

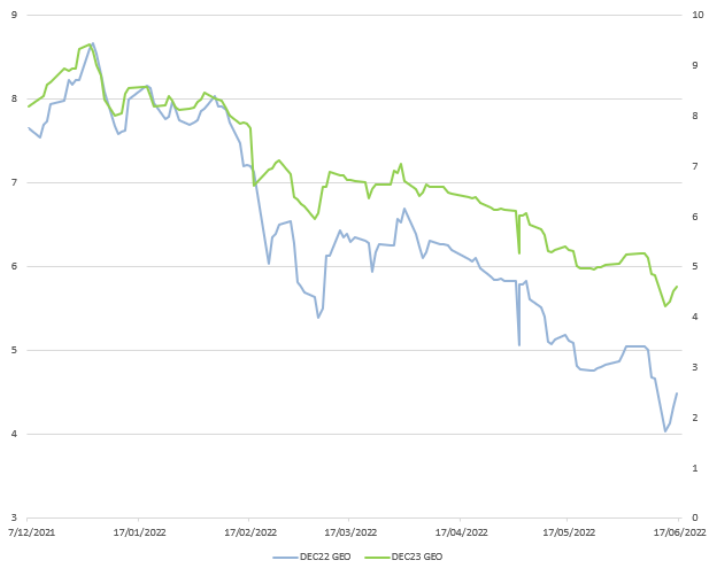
17/06/2022

Voluntary Markets

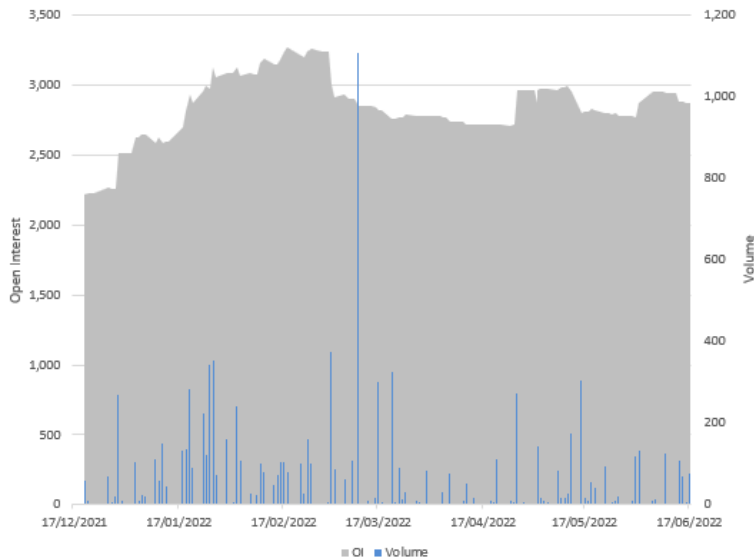
CME Futures

The previous week in the exchange-traded voluntary carbon market has seen prices continue to decrease, in tandem with sell-offs seen in most other asset classes. Experiencing the largest drop has again been nature-based credits. On the NGO Dec-22, prices decreased -6.3% WoW and printed on Friday (17th) at \$9.29. On Dec-23, prices decreased -4.2% to settle at \$12.03. Traders have appeared to favour nature-based contracts further down the curve with Dec-24 and Dec-25 seeing larger volumes. Regardless of this, NGO Dec-24 still finished the week down -9.4% at \$13.69, and Dec-25 down -8.8% at \$15.35. On the contrary, the technology-based carbon market encapsulated in the GEO contract increased. The Dec-22 increased by +12.6%, printing at \$4.55, while the Dec-23 gained 12% to finish the week at \$4.73.

CME DEC22/ DEC23 GEO Futures



CME GEO DEC22 Open Interest/ Volume

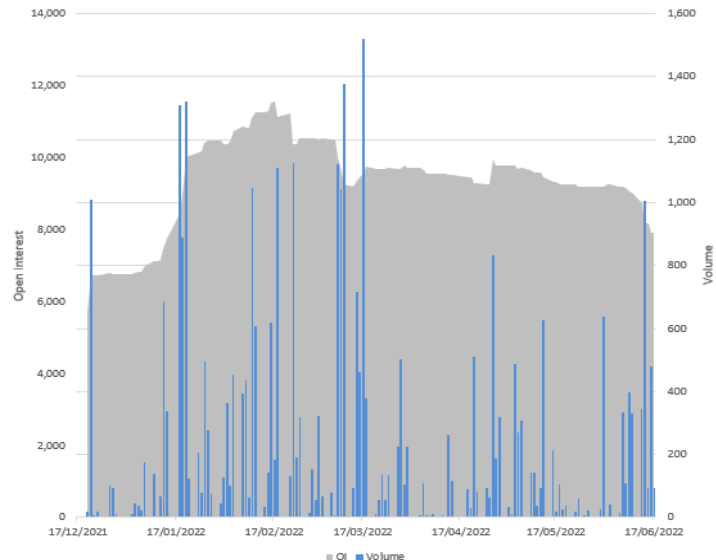


Source: Refinitiv

CME DEC22/ DEC23 NGO Futures



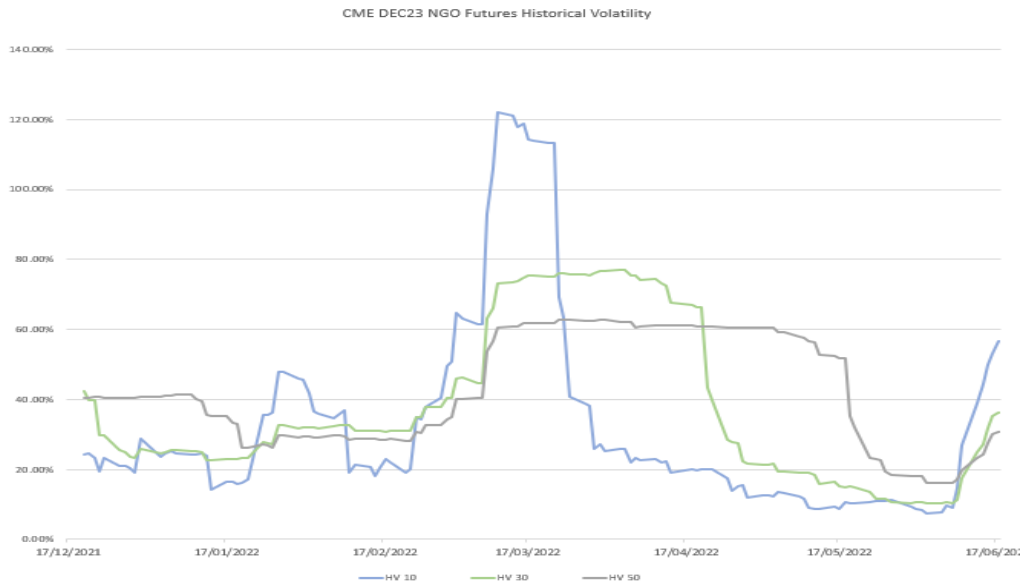
CME NGO DEC22 Open Interest/ Volume



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 13th)

A total of 13.3m tonnes was traded on CME through 70 blocks last week on the GEO/ NGO contracts.

OTC Voluntary Market

A total of 2.64m tonnes of offset credits were issued last week across 20 individual projects. Notable projects include the following:

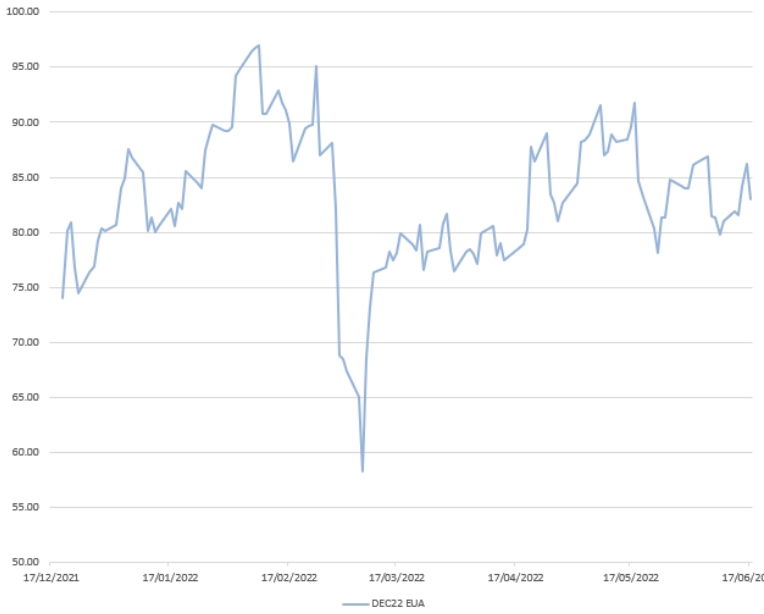
- VCS 868 REDD+ Project nut Concessioners (Brazil) for 1.35m tonnes.
- VCS 2458 Guoluo Grassland Sustainable Management Project (China) for 200kt.
- VCS 2387 Liugui Afforestation Project (China) for 116kt.
- VCS 1344 Murat HEPP (Turkey) for 90kt.

Compliance Markets

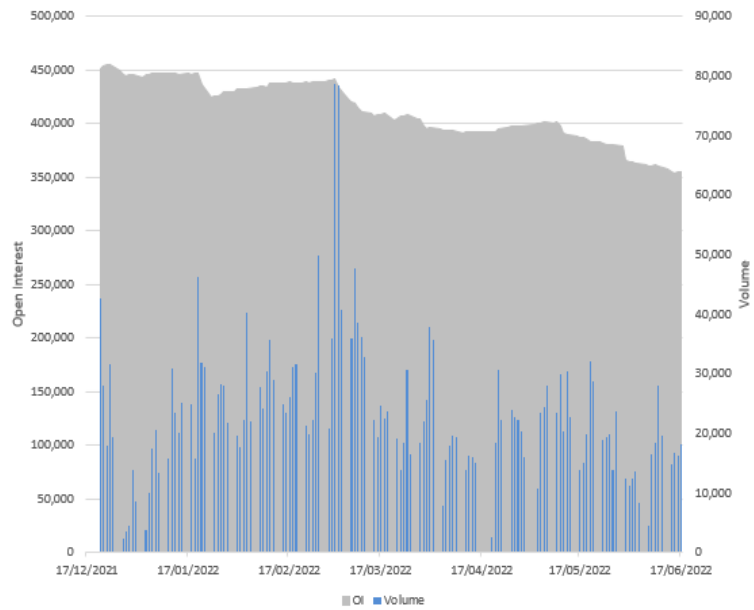
EUAs

Last week saw MEPs from the Environmental Committee review the ETS amendments recently voted against at the European Parliament. The group reached a provisional deal on the ETS reforms and the carbon border adjustment mechanism (CBAM). Such amendments will now be taken back to Parliament to vote for the second time on the 22nd of June. Such news was initially bullish for EUAs as they posted two consecutive days of gains but news on the gas flows to Europe via the Nord Stream pipeline changed the landscape for emission markets. Traders began to focus their attention on gas prices in anticipation of more volatility, which in turn saw EUA prices decrease towards the second half of last week. In summary, the Dec-22 EUA contract still gained 1% to print at €82.37 on Friday (17th). The week ahead sees the ETS amendment vote at the European Parliament on Wednesday (22nd).

ICE EUA DEC22 Futures



ICE EUA DEC22 Futures Open Interest/ Volume



Source: Refinitiv

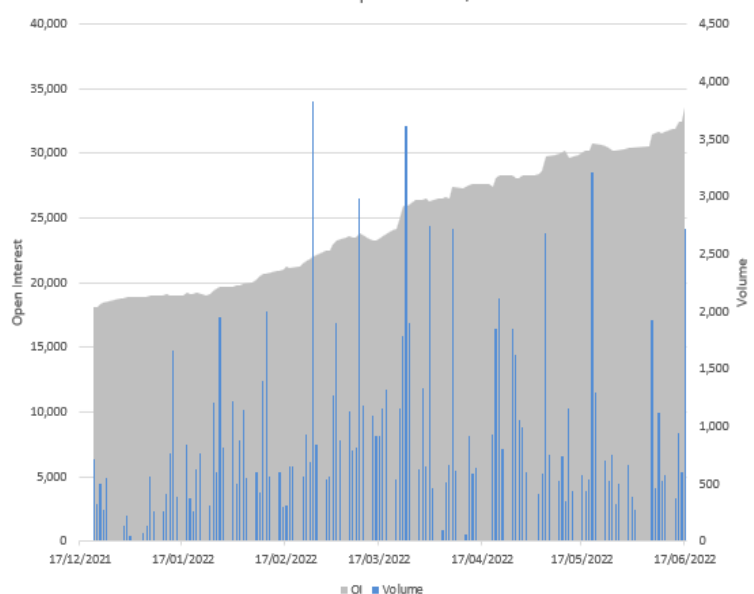
UK ETS

Prices for UK Allowances traded in much less volatile conditions to their European equivalents, although week-on-week they posted less significant gains. The Dec-22 UKA contract gained +0.2% and finished the week at £81.35.

ICE DEC22 UKA Futures



ICE DEC22 UKA Open Interest/ Volume



Source: Refinitiv

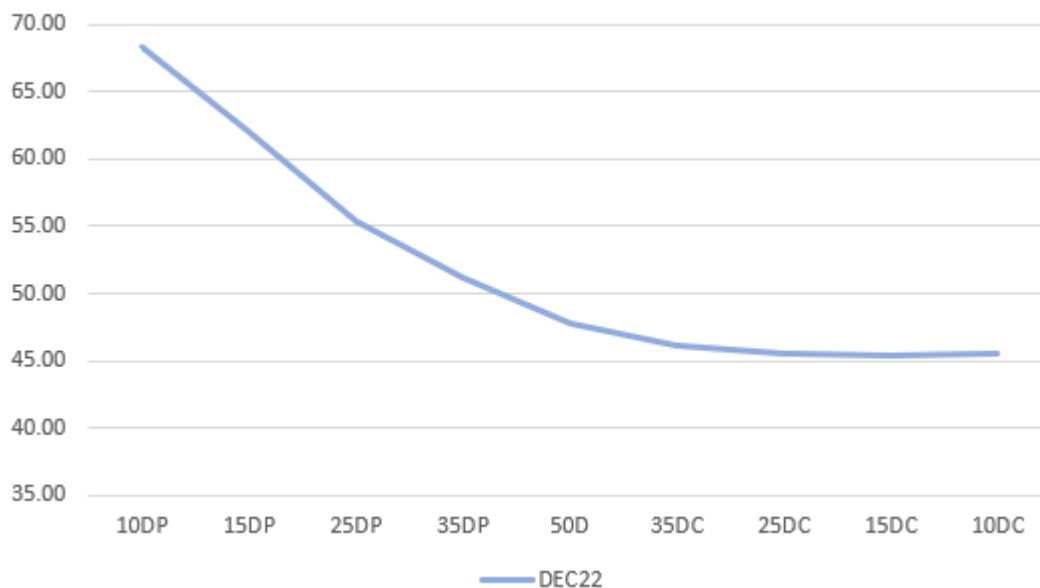
EUA Options Market

Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 15.1m tonnes (15,182 lots), €90.00 strike calls at 11.3m tonnes (11,347 lots), and €100.00 strike calls at 16.8m tonnes (16,839 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 11.7m tonnes (11,725 lots), €50.00 strikes at 12.1m tonnes (12,101 lots), and €60.00 strikes at 14.7m tonnes (14,791 lots).

Volatility Surface: 13/06/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	68.29	62.10	55.28	51.16	47.80	46.08	45.52	45.34	45.47

EUA DEC22 Options Volatility



Source: Bloomberg

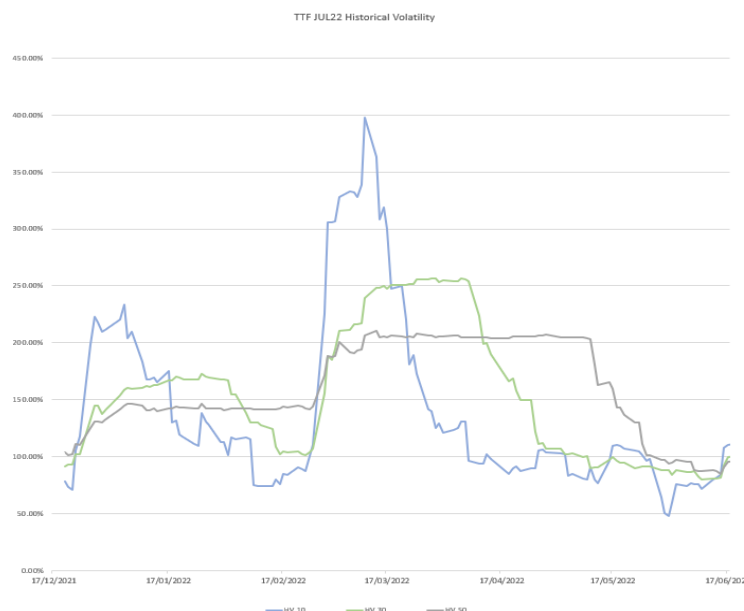
EUA DEC22 Historical Volatility



Source: Bloomberg

Correlated Markets

As mentioned above, volatility in the gas market began to dominate headlines last week as Russia began to cut supplies to the EU. The Nord Stream 1 pipeline to Germany which accounts for 40% of Russian flows has been jeopardised, and it has been reported that if these gas flows do not recover soon then Europe would need to step-up the hunt for more LNG cargoes to replace it (Financial Times). In terms of prices, TTF Gas jumped +37% WoW with the July contract rising from €85.70 on Monday to print at €117.738 on Friday.



Source: Refinitiv

Market News

EU lawmakers agreed on a provisional deal on ETS reforms ahead of a repeat vote on Wednesday 22nd (Reuters). The EU Parliament is set to vote for the second time on two related bills.

Nodal Exchange announced on Friday (17th) the successful listing of new environmental products including several first-of-their-kind futures contracts in voluntary carbon offsets, renewable natural gas certificates and renewable energy credits (Business Wire).

Shipping operator MOL completes its first carbon offset voyage from Japan to Europe using afforestation (nature-based) projects from Verra to offset ~4kt of CO₂ (Carbon Pulse).

Oil major TotalEnergies purchased a 49% stake in a forestry management firm in Gabon to develop sustainable forest management model that aims to generate carbon credits from reduced deforestation, conservation, and afforestation (Carbon Pulse).

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

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com