

24/06/2022

Voluntary Markets

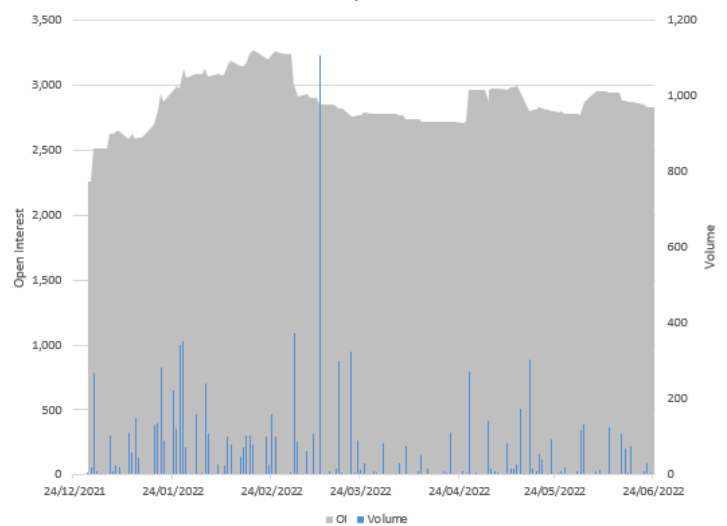
CME Futures

Prices within the voluntary carbon market continued to decrease last week as the macroeconomic outlook starts to look bleaker. Most noticeably has been the decrease in nature-based credits which has historically proved a versatile and popular contract within the VCM. The Dec-22 NGO futures contract decreased -1.5% last week, shedding $-\$0.14c$ to eventually print at $\$8.90$ on Friday (24th). This is a new three-month low that hasn't been seen since March. Similarly on NGO Dec-23, prices decreased by -4.5% to print at $\$11.11$, losing $-\$0.53c$ within a week. This drop on Dec-23 represents a ten-month low for the contract, not seen since November 2021. Technology-based credits have followed a similar fashion but traded volumes are considerably lower than their nature-based counterparts. The GEO Dec-22 contract fell -2.2% to finish for the week at $\$4.01$, while Dec-23 fell -2.10% to $\$4.19$.

CME DEC22/ DEC23 GEO Futures



CME GEO DEC22 Open Interest/ Volume

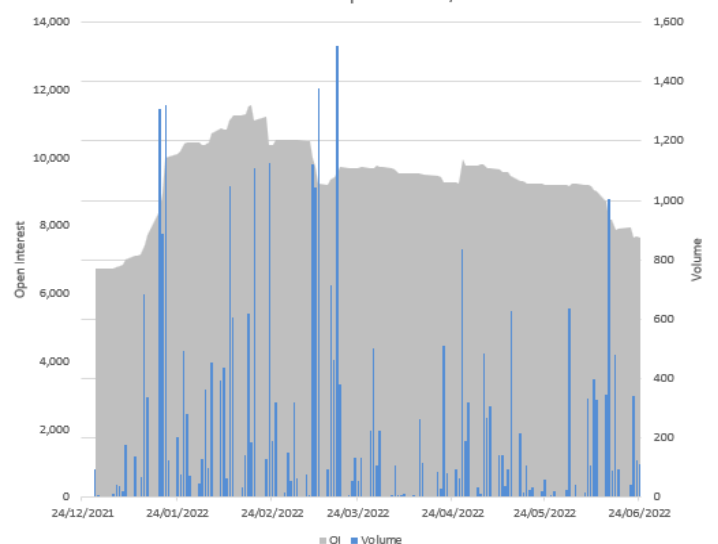


Source: Refinitiv

CME DEC22/ DEC23 NGO Futures



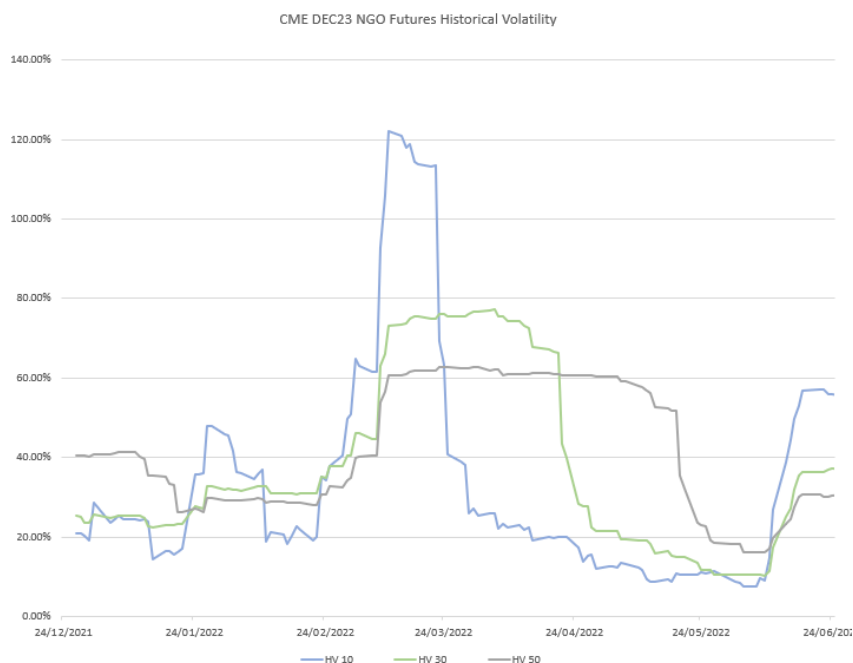
CME NGO DEC22 Open Interest/ Volume



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: Refinitiv

Block Trades on CME (w/c 20th)

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

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
23/06/2022	B	NGO	Dec-22	8.6	50
23/06/2022	B	NGO	Dec-23	10.95	165
22/06/2022	B	NGO	Dec-23	11.1	25
22/06/2022	B	NGO	Dec-22	8.83	25
22/06/2022	B	NGO	Dec-22	8.9	10
22/06/2022	B	NGO	Dec-23	11.5	50
22/06/2022	B	NGO	Dec-23	11.65	50
22/06/2022	B	NGO	Dec-23	11.65	100
22/06/2022	B	NGO	Dec-22	9.1	50
21/06/2022	B	NGO	Dec-25	15.35	50
21/06/2022	B	NGO	Dec-23	11.7	80
21/06/2022	B	NGO	Dec-23	11.7	25
21/06/2022	B	NGO	Dec-23	11.7	130
21/06/2022	B	NGO	Dec-22	9.25	22
21/06/2022	B	NGO	Dec-23	11.8	70
21/06/2022	B	NGO	Dec-25	15.35	200
20/06/2022	B	NGO	Dec-22	9.15	300

Source: CME Direct

FIS Trades (w/c 20th)

VCS 2252 Rio Anapu-Pacaja REDD+ Project & CCB (Brazil), V2019, trading at \$13.50 in 50kt.

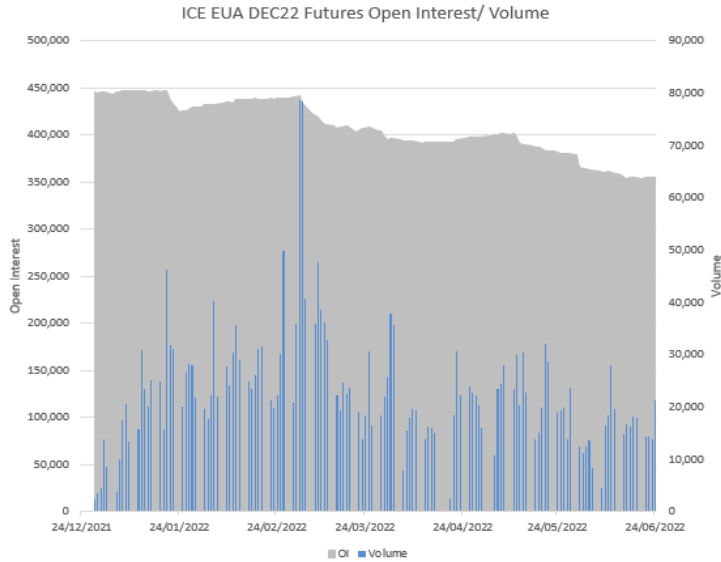
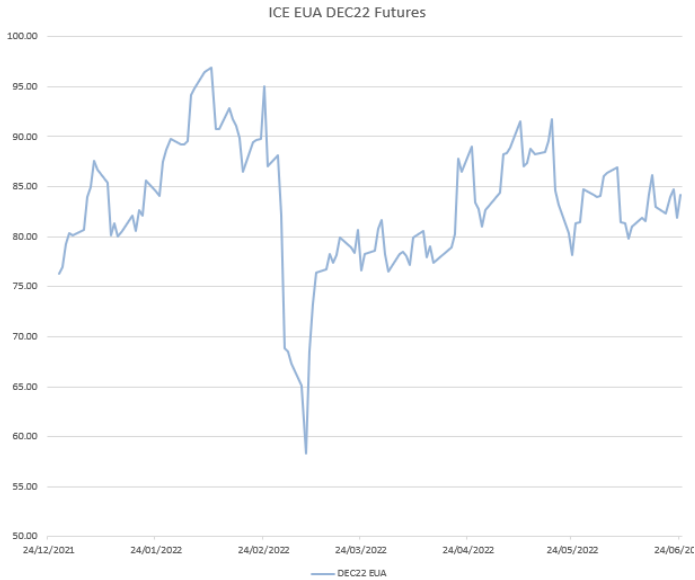
CME NGO Dec-23 traded at \$11.65 in 50kt.

EEX EUA Dec-23 traded at \$86.42 in 2kt.

Compliance Markets

EUAs

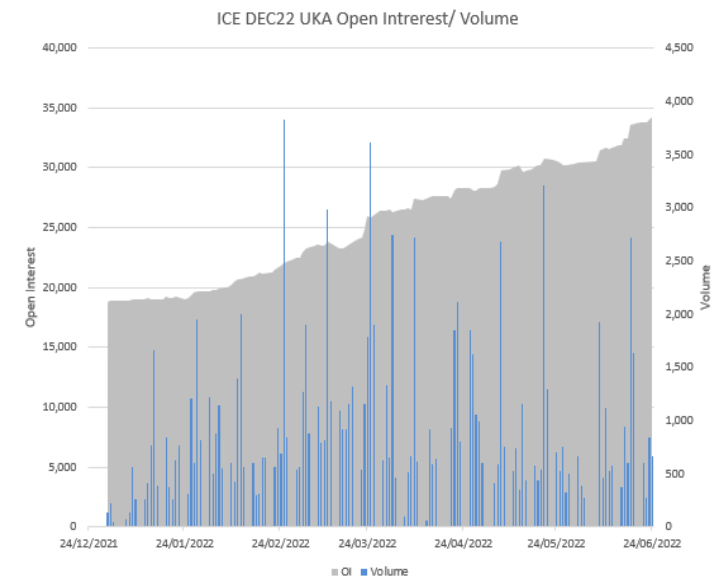
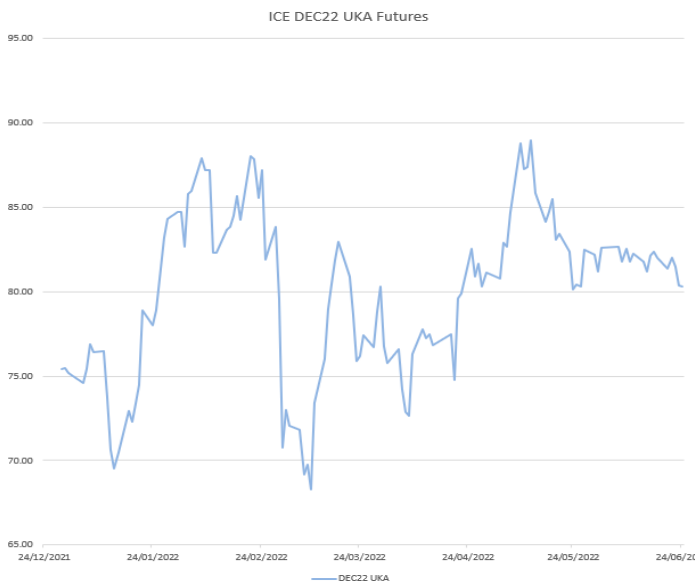
It was another turbulent week for the EUA market as the verdict from the EU Parliament vote on ETS amendments became known, the June-22 EUA options expiry, and further volatility seen elsewhere in energy markets. Most influential was of course the Parliamentary vote, with a number of amendments being agreed upon in the second attempt of voting; amendments such as shipping's inclusion from 2024, CBAM coming into force in 2027, and a 64% 2030 reduction target for sectors in the ETS compared to 2005 (up from the original 61%). In summary, the Dec-22 EUA contract decreased -0.67% to print at €83.43.



Source: Refinitiv

UK ETS

Within the UK compliance market prices also decreased slightly, largely due to reduced trading volumes as traders attention has been turned elsewhere to other energy commodities. The UKA Dec-22 futures contract finished the week down -1.2% to print at £80.98, losing £1.00 in value.



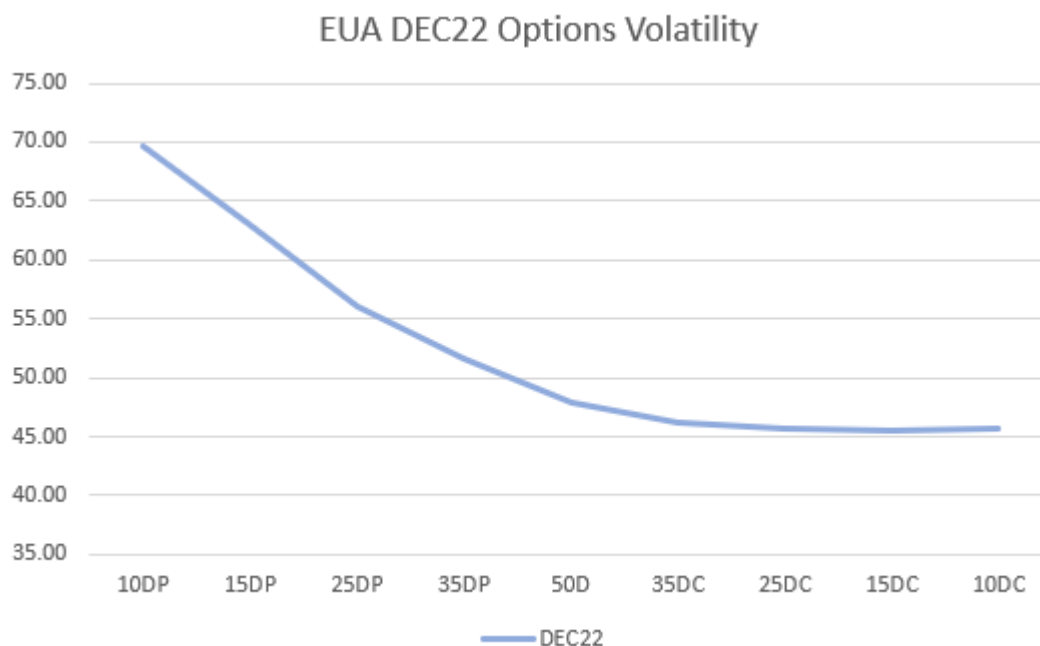
Source: Refinitiv

EUA Options Market

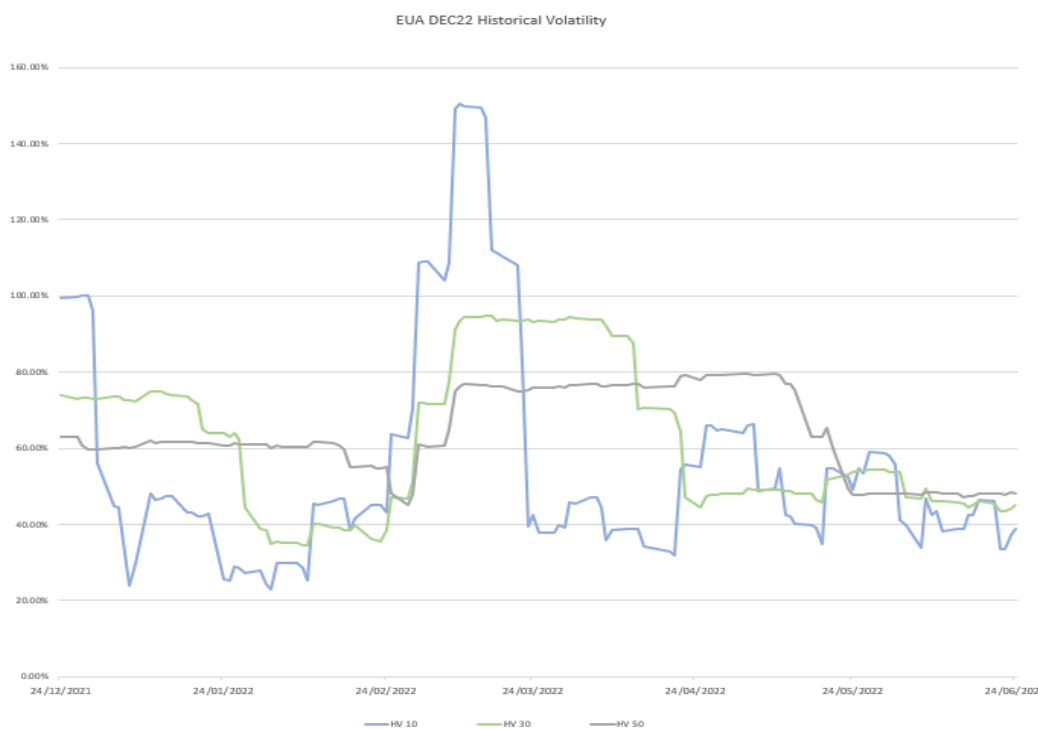
Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 15.1m tonnes (15,132 lots), €90.00 strike calls at 11.4m tonnes (11,447 lots), and €100.00 strike calls at 16.7m tonnes (16,739 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 10.5m tonnes (10,538 lots), €50.00 strikes at 11m tonnes (11,001 lots), and €60.00 strikes at 14.3m tonnes (14,316 lots).

Volatility Surface: 20/06/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	69.64	63.07	56.13	51.64	47.86	46.14	45.65	45.50	45.60



Source: Bloomberg



Source: Bloomberg

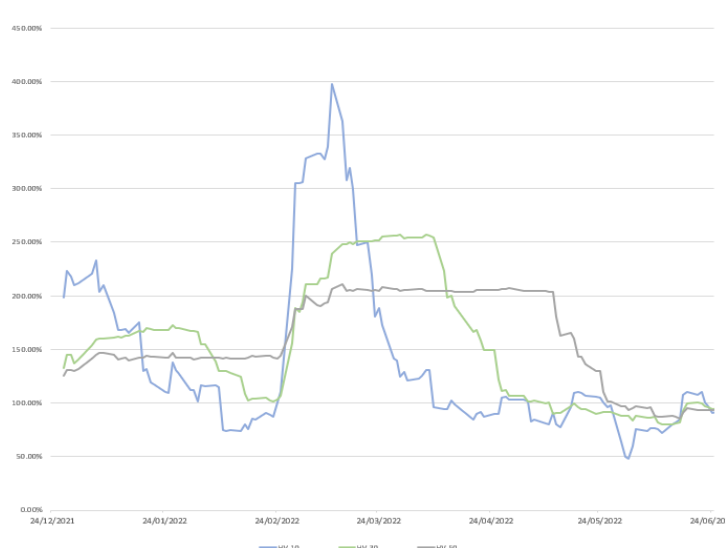
Correlated Markets

Last week saw further volatility in energy commodities due to the fall-out from the conflict in Ukraine. Most notable was the jump in gas prices as Germany triggered its second alarm level on Russian gas flows declining. This updated alert level could cause costs to rise further for consumers and prompt countries to force drawbacks in consumption. July TTF Gas prices rose +6.5% to settle at €128.505/MWh. Within German Power Baseload Futures, the Cal-23 contract also gained +10.1% .

EUAs/ Dutch TTF Gas Prices



TTF JUL22 Historical Volatility



Source: Refinitiv

Market News

The European Parliament voted in favour of the 'Fit for 55' reform package. One key amendment is the shipping industry being included in the ETS from 2024 for 100% of emissions (Reuters). The next steps sees a council meeting where further discussions are expected.

Denmark agrees corporate carbon tax which is the highest in Europe, which will target companies both in and outside the EU's carbon quota system (Reuters).

Switzerland have approved a bilateral agreement with Thailand, enabling the Southeast Asian nation to sell its carbon credits to help meet its Paris Agreement emissions pledge (Carbon Pulse).

Seychelles government launches roadmap to capitalise on blue carbon opportunities to protect its seagrass and mangrove ecosystem assets (Carbon Pulse).

Two Australian resource companies -- Mayur Resources and Santos Ventures have reached an agreement to develop PNG nature-based projects that could generate 80-240 million offsets over the next three decades (Carbon Pulse).

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