



Carbon Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

13/05/2022

Voluntary Markets

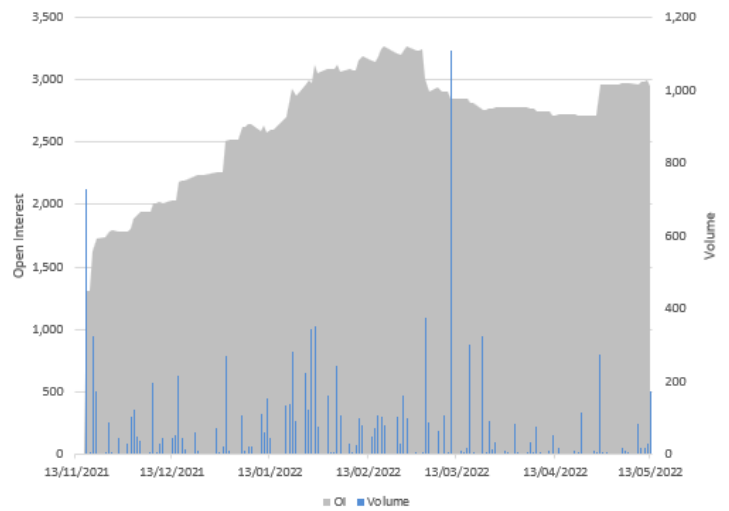
CME Futures

Prices for the exchanged-traded voluntary carbon contracts decreased again last week, although trading volumes remained healthy. The Dec-22 technology-based contract, GEO, fell -6.8% after printing on Friday (13th) at \$5.14. It's Dec-22 nature-based counterpart, NGO, fell -2.5% to finish the trading week at \$10.61. Arguably due to a weaker economic climate being seen in most economies, the voluntary carbon market has also fallen victim to the negative outlook gripping markets. Analysing trading data from a more holistic perspective, however, shows open interest standing at 9,465 on Dec-22 NGO, and 2,950 on Dec-22 GEO; both of which are just below their all-time-highs.

CME DEC22 GEO Futures



CME GEO DEC22 Open Interest/ Volume

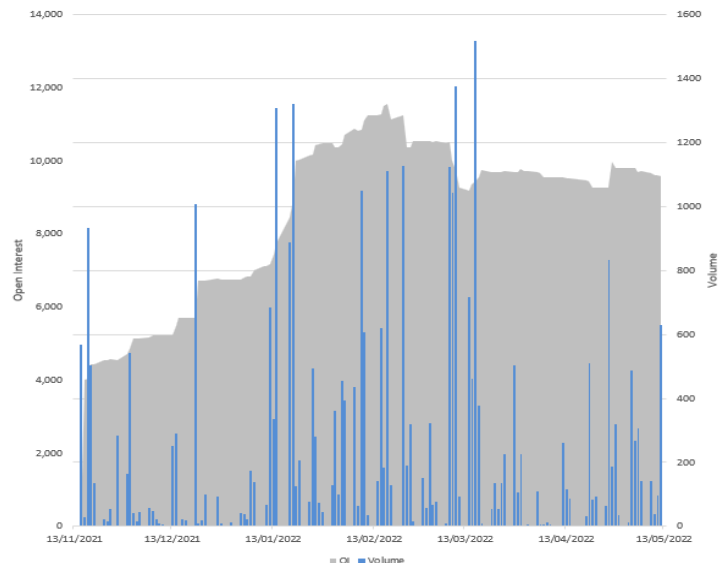


Source: Refinitiv

CME DEC22 NGO Futures



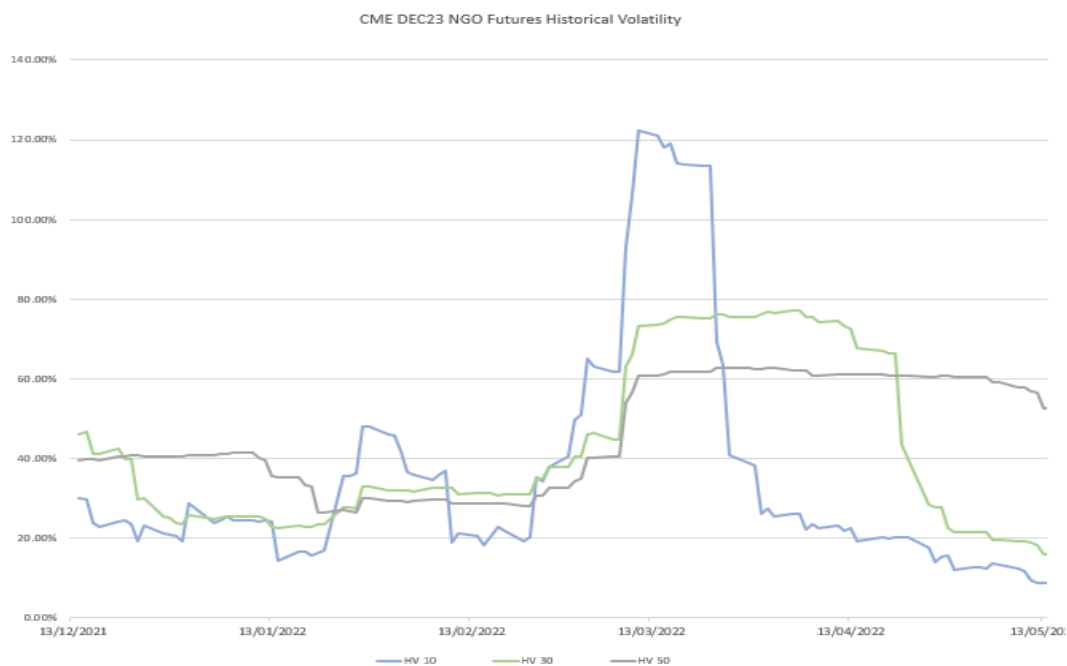
NGO Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

Volatility on the Dec-23 NGO contract has now begun to tail-off for both ten, thirty, and fifty-days.



Source: Refinitiv

Block Trades on CME (w/c 9th)

A total of 931kt was traded on CME through 14 blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
13/05/2022	B	NGO	NGO	14.95	250
13/05/2022	B	NGO	NGO	14.75	50
13/05/2022	B	GEO	GEO	5.05	122
12/05/2022	B	NGO	NGO	10.7	28
12/05/2022	B	NGO	NGO	10.7	16
12/05/2022	B	NGO	NGO	10.15	65
12/05/2022	B	NGO	NGO	10.15	50
12/05/2022	B	NGO	NGO	10.15	25
12/05/2022	B	GEO	GEO	5	25
10/05/2022	B	NGO	NGO	15	50
09/05/2022	B	NGO	NGO	15.1	50
09/05/2022	B	NGO	NGO	15.1	50
09/05/2022	B	NGO	NGO	15.1	50
09/05/2022	B	NGO	NGO	15	100

Source: CME

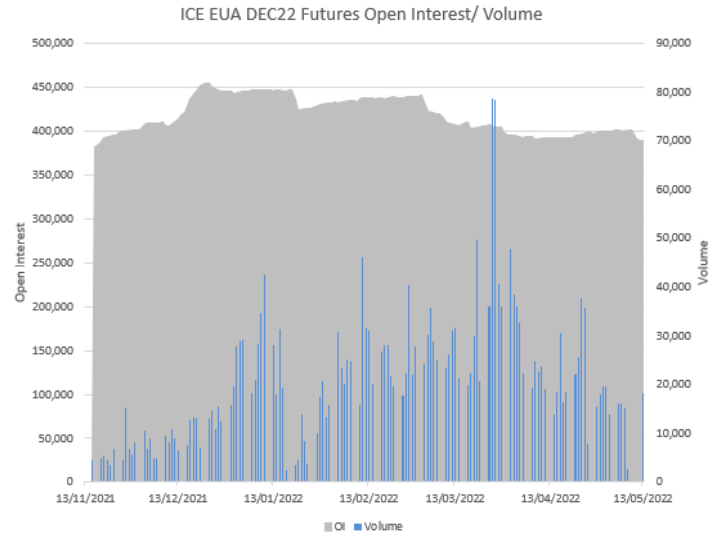
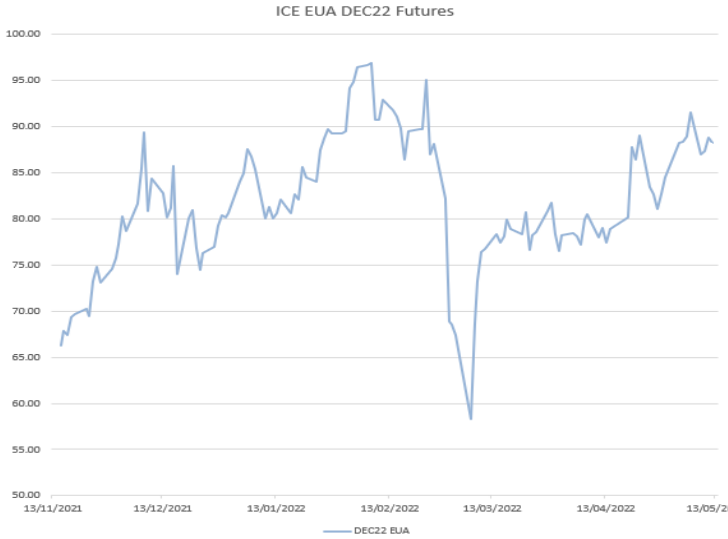
OTC Voluntary Market

A total of 1.94mln tonnes of offset credits were issued over the past week across 18 distinct projects. Notable newly issued credits include VCS 902 Kariba REDD+, VCS 2508 Unitor (Brazil) REDD+, and VCS 1127 Run-of-River Hydroelectric Power Plant in Turkey.

Compliance Markets

EUAs

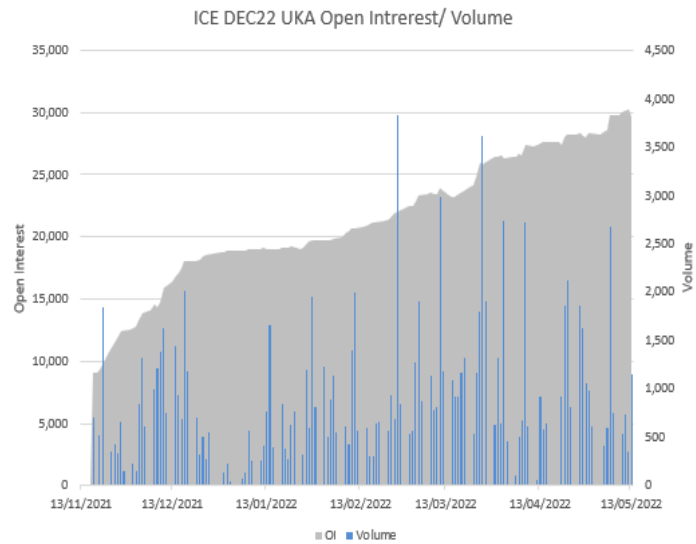
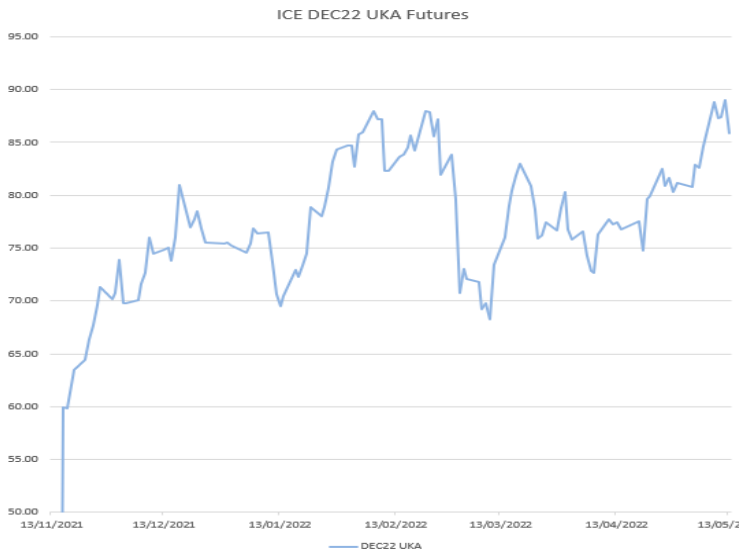
Dec-22 EUA futures prices retreated from the highs seen last week although the contract certainly appears to be holding its value. After settling on Friday (6th) at €91.54, prices fell by €2.41 after printing at €89.14 on the 13th. Regulatory influence in the market affected prices this week as the EU Parliament is set to vote on pivotal amendments to the ETS on Monday 16th. Included within the potential reforms package is the involvement of speculators within the market, as some member states wish to restrict involvement to only compliance entities. Although this is not a novel criticism, and was recently addressed by ESMA in its extensive review of the market (with no major findings), Monday will prove to be a pivotal day for the ETS. Other amendments include further price control mechanisms, allocation of allowances, and amendments to the linear reduction factor that the cap & trade threshold is based on.



Source: Refinitiv

UK ETS

Prices in the UK ETS wiped off £3.89 from the Dec-22 contract, a 2.6% decrease, over the past week as the markets correlation to its EU counterpart remains prevalent. Key regulatory news hitting the market this week is that the UK government announced it had set the Cost Containment Mechanism trigger price for August at £117.00, meaning the average UKA price during May, June, and July must remain above this level to cause the regulator to increase the supply of allowances to the auctions.



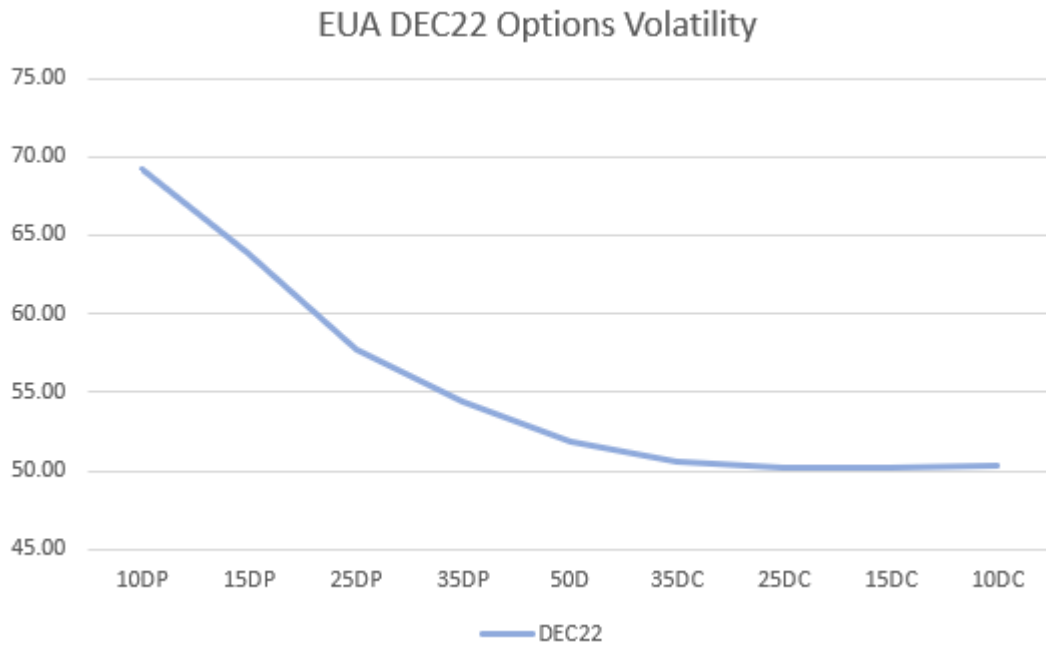
Source: Refinitiv

EUA Options Market

Open interest continues to be the largest on the following Dec-22 call strikes: €80.00 strike calls at 12.6m tonnes (12,632 lots), €100.00 strike calls at 14.5m tonnes (14,589), and now €110.00 strike calls at 13.2m tonnes (13,287 lots). Put option open interest continues to show a clear bias to €50.00 strikes with 17m tonnes (17,781 lots), and €65.00 strikes with 10m tonnes (10,488 lots).

Volatility Surface: 09/05/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	69.15	63.82	57.67	54.38	51.81	50.58	50.20	50.18	50.32



Source: Bloomberg



Source: Bloomberg

Correlated Markets

Energy markets experienced a volatile week of trading once again, with oil and gas flows dominating the headlines. The TTF Gas market was trading with bearish sentiment for the beginning of the week but prices jumped to the upside on Thursday (12th) following the news that Russia imposed sanctions on European subsidiaries of state-owned Gazprom (Reuters). The Jun-22 contract finished the week up +3.3% after settling on Friday (13th) at €96.881MW/h. Trading in the Brent Crude market was directed by news on demand concerns, largely due to China's continued covid situation and deteriorating macroeconomic climate. The ICE front-month Brent contract finished the week up +5.3% after printing at \$111.55/bbl.

EUAs/ Dutch TTF Gas Prices



TTF JUN22 Historical Volatility



Source: Refinitiv.

Market News

Monday 16th sees a key vote on potential amendments to the EU ETS by the European Parliament. Potential reforms include price controls, speculation curbs, allowance allocations, and a new second ETS for buildings and road transport (Carbon Pulse).

South Korea Ministry of Environment said the government is stepping up efforts to develop a transparent, verifiable carbon trading scheme in line with the international standards in preparation for its potential entry into an envisioned global carbon market (Platts).

ICE launched its first Nature-Based Solutions carbon credit futures contract. The NBS future, which trades under the contract code NBT, physically delivers VCU credits verified under Verra's VCS Agriculture, Forestry, and Other Land Use Projects with CCB Certification, with vintages from 2016-2020 (Seeking Alpha).

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

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