



Carbon Weekly Report

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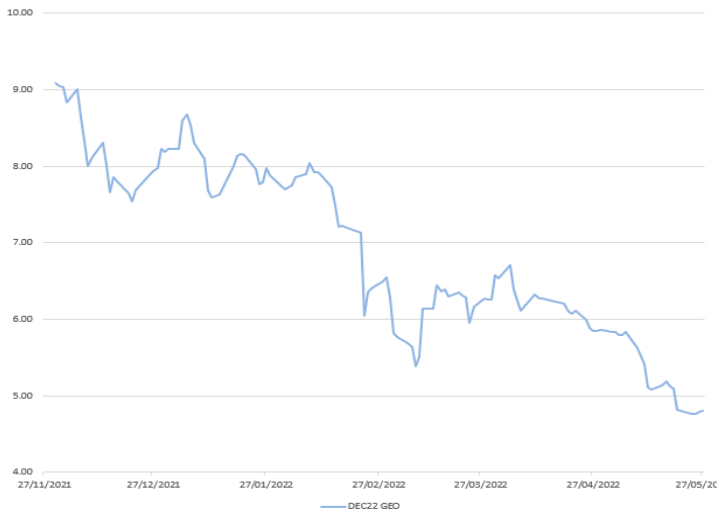
27/05/2022

Voluntary Markets

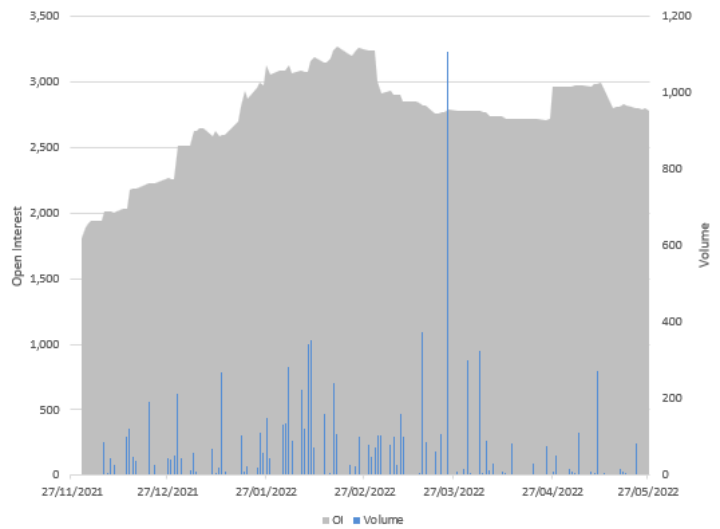
CME Futures

Prices for technology-based offset credits remained stable over the past week and traded in a range of \$0.07c. Traded volume in the Dec-22 GEO contract was 49k tonnes. Week-on-week, the Dec-22 contract settled at \$4.84, up +1.4% on Friday (27th). The same can be said for nature-based credits last week with prices posting a positive gain WoW. The Dec-22 NGO contract printed at \$11.10 on Friday, up +1.9%. In addition, NGO Dec-23 prices also gained +1.07% WoW after settling on Friday at \$15.10.

CME DEC22 GEO Futures



CME GEO DEC22 Open Interest/ Volume

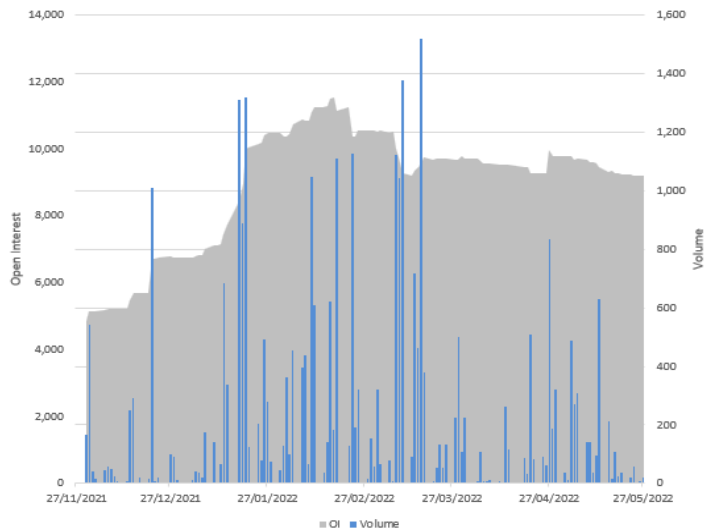


Source: Refinitiv

CME DEC22 NGO Futures



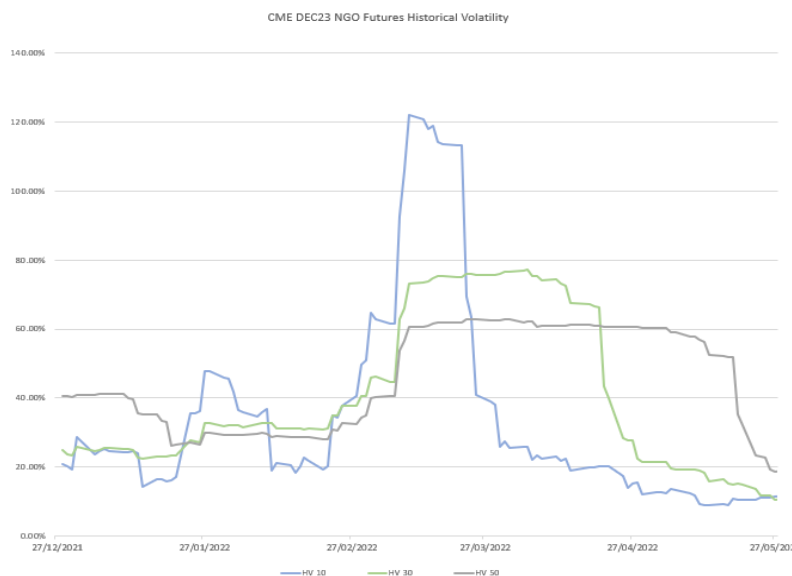
CME NGO DEC22 Open Interest/ Volume



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 23rd)

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)
26/05/2022	B	NGO	Dec-22	\$10.83	10
25/05/2022	B	NGO	Dec-23	\$15.00	12
23/05/2022	B	NGO	Dec-22	\$10.97	50

Source: CME

FIS Trades (w/c 23rd)

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

CME NGO Dec-23 at \$15.00 in 12kt.

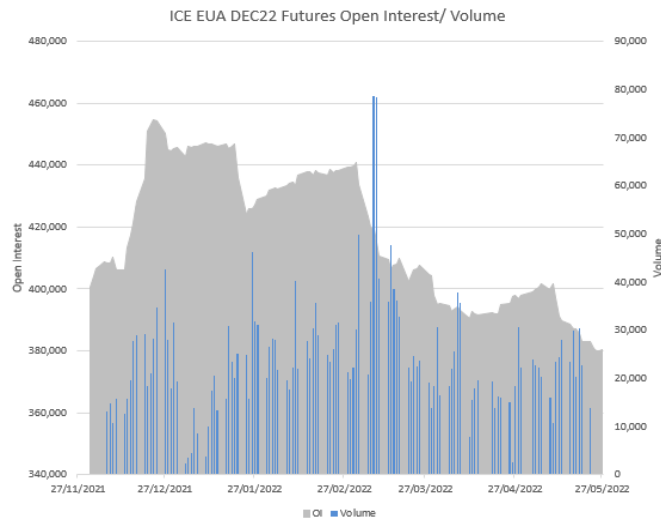
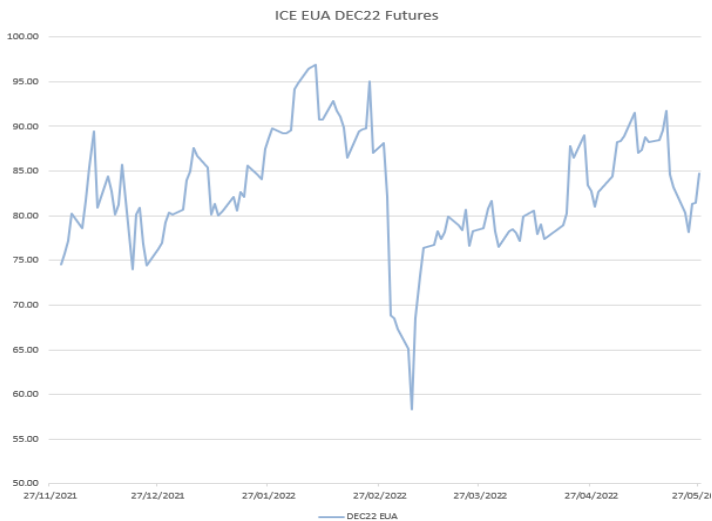
OTC Voluntary Market

A total of 4.76m tonnes of offset credits were issued last week across 17 distinct projects. Notable projects include VCS 902 KARIBA REDD+ (Zimbabwe) in 625kt, VCS 1345 Hydroelectric Power Plant (Turkey) in 1.6m tonnes, and VCS 2508 Unitor REDD+ (Brazil) in 666kt.

Compliance Markets

EUAs

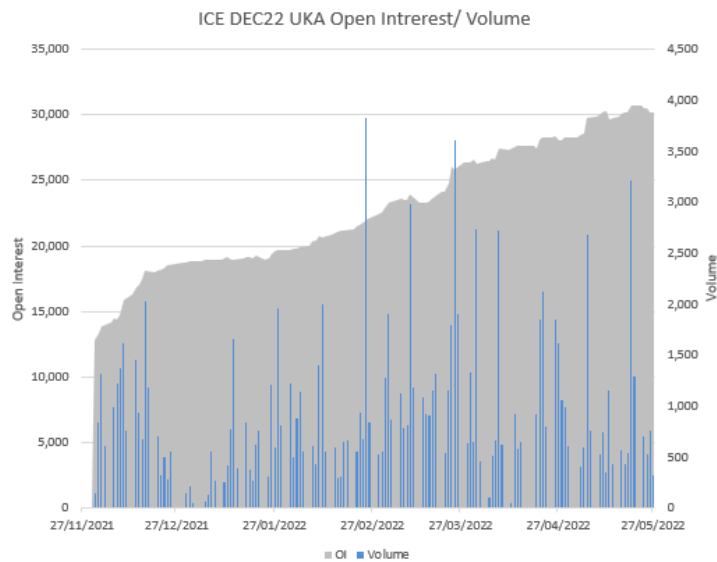
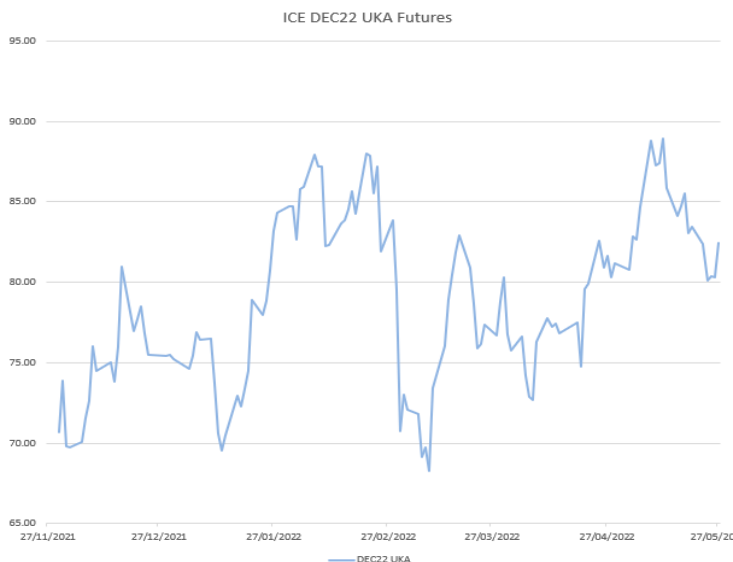
Following the key vote within the EVNI Committee on the 16th, EUA prices have traded in a volatile fashion. Most notably affecting prices as of late was the announcement of the 'REPowerEU' initiative to wean the bloc off of Russian oil and gas imports. However, to fund this transition the EU announced it would use surplus EUAs to raise €20bn which was initially met with bearish sentiment by market participants. A further announcement earlier this week restored faith and confidence back into the ETS as the additional EUA sales would be spread out over four years. Prices reacted positively and gained more than €3.00 on the Dec-22 futures contract. No auction calendar from Thursday (26th) caused more support for EUA futures, with the Dec-22 contract eventually settling on Friday at €84.20; up +7.7% WoW.



Source: Refinitiv

UK ETS

Largely unaffected by any major regulatory news, the UKA Dec-22 futures contract printed at £82.19, a 2.6% WoW gain. One key headline surrounding the UK ETS, however, was that the UK government retook 400,000 carbon permits that were initially handed out for free to emitters in 2021 after it was found that their output was lower than expected (Carbon Pulse). As a result, this will impose modest cuts in pollution for futures years. In addition to this, it was also report that the UK government issued £27m in EU ETS non-compliance fines (Carbon Pulse).



Source: Refinitiv

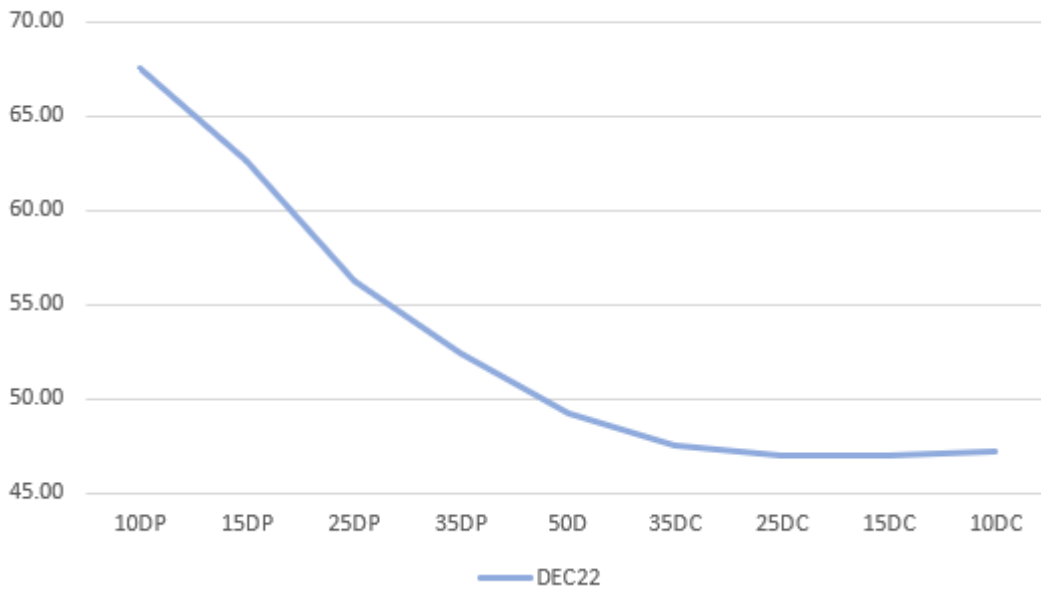
EUA Options Market

Flow from EUA options trading last week was mixed following various news updates. Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 15m tonnes (15,082 lots), €90.00 strike calls at 11.3m tonnes (11,397 lots), and €100.00 strike calls at 16.8m tonnes (16,889 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 12.3m tonnes (12,363 lots), €50.00 strikes at 15.9m tonnes (15,921 lots), and €60.00 strikes at 14.2m tonnes (14,216 lots).

Volatility Surface: 23/05/2022

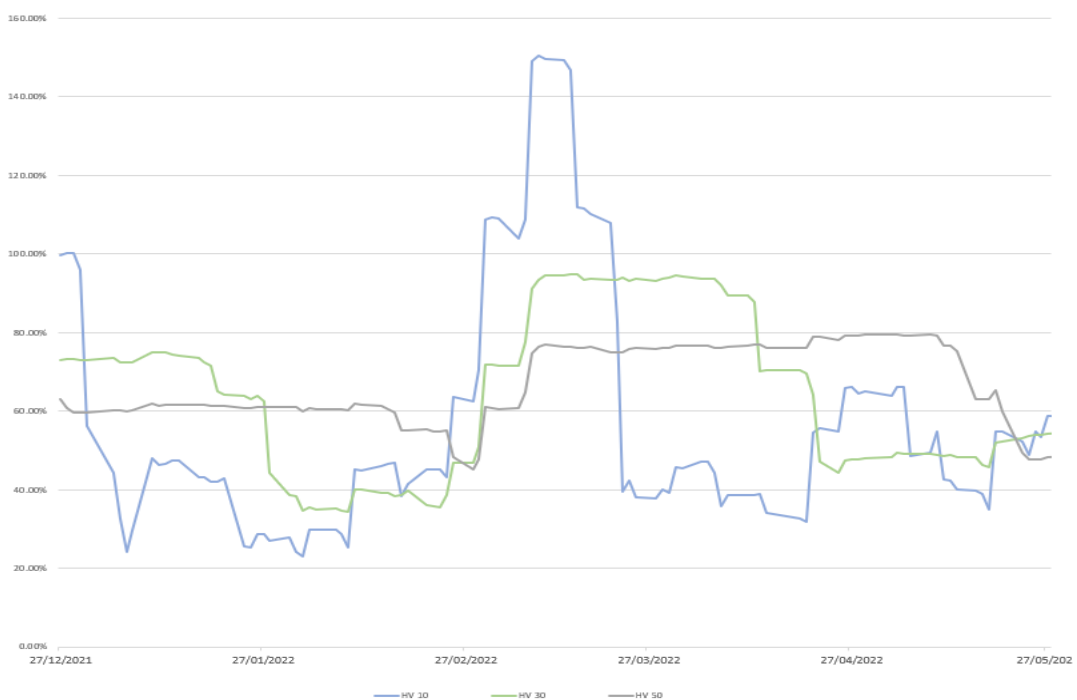
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	67.49	62.64	56.20	52.40	49.24	47.57	47.02	46.96	47.19

EUA DEC22 Options Volatility



Source: Bloomberg

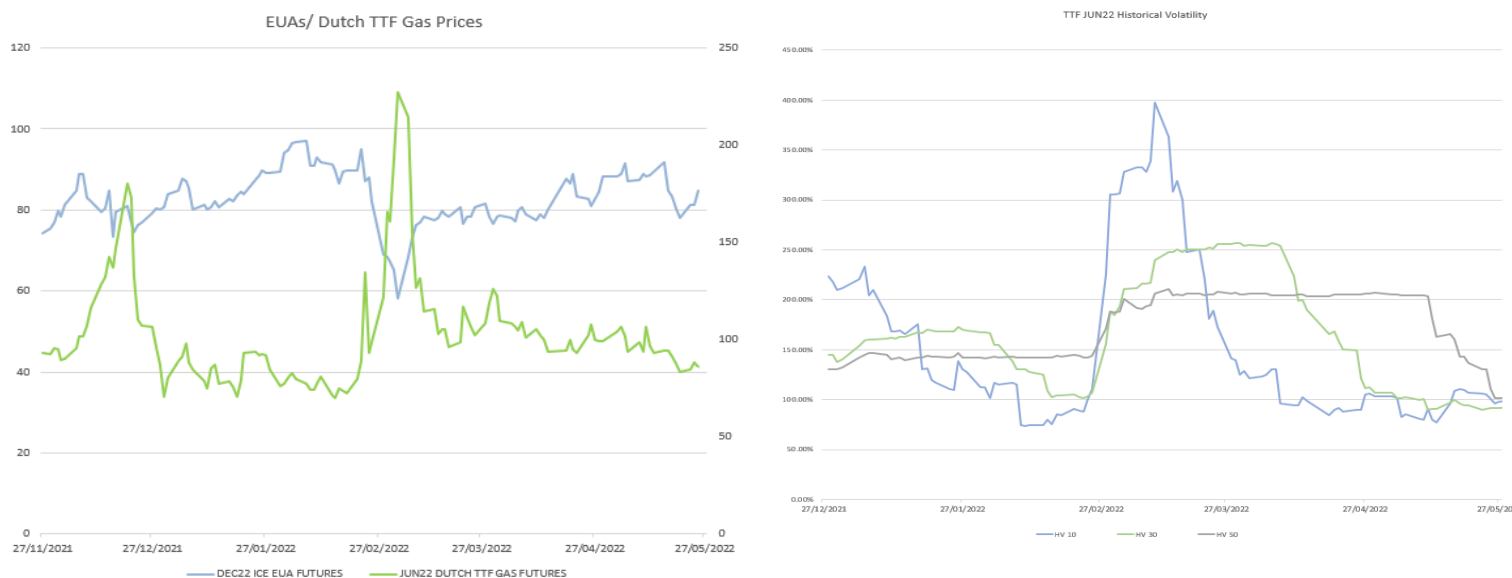
EUA DEC22 Historical Volatility



Source: Bloomberg

Correlated Markets

Energy markets continue to be dominating headlines following the conflict outbreak in Ukraine. Last week saw oil prices hit a two-month high as the EU continues with its plan to ban Russian oil imports (Reuters). Brent front-month prices printed on Friday at \$119.43/bbl, up +5.3% WoW. On the contrary, TTF Gas prices continue a downward trend from the highs seen over the past few months but still gained +4.3% last week after settling on Friday at €86.875MW/h. Meanwhile German Power Baseload Futures settled up +4.3% last week after settling at €232.12MW/h. Regulatory focus on these energy commodities continues to prioritise a strategy to wean the EU off of Russian supplies.



Source: Refinitiv

Market News

As mentioned above, the extra Market Stability Reserve EUA sales under the 'REPowerEU' initiative is set to be spread out over four years (Carbon Pulse). EUA prices initially responded positively to this news.

EEX will launch four contracts for voluntary carbon products on June 17. The products will be listed first on the North American Nodal Exchange and then by EEX in Europe later in 2022. Four products are: CORSIA, NBS, Carbon Removal and a product called Global Emission Reduction, a basket of voluntary carbon credits (Bloomberg).

Verra announced May 25 that it will be taking a firmer stance against traders that issue crypto tokens backed by retired carbon credits (Carbon Pulse).

Governments across the world that have placed a cost on carbon emissions raised \$84bn collectively in 2021, but the World Bank has warned that this is "far from adequate" in the effort to limit global warming (Financial Times).

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