



Carbon Weekly Report

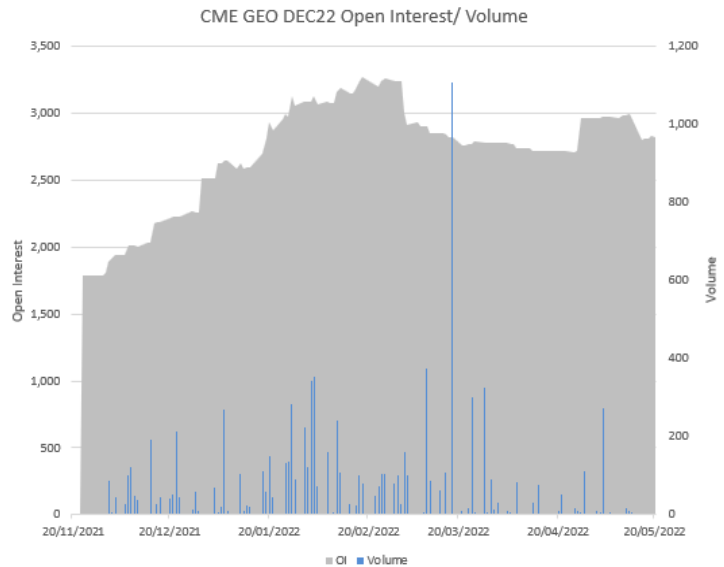
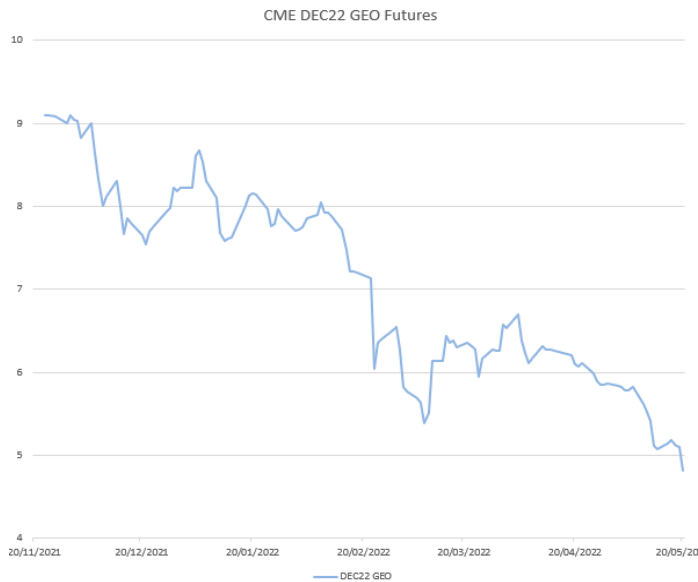
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20/05/2022

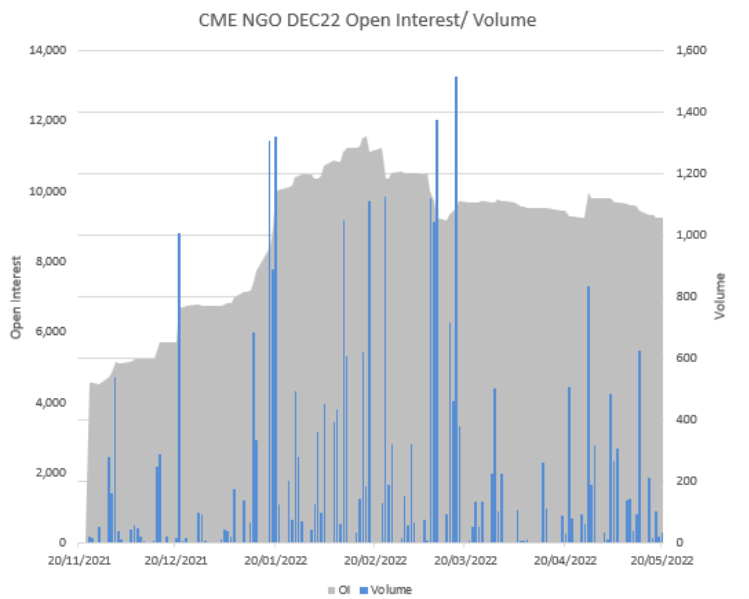
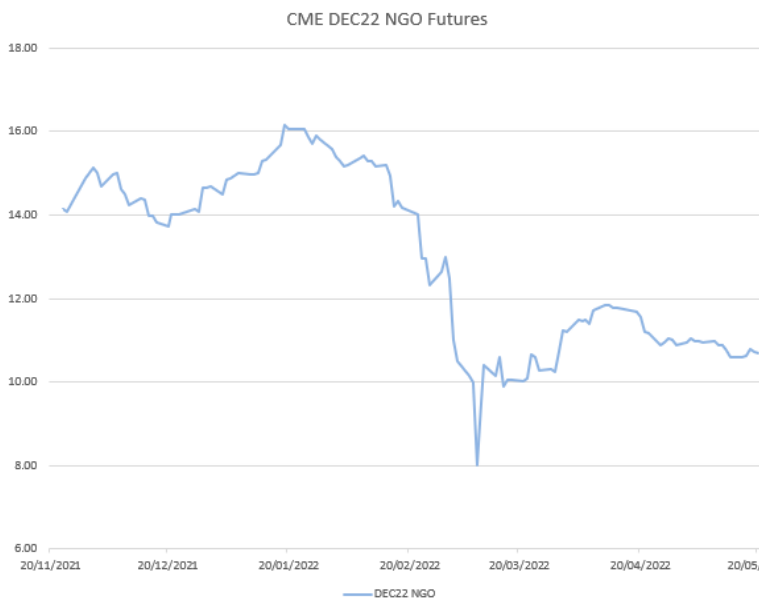
Voluntary Markets

CME Futures

Technology-based voluntary credits lost some ground over the past week of trading as a weaker economic climate appears to be slightly impacting demand. The CME GEO Dec-22 contract fell from \$5.14 last Friday (13th) to print at \$4.78 on the 20th; a -7.8% decrease. On the contrary, prices for nature-based credits continues to be favoured by market participants and prices are remaining fairly stable. The CME NGO Dec-22 contract settled on the 13th at \$10.61, and prices traded within a range of \$0.30c throughout the week. The contract then eventually settled on the 20th at \$10.86, a +2.1% increase. In summary, demand for nature-based projects continues to be healthy and demand a higher-premium.



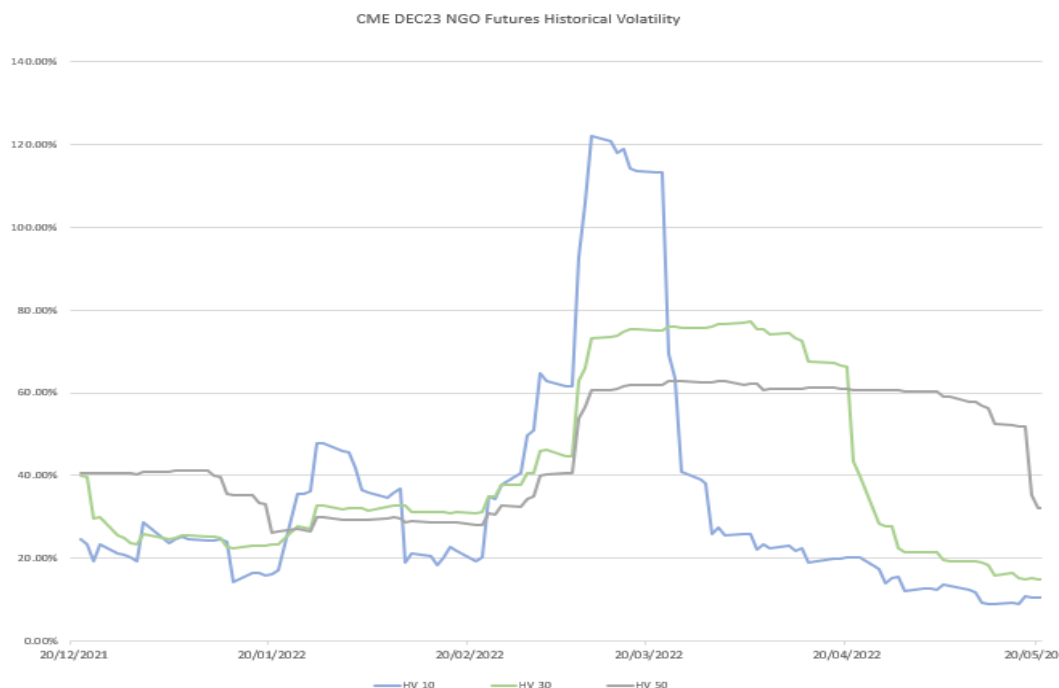
Source: Refinitiv



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 16th)

A total of 250kt was traded on CME through 3 blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
20/05/2022	B	NGO	Dec-23	\$14.95	50
17/05/2022	B	NGO	Dec-23	\$14.90	100
17/05/2022	B	NGO	Dec-23	\$14.90	100

Source: CME

FIS Trades (w/c 16th)

The following trades were facilitated by FIS over the past week:

CME NGO DEC23 at \$14.95 in 50kt.

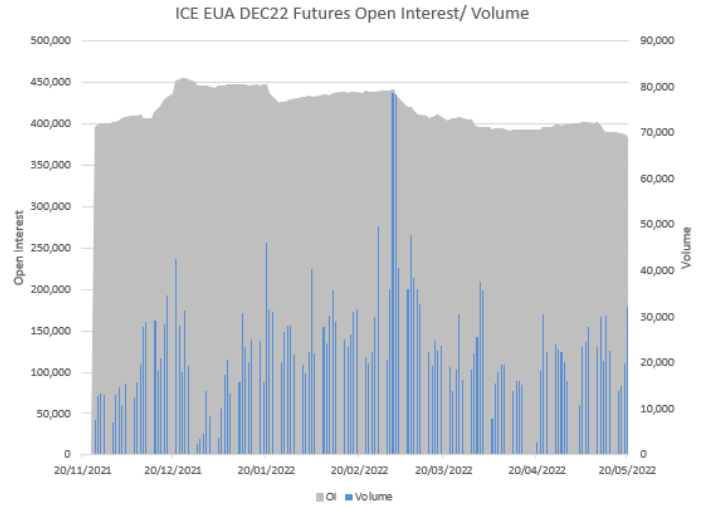
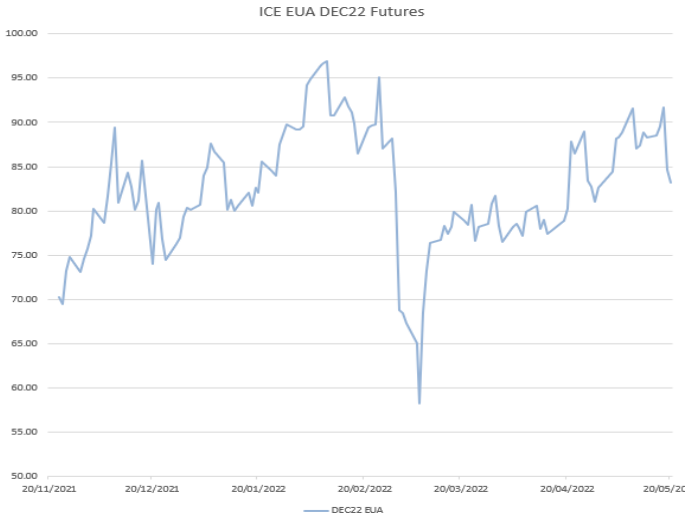
OTC Voluntary Market

A total of 1.83m tonnes of offset credits were issued over the past week across 19 distinct projects. Notable newly issued credits include VCS 1899 Sumatra Peatland Project (Indonesia) in 300kt, VCS 2052 Renewable Wind Project (India) in 108kt, and VCS 2508 Unitor REDD+ Project (Brazil) in 462kt.

Compliance Markets

EUAs

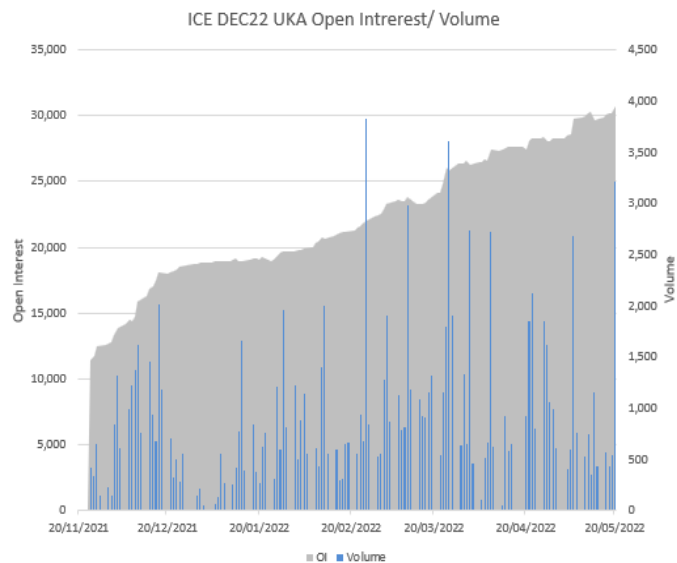
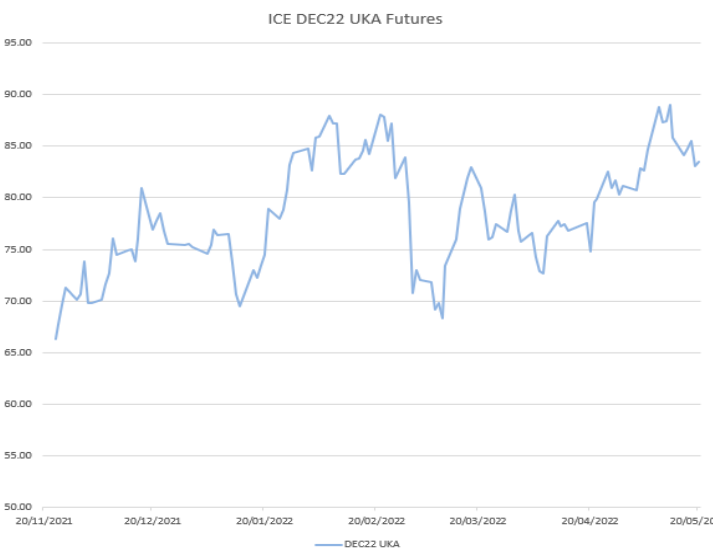
The beginning of the week saw the much anticipated ENVI Committee vote on numerous amendments to the EU ETS. Some of the key changes included a steeper emissions target of 67%, increasing from 61%, a speedier introduction of the shipping industry into the ETS with 100% of emissions covered from intra-European routes from 2024, and finally speculator curbs for spot contracts (European Commission). The market initially responded positively to these announcements, however, a further announcement by the EU quickly changed things. The 'RePowerEU' proposal to increase supply of EUAs to bring in €20bn from the Market Stability Reserve (MSR) in a bid to reduce the blocs reliance on Russian energy commodities was met with a fierce sell-off. The Dec-22 contract fell more than €10.00 and eventually settled at €92 from €85 the prior day. Week on week, the contract is down -9.2% after printing on Friday (20th) at €80.39.



Source: Refinitiv

UK ETS

The UK ETS fared a lot better last week and was largely unaffected by the news coming from the EU, however, prices did decrease slightly. The Dec-22 contract lost -£2.35 after settling on Friday a £82.37; a -2.7% decrease. News hit the market on Thursday announcing the UK government repurchased 400k permits that were initially handed-out for free to polluters in 2021 after it was found their output was lower than expected (Carbon Pulse).



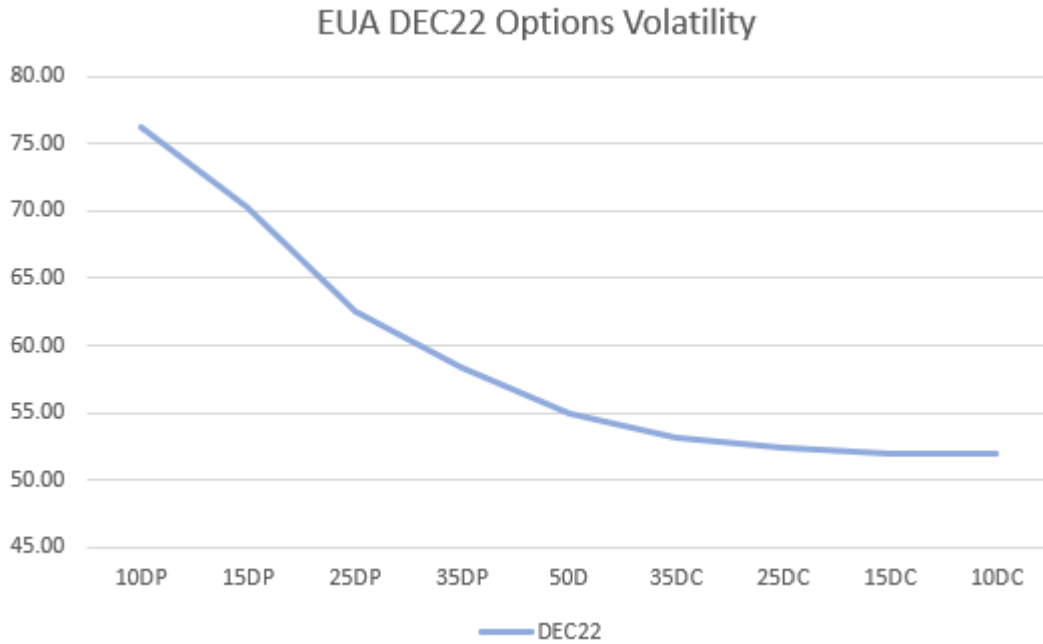
Source: Refinitiv

EUA Options Market

Trading in the previous week has seen put options dominating the EUA market. Open interest is highest on the following put strikes; Dec-22 €40.00 strike at 12.7m tonnes (12,713 lots), Dec-22 €50.00 strike at 16.5m tonnes (16,546 lots), and €60.00 strike at 14.7m tonnes (14,716 lots).

Volatility Surface: 16/05/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	76.27	70.23	62.60	58.41	54.97	53.12	52.39	51.97	51.92



Source: Bloomberg



Source: Bloomberg

Correlated Markets

Energy market were mixed last week as a strengthening Rouble meant that EU buyers have been able to meet Russia's demands for payments without breaching EU sanctions (Carbon Pulse). The Jun-22 TTF Gas contract settled on Friday (20th) at €87.902MW/h; a -5.4% decrease week-on-week. News also began circulating that Russian intends to stop gas export to Finland following their proposal to NATO (Reuters). Cal-23 German baseload power saw a slight price increase of +0.6%, increasing from €226.90MW/h to print on Friday (20th) at €228.33MW/h.

EUAs/ Dutch TTF Gas Prices



TTF JUN22 Historical Volatility



Market News

As mentioned above, the main news dominating headlines for EUAs over the past week has been the proposed amendments voted in by the EU ENVI Committee. Noteworthy amendments include a steeper linear reduction factor for the emissions cap (increasing from 61% to 67%), all of shipping's emissions to be included from 2024, and curbing speculator involvement in the spot market. Following the vote, the EU Commission also announced they were planning to raise €20bn to fund the transition from Russian energy by selling surplus EUAs (Carbon Pulse).

Carbon Streaming, the main seller of credits from the large Indonesian Rimba Raya REDD+ project, now expects a complete halt in offset issuances for the scheme until the government has finalised its new carbon market policy (Carbon Pulse).

EEX EUA auction volumes for 2022 have been decreased by 3% due to a calculation error. The number of allowances now available will be 405,965,500; 12,147,500 fewer than originally planned (Carbon Pulse).

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