



# Carbon Weekly Report

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## 03/06/2022

### Voluntary Markets

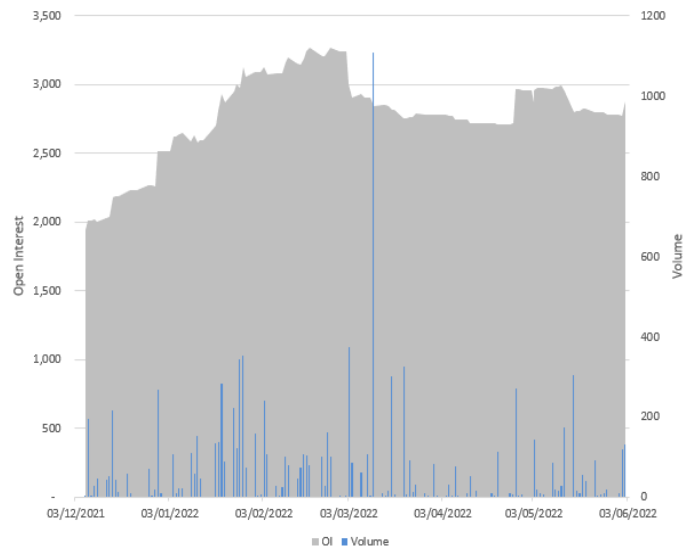
#### CME Futures

A shorter trading week due to public holidays appeared to not materially impact the exchange-traded voluntary carbon market last week. The technology-based futures contract, GEO, posted a week-on-week gain of +4.7% on the front Dec-22 expiry. The contract gained \$0.23c from \$4.84 to \$5.07 from Friday's settlement. Traded volumes on Dec-22 GEO hit 406k tonnes too, suggesting positive bullish signals. However, the nature-based futures, NGO, posted a loss of -1.35% WoW after printing at \$10.95 on Friday (3rd). Volumes in the nature-based contract hit 697k for Dec-22, while open interest remains steady at 9,245 lots.

CME DEC22 GEO Futures



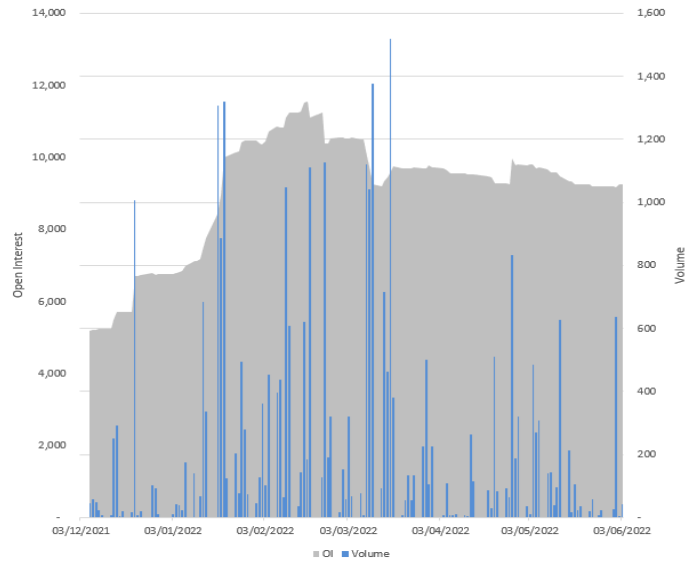
CME GEO DEC22 Open Interest/ Volume



CME DEC22 NGO Futures



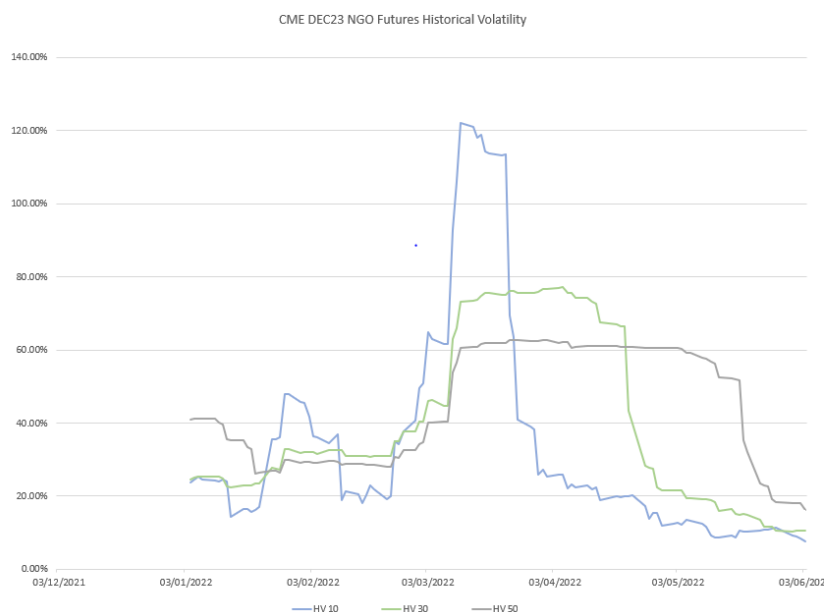
CME NGO DEC22 Open Interest/ Volume



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 871kt was traded on CME through 9 blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
02/06/2022	B	GEO	Dec-22	5	35
02/06/2022	B	GEO	Dec-22	4.9	100
02/06/2022	B	NGO	Dec-22	11	10
31/05/2022	B	GEO	Dec-22	4.9	50
31/05/2022	B	GEO	Dec-22	4.9	50
31/05/2022	B	NGO	Dec-22	11	27
31/05/2022	B	NGO	Dec-22	11	273
31/05/2022	B	NGO	Dec-22	11.05	300
31/05/2022	B	NGO	Dec-22	10.85	26

Source: CME

## OTC Voluntary Market

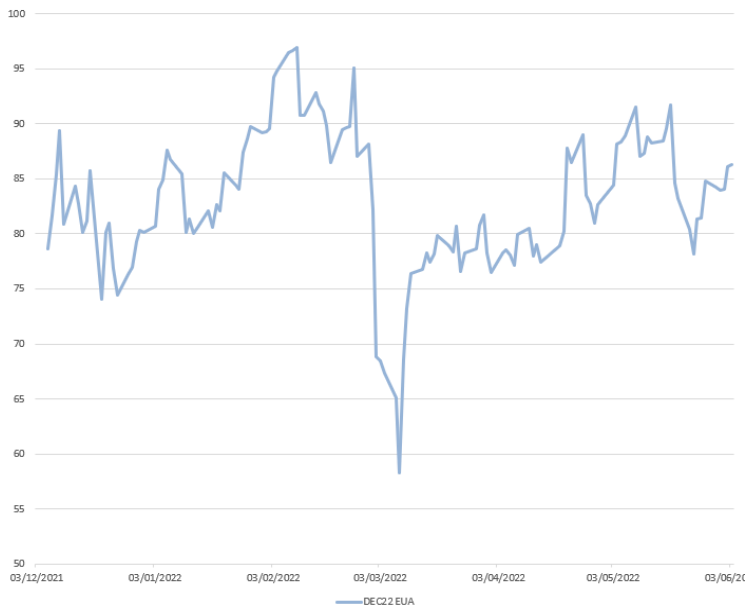
A total of 2.3m tonnes of offset credits were issued last week across 17 distinct projects. Notable projects include VCS 3279 IDCOL Improved Cook Stove Program (Bangladesh) for 456kt, VCS 2292 Coal Mine Methane Power Generation (China) for 543kt, and VCS 902 Kariba REDD+ (Zimbabwe) for 110kt.

# Compliance Markets

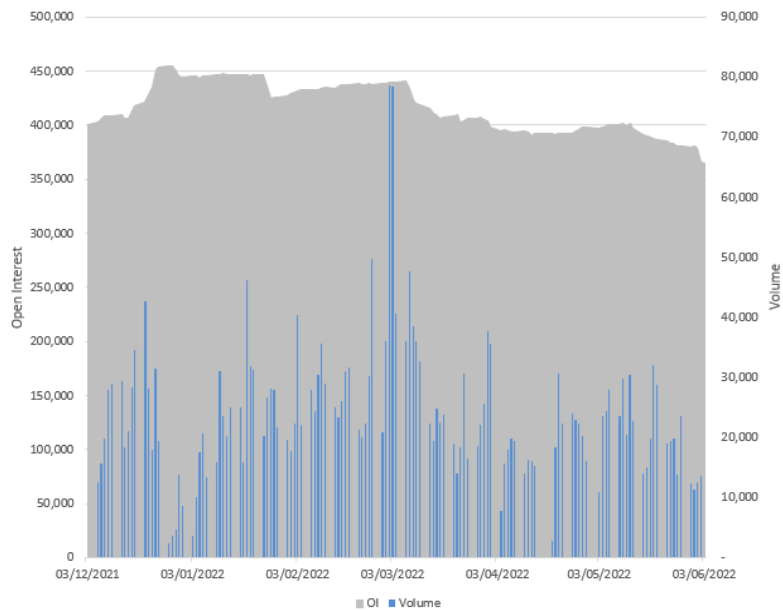
## EUAs

As with previous reports, the main headlines shrouding the EUA market at present is the package of reforms recently passed through the ENVI Committee. Last week saw an impromptu EU Summit where the RePowerEU strategy and use of the MSR was touted to be discussed; however, this did not materialise and prices remained stable. With a quiet auction calendar for spot allowances, future prices posted positive gains. Further news broke towards the end of the week stating that the annual CO2 cuts may increase to 4.5% by 2026 (Bloomberg). In summary, the Dec-22 EUA contract finished the week at €86.87, up +3.2% having gained €2.85.

ICE EUA DEC22 Futures



ICE EUA DEC22 Futures Open Interest/ Volume

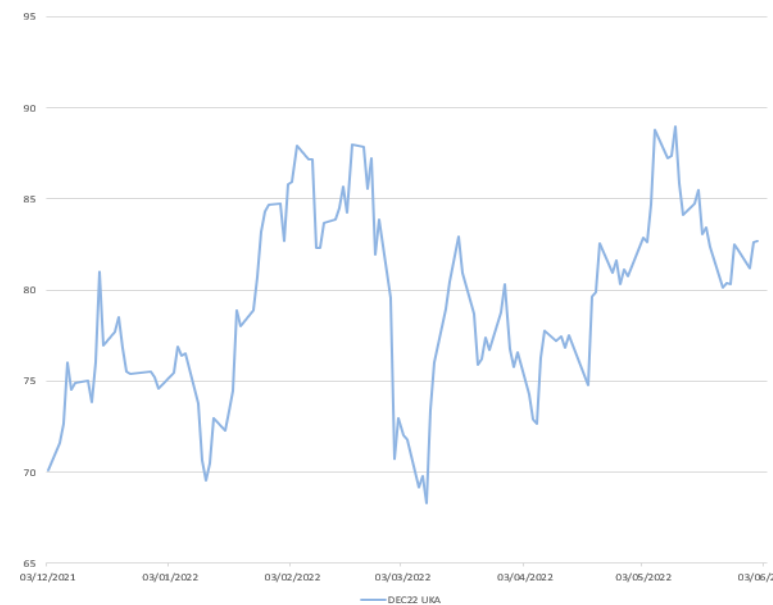


Source: Refinitiv

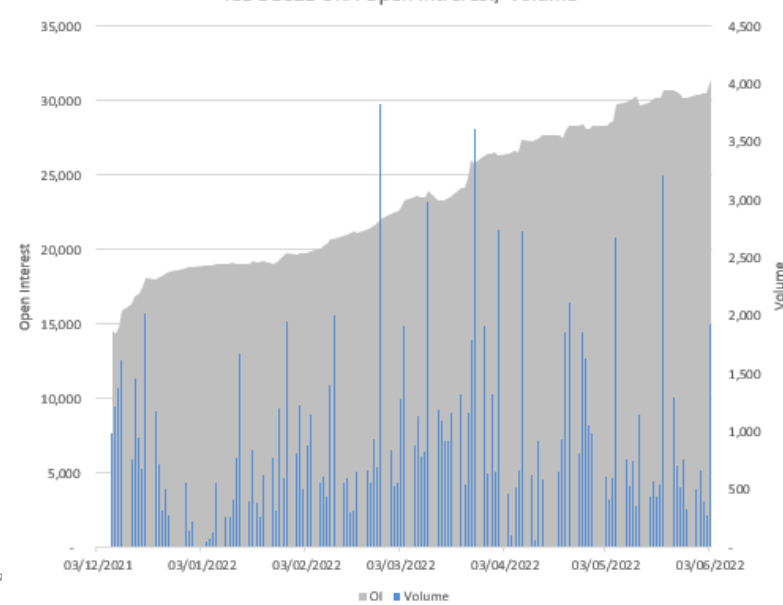
## UK ETS

Again, a shorter trading week due to public holidays somewhat influenced trading patterns in the UKA market, however, prices also remained stable. The Dec-22 UKA futures contract printed on Wednesday (2nd) at £82.66, a 1.8% gain WoW.

ICE DEC22 UKA Futures



ICE DEC22 UKA Open Interest/ Volume



Source: Refinitiv

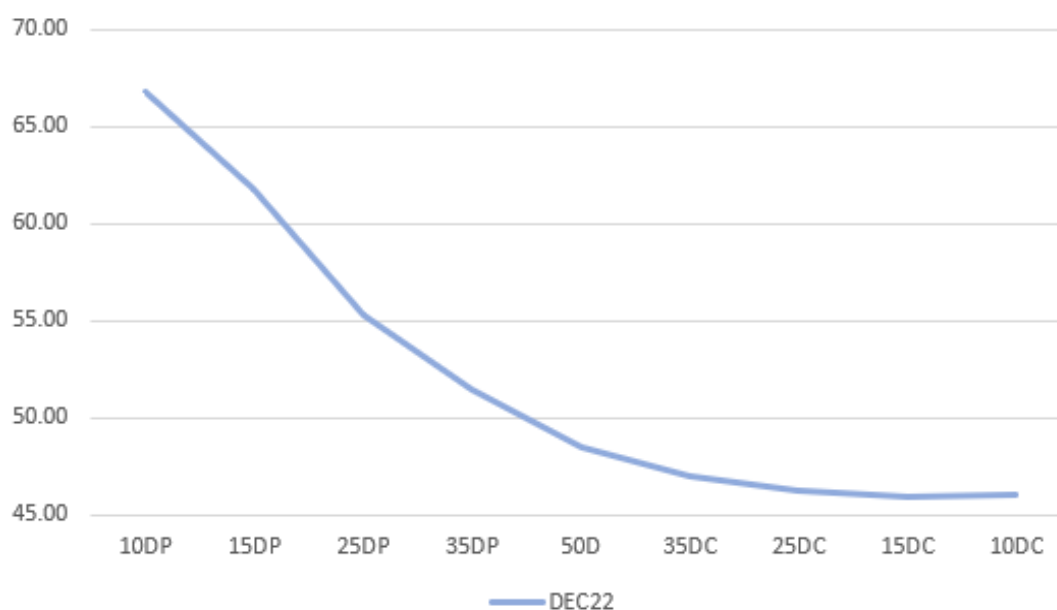
## EUA Options Market

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 17.1m tonnes (17,114 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 12.4m tonnes (12,413 lots), €50.00 strikes at 15.4m tonnes (15,421 lots), and €60.00 strikes at 14m tonnes (14,016 lots).

**Volatility Surface: 30/05/2022**

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	66.80	61.78	55.30	51.50	48.52	46.98	46.28	45.96	46.02

EUA DEC22 Options Volatility



Source: Bloomberg

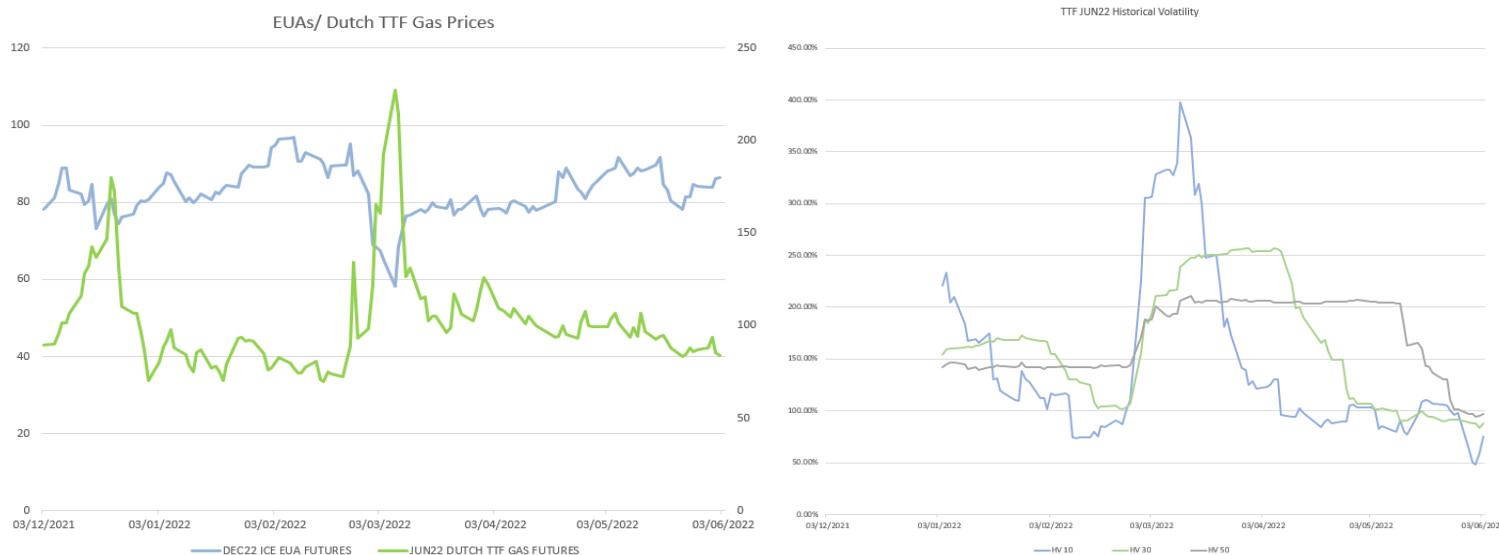
EUA DEC22 Historical Volatility



Source: Bloomberg

## Correlated Markets

Continuing to dominate headlines last week was the oil and gas markets. The EU agreed to new sanctions against Russia, agreeing to rapidly end 90% of oil imports by the end of this year (Reuters). Brent prices then hit a two-month high off the news. WoW the Brent front-month printed on Friday (3rd) at \$119.72/bbl, a gain of +1.8%. On the contrary, TTF Gas prices dipped slightly after falling from €91.294MW/h on Monday 30th to €83.101MW/h. Cal-23 German Power Baseload Futures printed at €248.50MW/h on Friday, a 6.5% increase from Monday's settlement of €223.93MW/h.



Source: Refinitiv

## Market News

The European Union slashed greenhouse gas emissions 34% below 1990 levels by 2020, overshooting the bloc's target of 20% (UNFCCC).

German police raided DWS and Deutsche Bank over greenwashing allegations (Financial Times).

EU ETS annual CO2 cuts would accelerate to 4.5% from 2026 (Bloomberg).

Lawmakers from the EU's major political groups have proposed amendments to limit investor access to the bloc's carbon market and to implement stricter price control measures (Carbon Pulse).

EU Parliament is set to back full ETS entry for shipping from 2024, with lawmakers replicating much of a preliminary Committee position but also crafting exemptions that would substantially weaken the carbon price signal for some (Carbon Pulse).

EY have modelled carbon credits to increase 30-40 fold by 2035 to \$150 (Carbon Pulse).

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