



Carbon Weekly Report

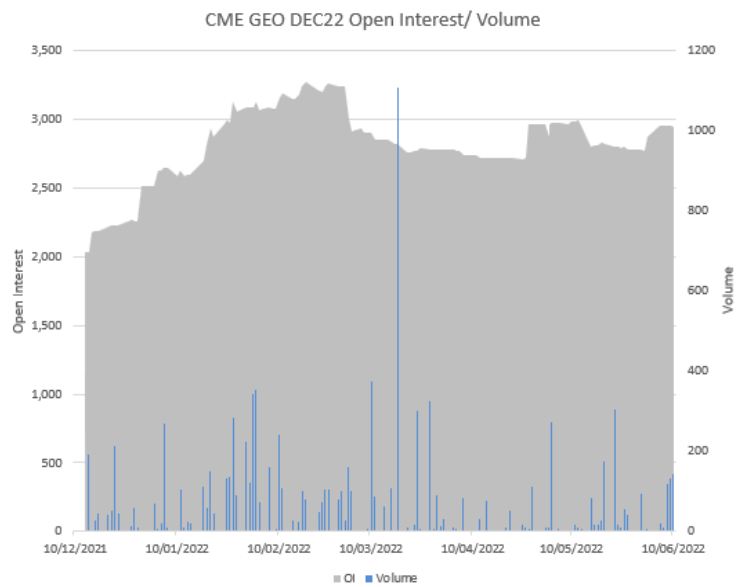
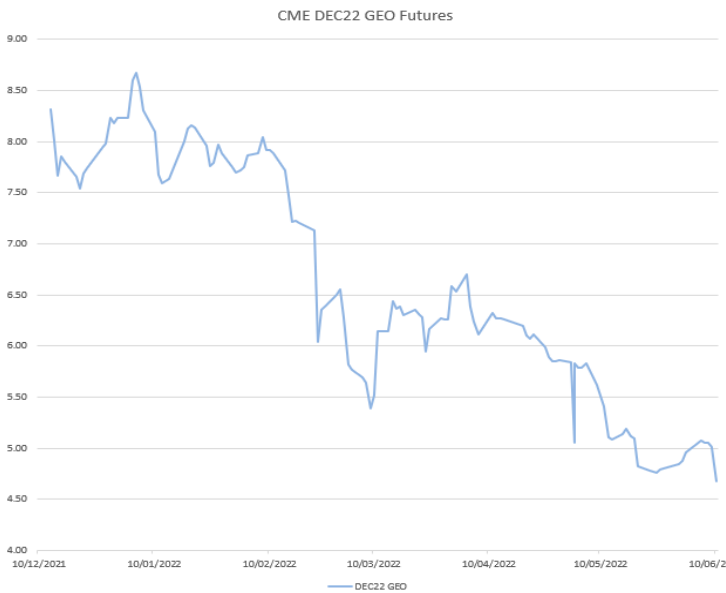
info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

10/06/2022

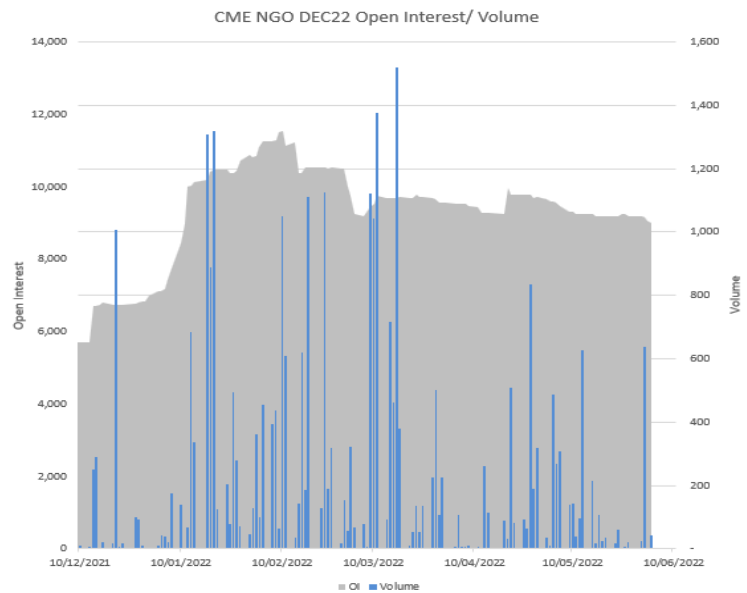
Voluntary Markets

CME Futures

Last week saw prices for nature-based credits drop, most notably within the NGO Dec-23 contract. The market had been pinned to a \$15.00 handle for sometime, but reduced volumes and less liquidity on Tuesday began to see prices head downwards. Wednesday (8th) saw the Dec-23 contract fall to \$13.86, and traders capitalised on this during the next session on Thursday (9th) as large volumes were executed. In summary, the NGO Dec-22 contract decreased -4.2% last week, while the Dec-23 fell -9.8% to print at \$13.38 on the 10th. Technology-based credits under the GEO Dec-22 contract also saw a decline in prices, but not a violent as their nature-based counterparts. The Dec-22 contract lost -7.7% week-on-week after printing at \$4.67 at the close on Friday.



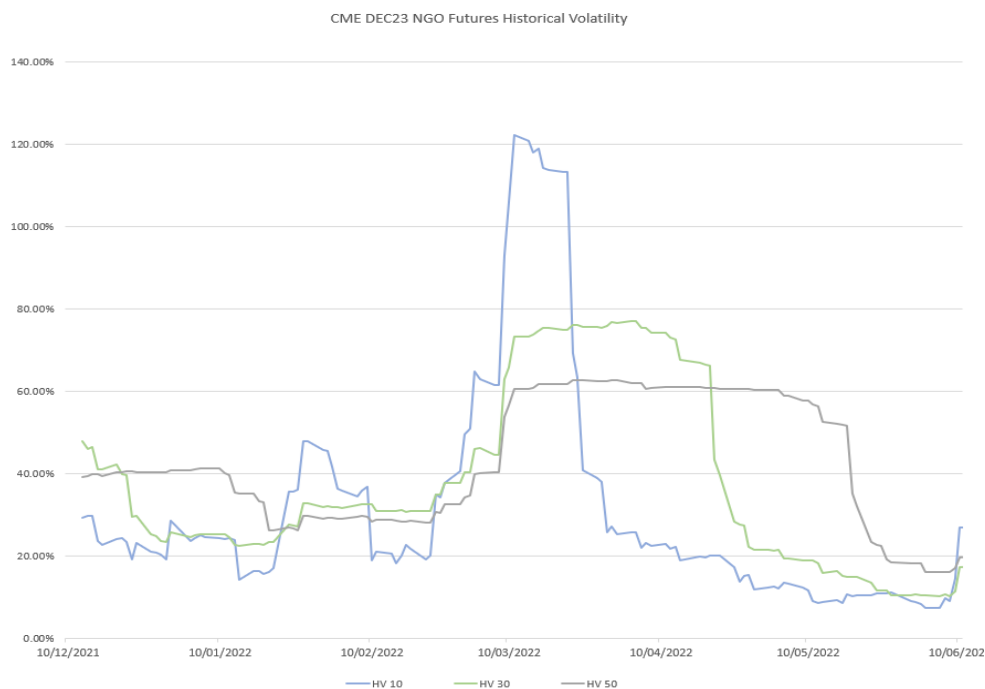
Source: Refinitiv



Source: Refinitiv

CME NGO Historical Volatility

Following the decrease in prices discussed above, volatility on the Dec-23 NGO contract has rightfully increased across ten, thirty, and fifty days.



Source: Bloomberg

Block Trades on CME (w/c 6th)

A total of 2.6m tonnes was traded on CME through 48 blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
10/06/2022	B	NGO	Dec-23	13.3	25
10/06/2022	B	NGO	Dec-23	13.25	100
10/06/2022	B	NGO	Dec-22	10.5	300
09/06/2022	B	NGO	Dec-23	13	50
09/06/2022	B	NGO	Dec-23	13	50
09/06/2022	B	NGO	Dec-22	10.15	93
09/06/2022	B	NGO	Dec-23	12.9	150
09/06/2022	B	NGO	Dec-23	12.9	200
09/06/2022	B	NGO	Dec-22	10.45	60
09/06/2022	S	NGO	Dec-23	12.9	60
09/06/2022	B	NGO	Dec-23	12.9	200
09/06/2022	B	NGO	Dec-23	12.9	100
09/06/2022	B	NGO	Dec-22	10.55	40
09/06/2022	S	NGO	Dec-23	13	40
09/06/2022	B	NGO	Dec-22	10.55	50
09/06/2022	B	GEO	Dec-22	4.7	100
09/06/2022	B	NGO	Dec-23	13	50
09/06/2022	B	NGO	Dec-23	13	100
09/06/2022	B	NGO	Dec-23	13	50
09/06/2022	B	NGO	Dec-22	10.55	25
08/06/2022	B	NGO	Dec-22	10.6	300
08/06/2022	B	NGO	Dec-23	14.85	150
06/06/2022	B	NGO	Dec-22	10.94	70
06/06/2022	B	NGO	Dec-22	11	250

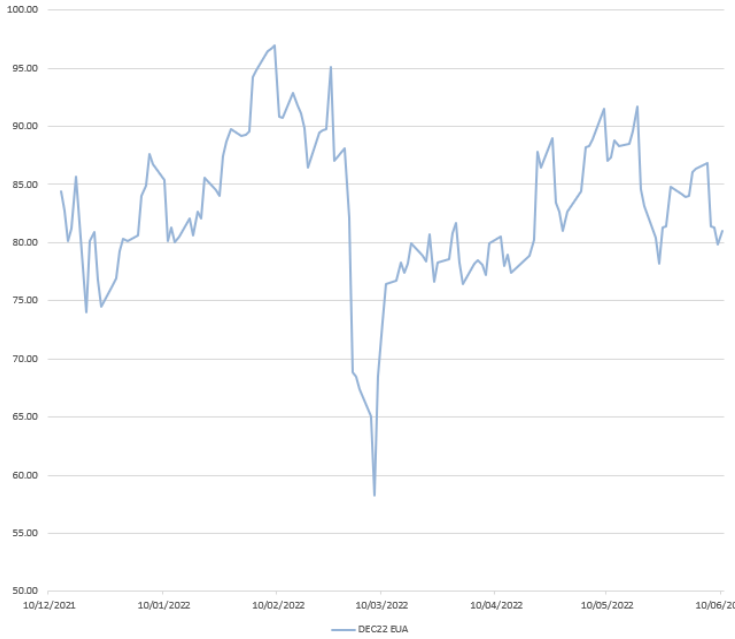
Source: CME

Compliance Markets

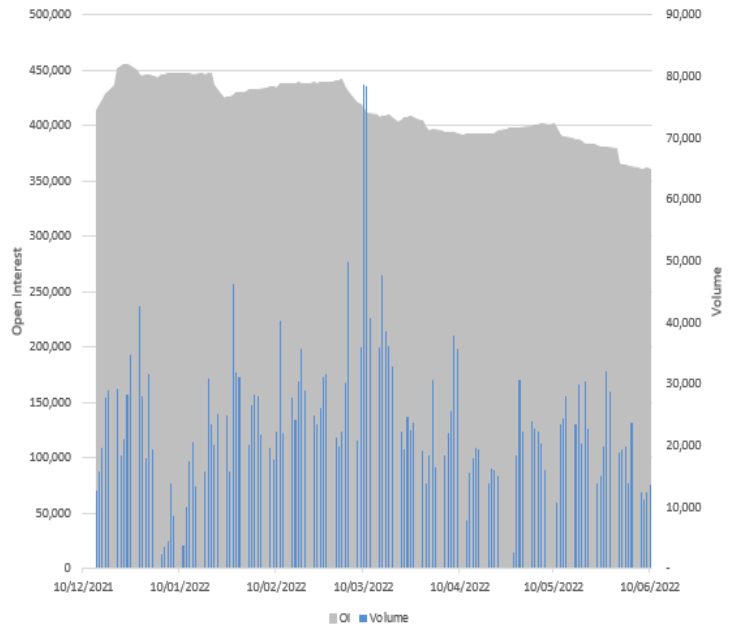
EUAs

The much discussed vote on amendments to the EU ETS was rejected at the European Parliament last week on Wednesday, creating much apprehension on the future of the ETS. Traders appeared to be sitting out of the market in the run-up to the vote, and once news had surfaced that the proposed package has to go back to the ENVI Committee for revisions, prices began to slide to the downside. The timeline now will see the ENVI Committee discuss the amendment package on Monday 13th, ahead of a second vote on the package on the 22nd of June. In summary, prices on the Dec-22 contract fell by -5.7% after settling at the close on Friday (10th) at €81.86.

ICE EUA DEC22 Futures



ICE EUA DEC22 Futures Open Interest/ Volume



Source: Refinitiv

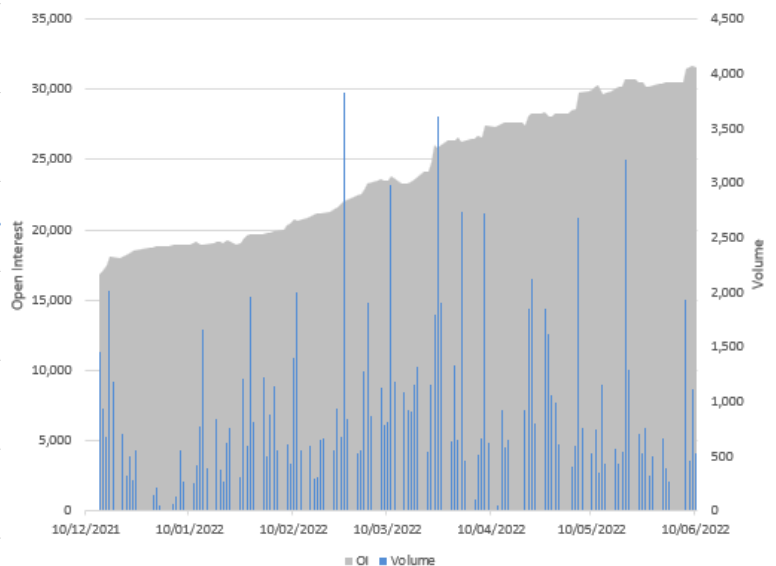
UK ETS

The UK Allowance ETS market performed much better than their EU counterpart, although WoW the Dec-22 contract still made a loss. In summary, prices decreased -0.06% to print at £81.75 per tonne on Friday (10th).

ICE DEC22 UKA Futures



ICE DEC22 UKA Open Interest/ Volume



Source: Refinitiv

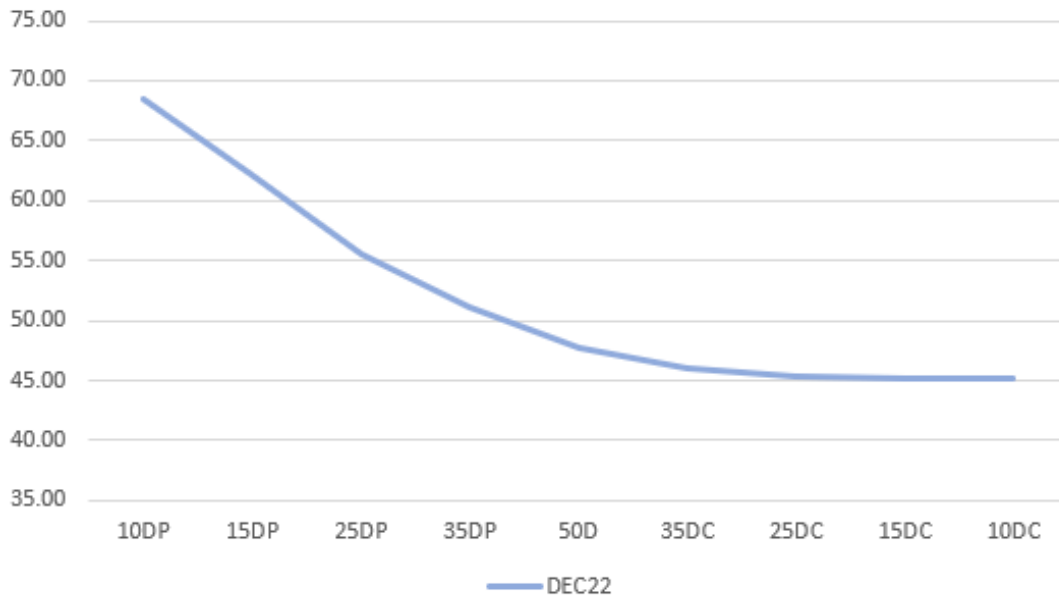
EUA Options Market

Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 15.08m tonnes (15,082 lots), €90.00 strike calls at 11.1m tonnes (11,147 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 11.7m tonnes (11,763 lots), €50.00 strikes at 12.501m tonnes (12,501 lots), and €60.00 strikes at 14.7m tonnes (14,766 lots).

Volatility Surface: 06/06/2022

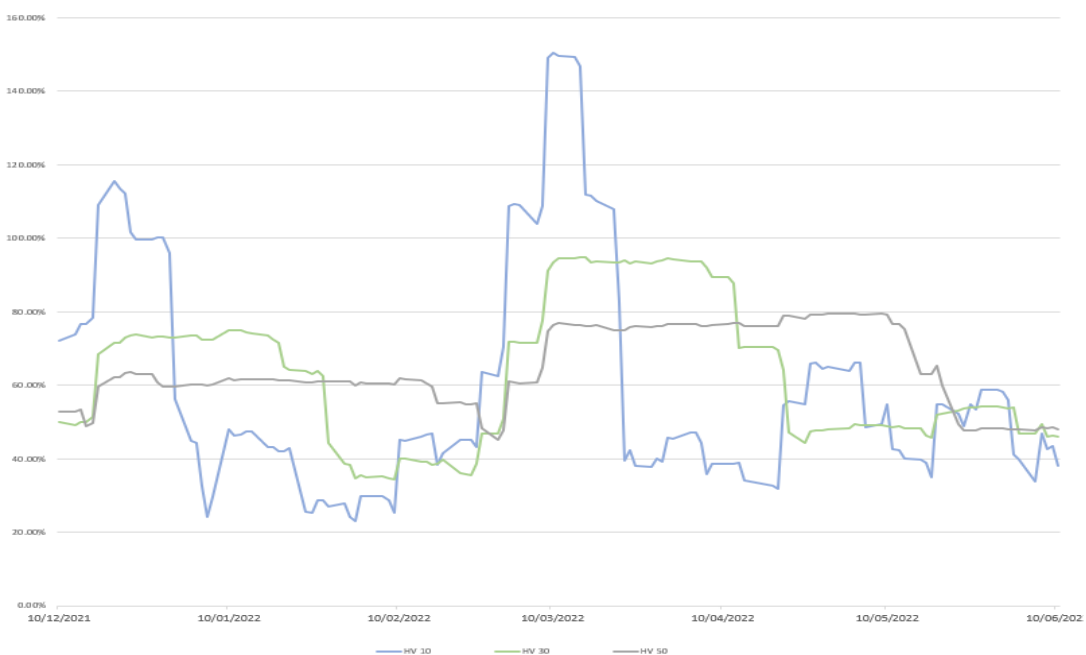
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	68.38	62.22	55.51	51.16	47.65	46.02	45.42	45.17	45.21

EUA DEC22 Options Volatility



Source: Bloomberg

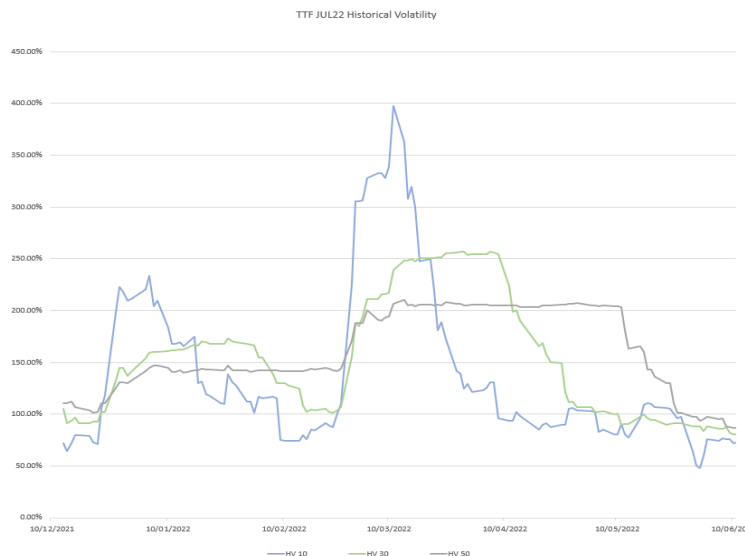
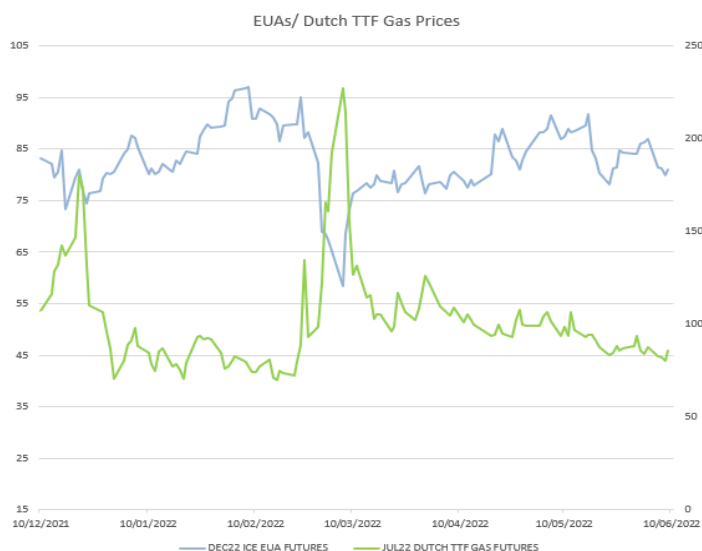
EUA DEC22 Historical Volatility



Source: Bloomberg

Correlated Markets

Dominating headlines last week in energy markets was the explosion at Freeport LNG, operator of one of the largest US export plants for the commodity. It was reported that the plant will close for at least three weeks, and European gas prices jumped from the news. The TTF Gas Jul-22 futures contract were as high as €92.050/MWh on Thursday (9th), while week-on-week the contract remained fairly flat and gave back any gains from the intraday volatility after settling on Friday at €82.464/MWh. Cal-23 German baseload power dropped -3.4% to €224.000/MWh on EEX, while Cal -23 API2 coal slipped -2.3% to \$214.65/tonne on ICE.



Source: Refinitiv

Market News

China National Petroleum Corporation (CNPC), the world's third-largest oil company, plans to peak its carbon emissions by 2025 and achieve net zero by 2050 by steadily growing its portfolio of forest carbon projects (Carbon Pulse).

Gold Standard have issued new guidelines on Thursday for how its units can be used by voluntary buyers given the new Paris Agreement, providing greater flexibility on the need for authorisation from the project's host-country government (Carbon Pulse).

China has announced new rules for determining the number of carbon allowances in its ETS (Carbon Pulse).

The EU Commission has approved a €8.4bn Spanish and Portuguese measure aimed at reducing the wholesale electricity prices in the Iberian market (MIBEL) by lowering the input costs of fossil fuel-fired power stations (European Commission).

Written by Kieran Batterbury

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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