

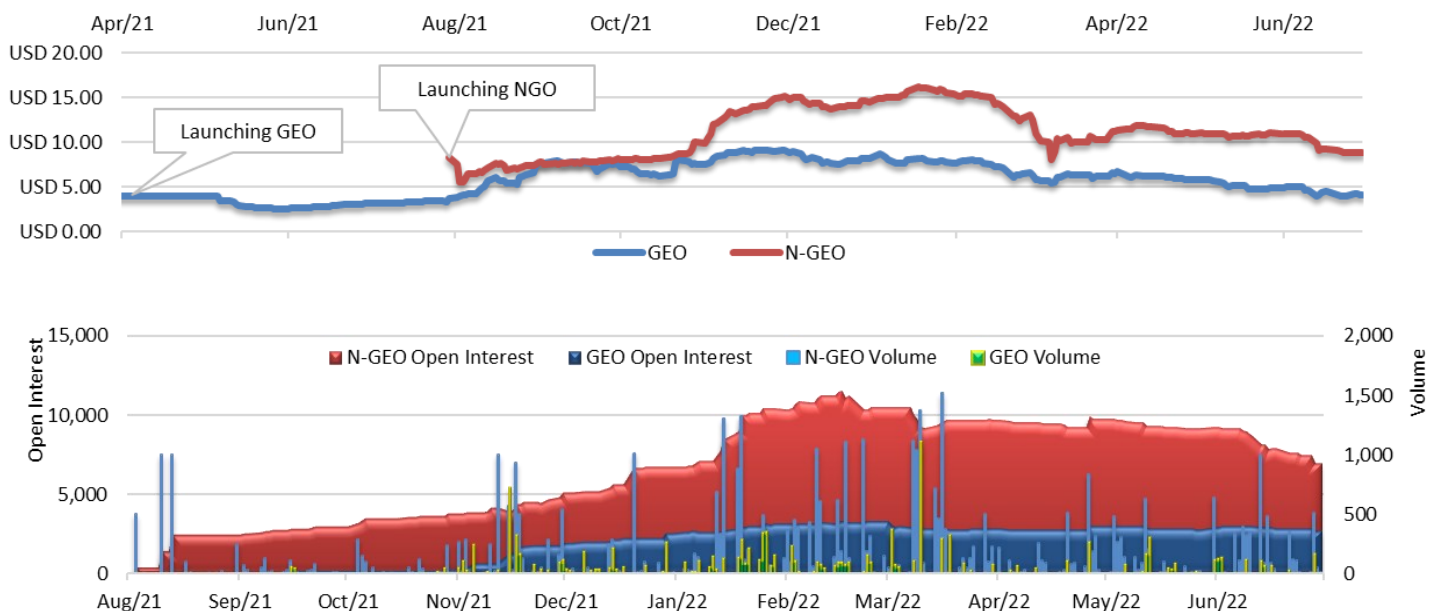
05/07/22

Prices movement	Jun 30th	May 31st	Changes %	Sentiment
EUA Dec-22	€ 90.16	€ 84.02	6.81%	↑
EUA Dec-23	€ 92.94	€ 86.91	6.49%	↑
EUA Dec-24	€ 99.00	€ 91.18	7.90%	↑
UKA Dec-22	£ 84.99	£ 82.59	2.82%	↑
GEO Dec-22	\$ 4.14	\$ 4.87	-17.63%	↓
N-GEO Dec-22	\$ 8.78	\$ 11.00	-25.28%	↓
N-GEO Dec-23	\$ 11.24	\$ 15.03	-33.72%	↓

Average Volume (in millions)	Jun	May	Changes %	Sentiment
N-GEO Dec-23	396	128	67.55%	↑

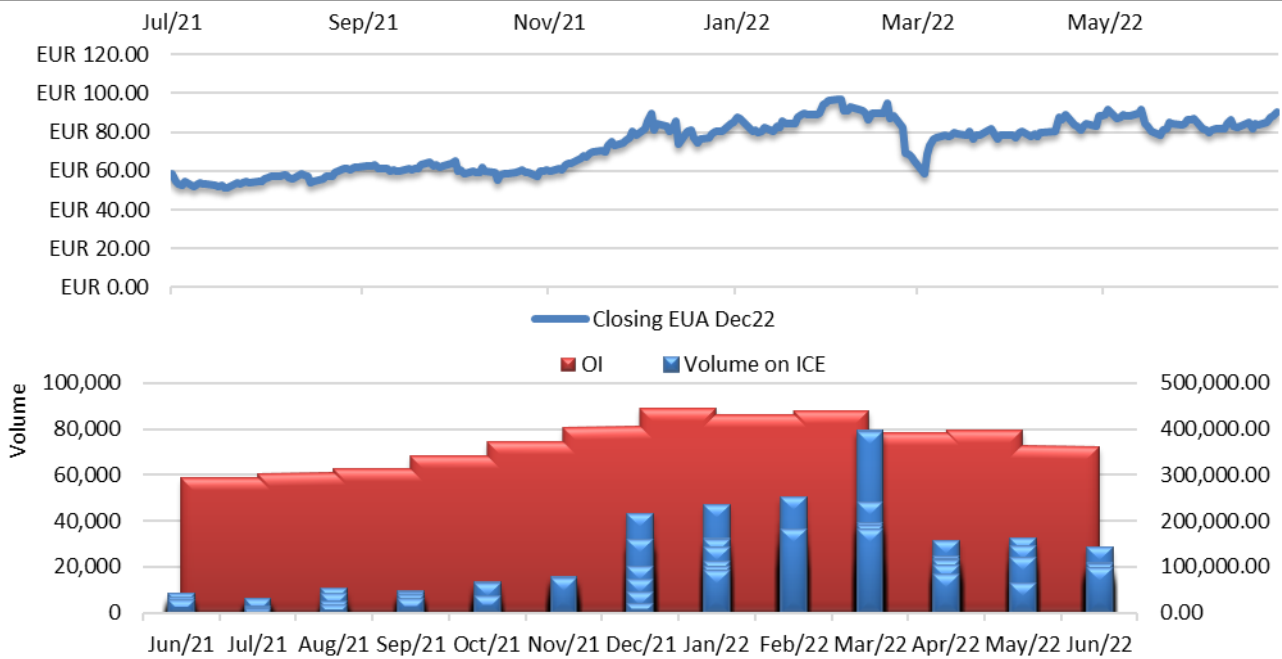
Average OI (in millions)	Jun	May	Changes %	Sentiment
GEO Dec-22	2,856	2,877	-0.71%	↓
N-GEO Dec-22	8,184	9,410	-14.98%	↓

Prices over the prior month in the voluntary carbon market have followed the majority of other asset classes lower in the midst of a weakening macroeconomic outlook. This has been most evident within the exchange-traded nature-based CME N-GEO contracts across Dec-22 and Dec-23. What has been interesting amidst this sell-off in paper contracts is that their physical equivalents have continued to price at a clear premium and haven't followed the futures prices lower. Some sources have credited this down to the more speculative nature within the CME futures (Carbon Pulse), while in the OTC physical market originators and project developers have continued to price things competitively within historic levels.



EU ETS

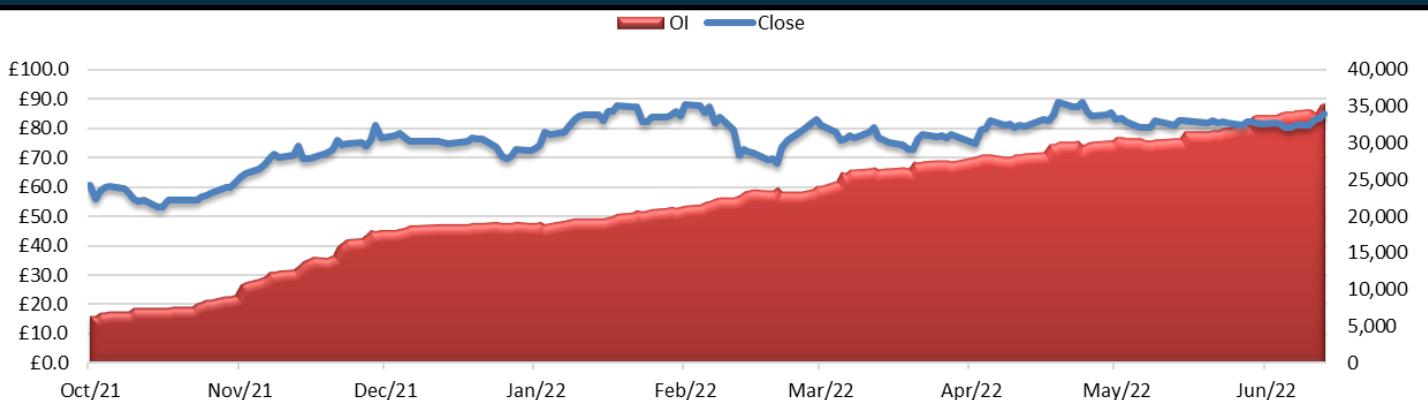
EUAs are up M-on-M with 6.18%, and the headlines in June have been dominated by the Environmental Committee reviewing the ETS amendments and the carbon border adjustment mechanism (CBAM). The market has also paid attention to the elevated gas prices, driving more coal-fired power production, which is bullish for EUAs. Most influential was the Parliamentary vote, with several amendments being agreed upon. Notable were the modifications to the shipping's inclusion from 2024, CBAM coming into force in 2027, with a 64% 2030 reduction target for sectors in the ETS compared to 2005 (up from the original 61%). Proposals from member states in the European Commission have different elements of the current market solution that would result in a 61% emissions reduction target for 2030 (Carbon Pulse). The final negotiation between EU Council, Commission, and Parliament's over a final compromise to finalise the reforms to the ETS is happening in Brussel by the end of July (Carbon Pulse).



Source: Refinitiv Eikon

UK ETS

UKAs prices similar to EUA are up M-on-M; however slightly more modest at 2.82%. In contrast to its big brother, volumes traded for UKA through ICE posted higher M-on-M figures, increasing by 13.97 %, noting the total UKA volume is significantly lower than EUAs. The UK government has announced that a tender is on its way to selecting a platform to host auctions of carbon allowances. The decision is expected to come ahead of the first auction at the start of the year (Carbon Pulse).



Source: Refinitiv Eikon

Shipping emissions

The EU parliament has now approved of new environmental measures, one of which is to include shipping in the EU ETS. It will now move onto negotiations with member states to finalise the new legislation.

The main features of this new regulatory package are:

Shipping to be included in the ETS by 2024 (vessels above 5000 gross tonnage).

Increase 2030 greenhouse gas reduction target from 61% to 63% from 2005 levels.

Revenues from ETS to be used exclusively for climate action in EU and member states.

Internal EU shipping (EU port to EU port) – 100% emissions coverage by 2024

External EU shipping (loading or discharging in an EU port) – 50% emissions coverage by 2024, 100% from 2027.

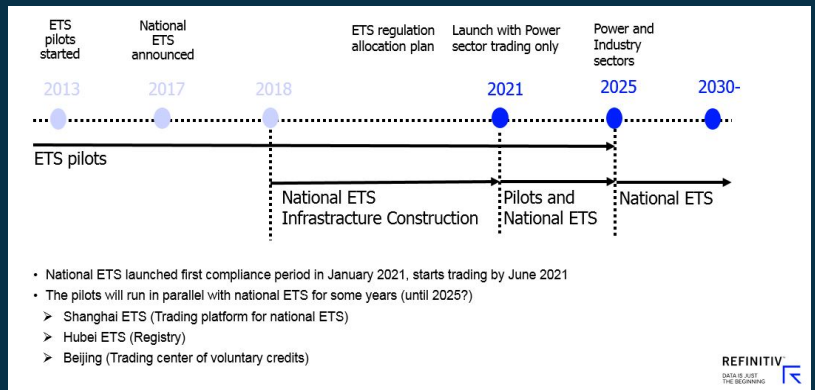
75% of the revenues from the trading of allowances in the EU ETS will be put into an Ocean Fund to support the green transition of the EU maritime sector.



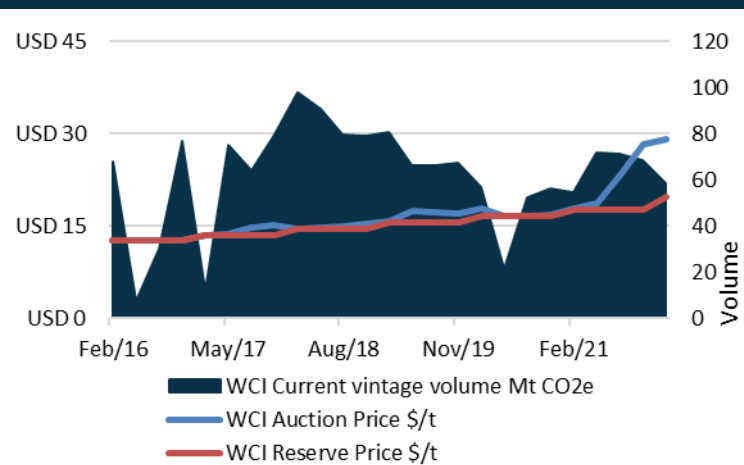
Chinese Global ETS Price



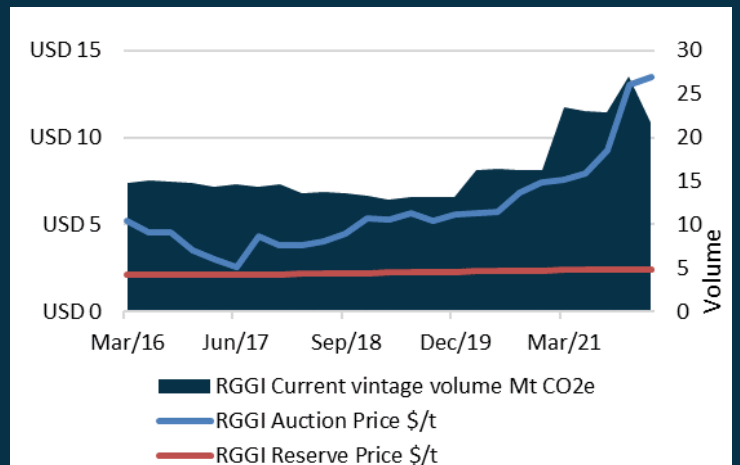
Chinese ETS Regulatory Timeframe



Western Climate Initiative (WCI)



Regional Greenhouse Gas Initiative (RGGI)



Voluntary

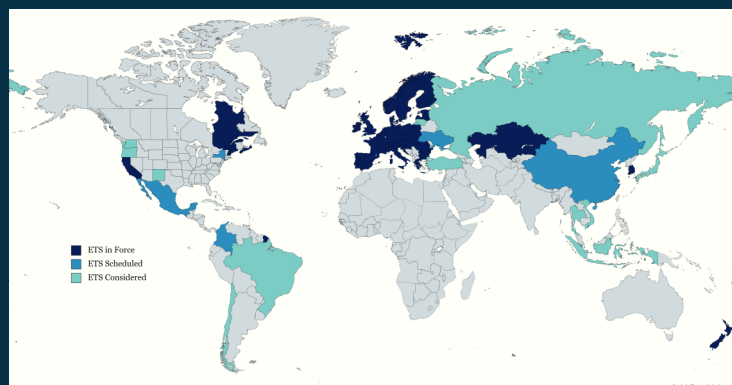
- CME Global Emission Offset Futures (GEO)
- CME Nature - Global Emission Offset Futures (NGEO)
- CME Core - Global Emission Offset Futures
- (CGEO)
- ICE Nature-Based Solution Carbon Credit Futures

Compliance:

- ICE EUA Futures & Options
- ICE UKA Futures & Options

Name	Region & Country	Start Year	Percentages economywide emissions covered by ETS
EU ETS	Euro 27	2005	40%
UK ETS	United Kingdom	2021	30%
NZ ETS	New Zealand	2008	50%
RGGI	US	2009	10%
WCI	Noth America	2013	California 75% & Quebec 78%
SK ETS	South Korea	2015	75%
China ETS	China	2021	40-75%

Emissions Target Map



State	Net zero target
Europe	In Law (2050)
Japan	In Law (2050)
South Korea	In Law (2050)
China	In Political Pledge (2060)
USA	In Policy Document (2050)
Indonesia	In Policy Document (2060)
India	In Political Pledge (2070)
Russia	In Political Pledge (2060)
Brazil	In Political Pledge (2050)
Iran	n/a

Source: Refinitiv Eikon and Lloyds List

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