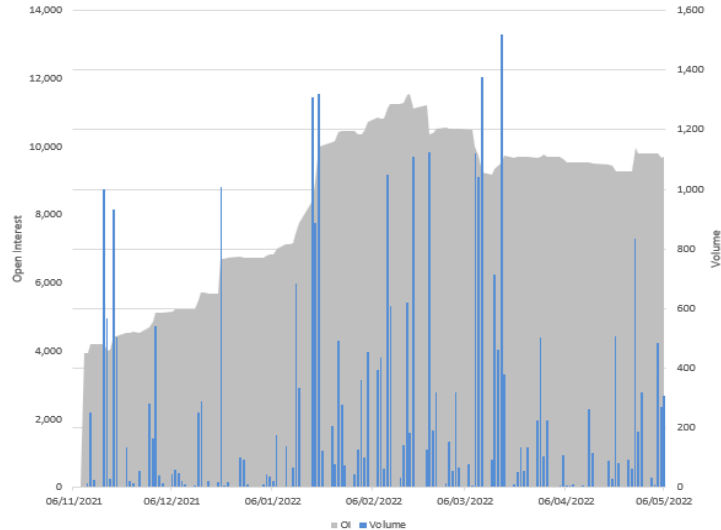


Source: Refinitiv

CME DEC22 NGO Futures



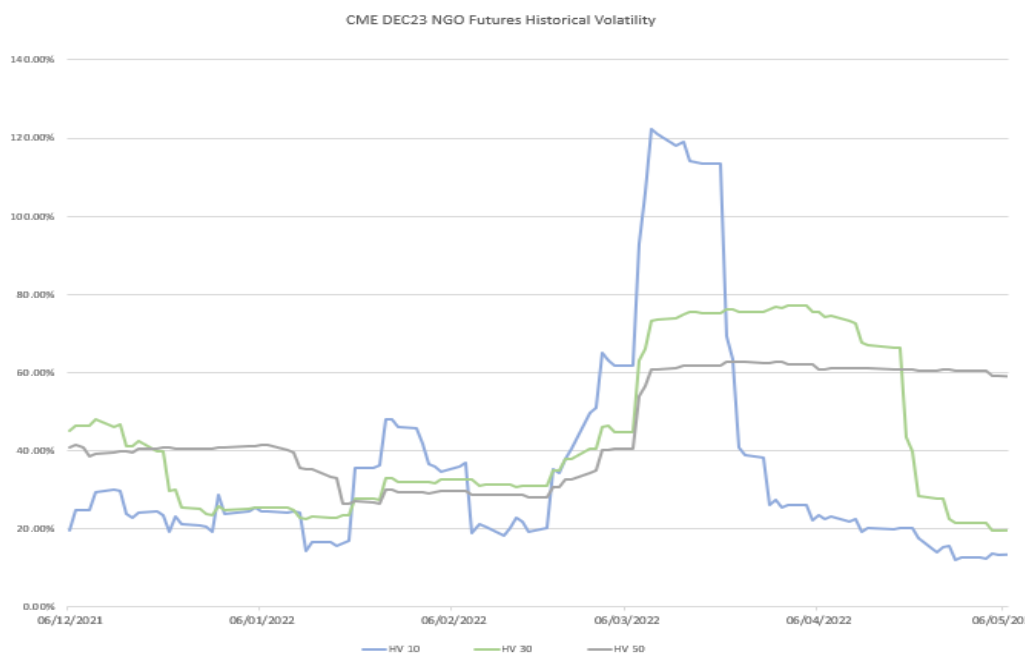
NGO Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

Volatility on the Dec-23 NGO contract has begun to tail-off for both ten-days and thirty days. However, fifty-day volatility remains elevated.



Source: Refinitiv

Block Trades on CME (w/c 2nd)

A total of 1.02 tonnes were traded on CME through 19 blocks last week on the GEO/ NGO contracts, all of which were outright buys.

Date	Direction	Contract	Expiry	Price	Qty/tns ('000)
06/05/2022	B	GEO	Dec-22	5.6	10
06/05/2022	B	NGO	Dec-23	15.1	25
06/05/2022	B	NGO	Dec-23	15.1	25
06/05/2022	B	NGO	Dec-23	15.1	25
06/05/2022	B	NGO	Dec-23	15	25
06/05/2022	B	GEO	Dec-22	5.55	20
06/05/2022	B	GEO	Dec-22	5.65	10
05/05/2022	B	NGO	Dec-22	10.95	10
05/05/2022	B	NGO	Dec-22	11	50
05/05/2022	B	NGO	Dec-22	11	50
05/05/2022	B	NGO	Dec-22	11	50
05/05/2022	B	NGO	Dec-22	11	50
05/05/2022	B	NGO	Dec-23	15	150
05/05/2022	B	NGO	Dec-23	15	50
05/05/2022	B	NGO	Dec-23	15	50
04/05/2022	B	NGO	Dec-22	11	20
03/05/2022	B	NGO	Dec-22	11	50
03/05/2022	B	NGO	Dec-22	11	250
02/05/2022	B	NGO	Dec-23	15.05	100

Source: CME

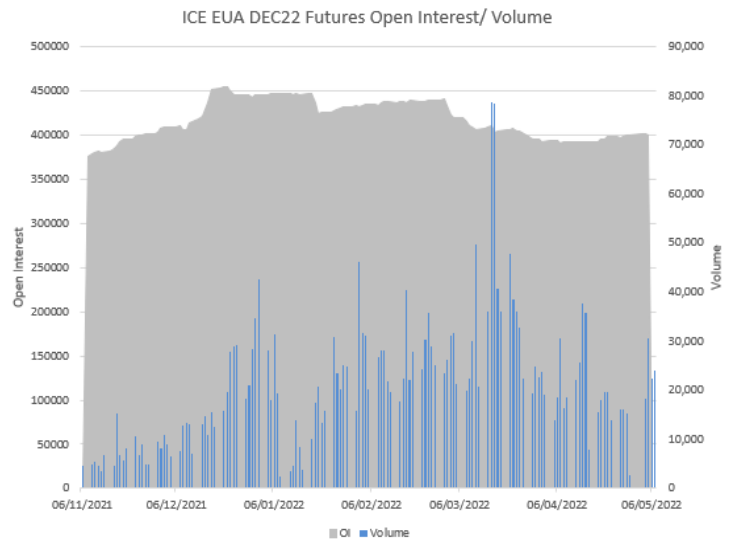
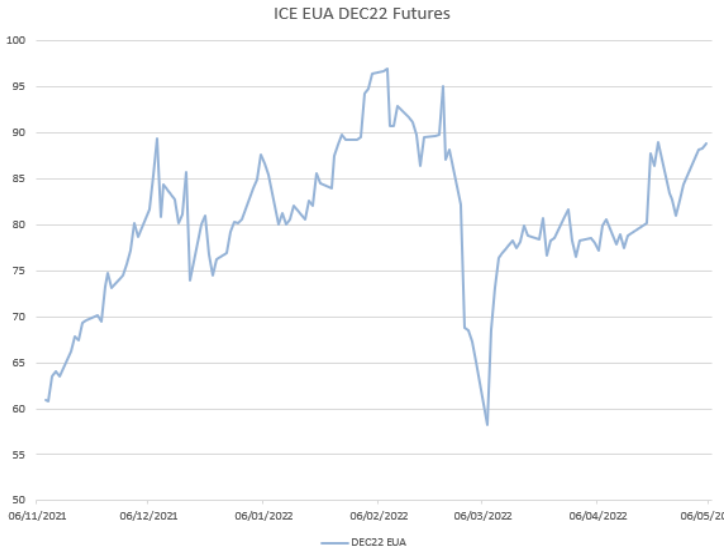
OTC Voluntary Market

A total of 2.01mln tonnes of offset credits were issued over the past week across 16 distinct projects. Notable newly issued credits include VCS 2539 Evergreen REDD+, VCS 987 Reforestation in Ghana, and VCS 1344 Run-of-River Hydroelectric Power Plant in Turkey.

Compliance Markets

EUAs

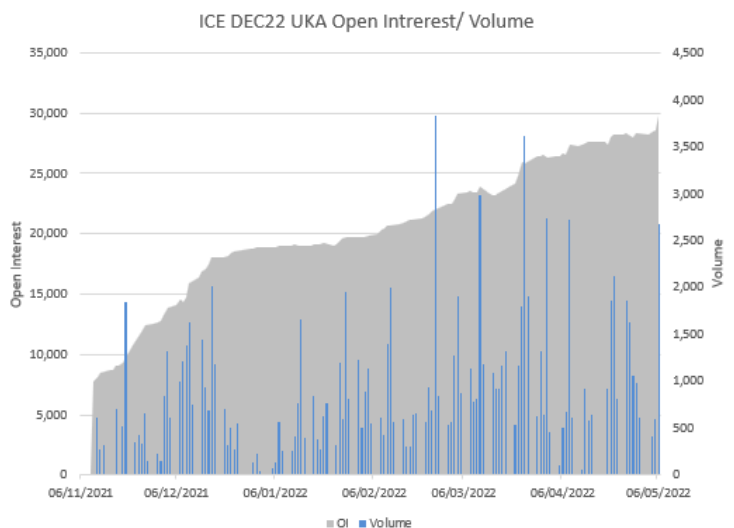
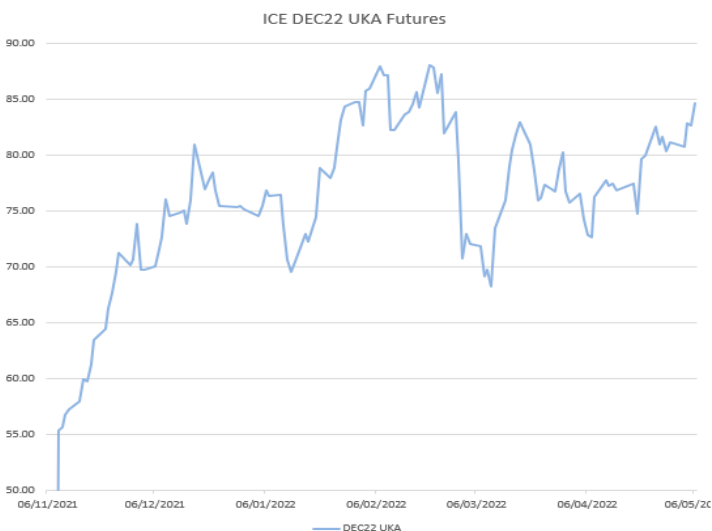
Dec-22 EUA prices posted an impressive +10.23% price increase amid a shorter trading week as the contract settled at €91.54 on Friday (6th). Prices were trading with bullish sentiment on Tuesday and Wednesday with small price increases being seen, however, a strong auction and a key technical threshold being breached on Thursday sent the futures jumping to the upside. A new ten-week high was hit at €91.99, a daily gain of 4.2%, before sliding more than €3 in three hours to settle just +0.70% higher at €88.91. Friday also saw the Dec-22 rise and reach a high of €91.90 as the daily auction came to a close. The sale cleared at a €0.53 discount to the spot market, the largest negative differential of the week. From a regulatory perspective, discussions over the Fit for 55 initiative is also taking place, where MEPs are working through more than 1,700 amendments to the Commission’s ETS; arguably causing further bullish sentiment for the market.



Source: Refinitiv

UK ETS

Dec-22 UK Allowance prices rose to a new all-time high of £89.40 in quiet trading, before settling 4.9% higher at £88.80 on Friday (6th), also a record. Prices intra-day continued up to as high as £89.80. Volume was relatively light, however, at 533 lots.

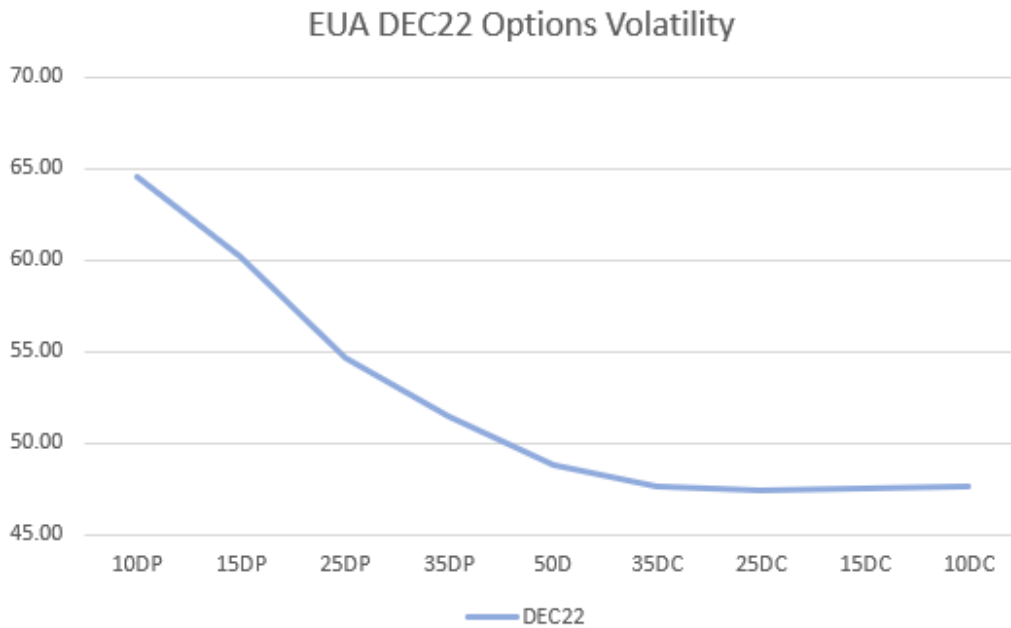


Source: Refinitiv

EUA Options Market

Open interest continues to be the largest on the following Dec-22 call strikes: €80.00 strike calls at 13.4m tonnes (13,441 lots), €90.00 strike calls at 11.1m tonnes (11,122 lots), and €100.00 strike calls at 14.7m tonnes (14,739). Put option open interest continues to show a clear bias to €50.00 strikes with 17m tonnes (17,781 lots).

Volatility Surface: 02/05/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	64.56	60.16	54.70	51.45	48.83	47.68	47.43	47.50	47.68



Source: Bloomberg



Source: Bloomberg

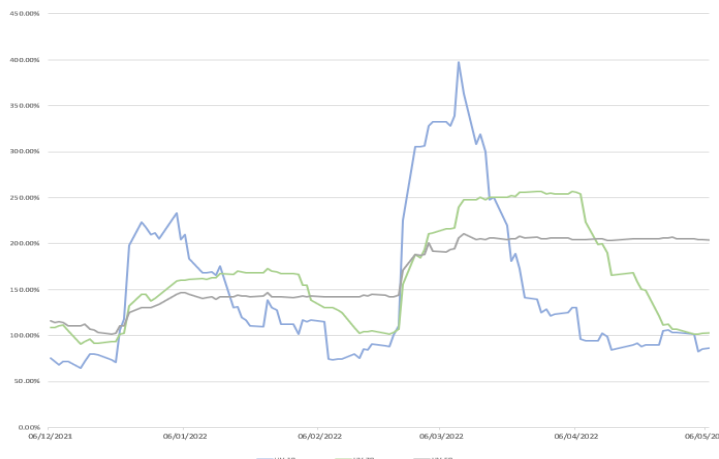
Correlated Markets

Talks of a new EU sanction against Russian oil supplies dominated the headlines last week and kept energy commodity prices volatile. The Brent front-month contract finished the week +4.5% after printing on Friday at \$112.39/bbl. Prices have also been influenced by global economic uncertainty as the macroeconomic outlook for most nations continues to worsen. The Dutch TTF Gas market also increased by +4.8% on the Jun-22 contract, while German Power Baseload Futures for Cal-23 jumped +12% to print at €224.60MW/h on Friday.

EUAs/ Dutch TTF Gas Prices



TTF JUN22 Historical Volatility



Source: Refinitiv

Market News

The World Bank has asked Singapore to anchor a global effort to make the international trade in carbon credits more transparent and trustworthy. The Republic has accepted the invitation to work closely with the World Bank on the Climate Warehouse initiative, which aims to connect carbon credit registries in the world (Bloomberg).

Current corporate commitments could see the voluntary carbon market (VCM) grow to the equivalent of 10% of current global emissions (Carbon Pulse).

Australian companies should over time lose the ability to use carbon credits from the UN's Clean Development Mechanism (CDM) for offsetting purposes, oil major Shell and power generator Origin Energy have said (Carbon Pulse).

A planned EU Carbon Border Adjustment Mechanism threatens exports of carbon-intensive goods if the measure replaces free carbon allowances as planned by the European Commission (Platts).

Senior MEPs negotiating EU carbon market reform may be nearing a deal on accepting a proposed second ETS for buildings and road transport (Carbon Pulse).

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