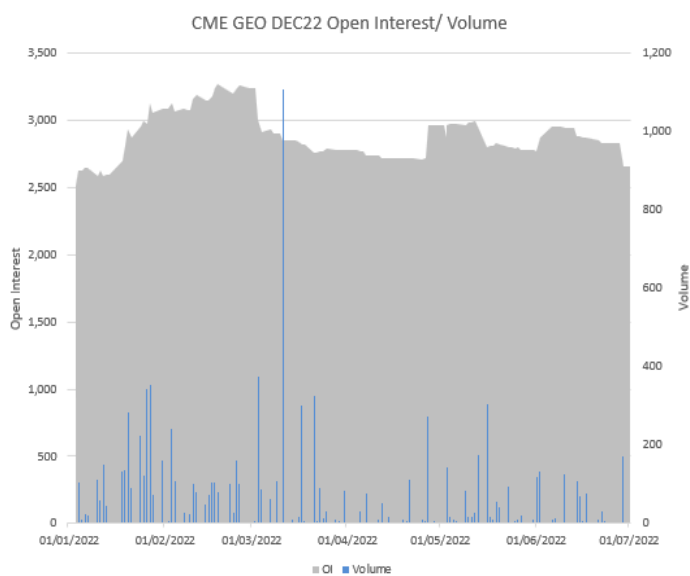


## 01/07/2022

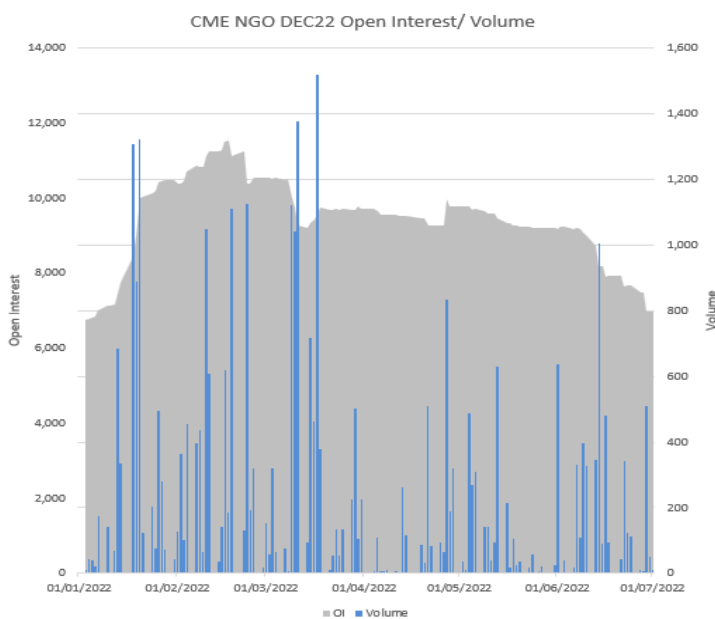
### Voluntary Markets

#### CME Futures

Following a few weeks of falling prices, the voluntary carbon market appears to not quite find support yet and continues to slip. Most notable has been prices for nature-based credits, with the NGO Dec-22 contract falling -6.7% to \$8.29 on Friday. On Dec-23, prices for the week finished down -5.4% at \$10.70. Within technology credits on the GEO contract, prices also fell -1.8% on GEO Dec-22 to print at \$4.14. While on GEO Dec-23, the contract also lost -1.8% to \$4.32. Open interest on both GEO and NGO Dec-22 contracts has been decreasing in tandem with the decrease in prices. To summarise, open interest on GEO Dec-22 decreased by 174 lots, while NGO Dec-22 decreased by 510 lots.



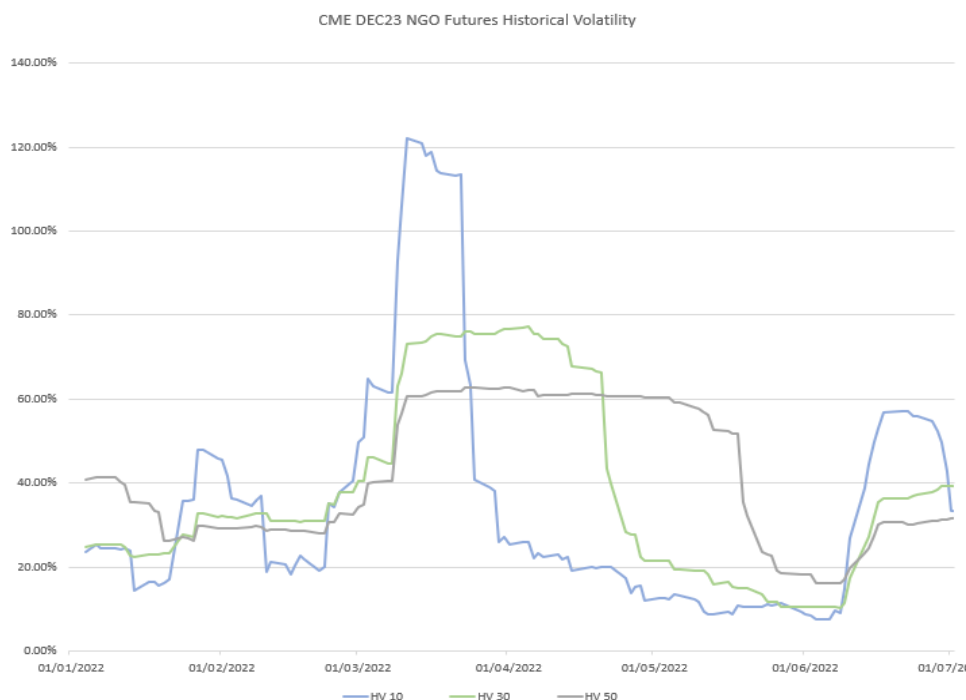
Source: Refinitiv



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: Refinitiv

## Block Trades on CME (w/c 27th)

A total of 1.77m tonnes was traded on CME through 13 blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
01/07/2022	B	NGO	Dec-23	11.3	75
01/07/2022	S	NGO	Dec-25	14.45	75
01/07/2022	B	NGO	Dec-23	11.3	50
01/07/2022	S	NGO	Dec-25	14.5	50
29/06/2022	B	NGO	Dec-23	11.3	125
29/06/2022	S	NGO	Dec-25	14.4	125
29/06/2022	B	NGO	Dec-23	11.3	50
29/06/2022	B	NGO	Dec-25	14.4	170
29/06/2022	B	NGO	Dec-23	11.3	170
29/06/2022	B	NGO	Dec-24	12.85	100
29/06/2022	B	NGO	Dec-23	11.3	100
28/06/2022	B	GEO	Dec-22	4.08	170
28/06/2022	B	NGO	Dec-22	8.85	510

Source: CME Direct

## FIS Trades (w/c 27th)

CME NGO Dec-23/25 at -3.10 in 170kt (legs at \$11.30 / \$14.40).

CME NGO Dec-23/25 at -3.10 in 125kt (legs at \$11.30 / \$14.40).

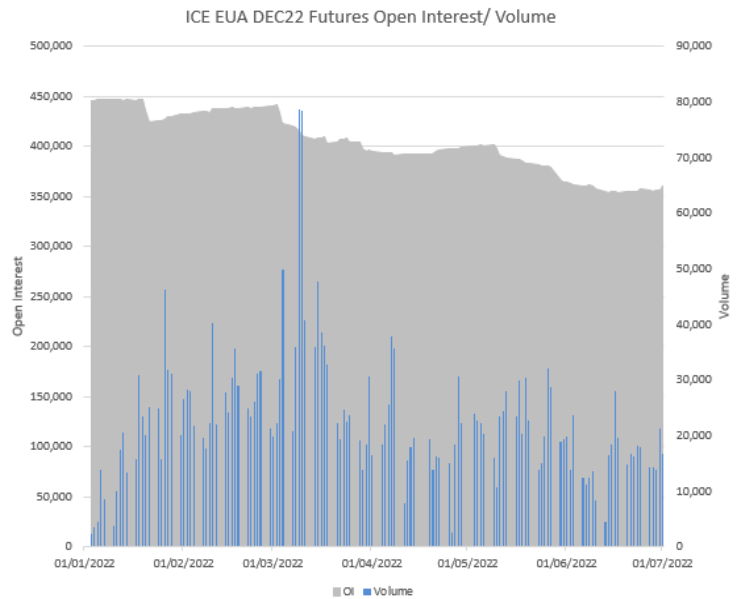
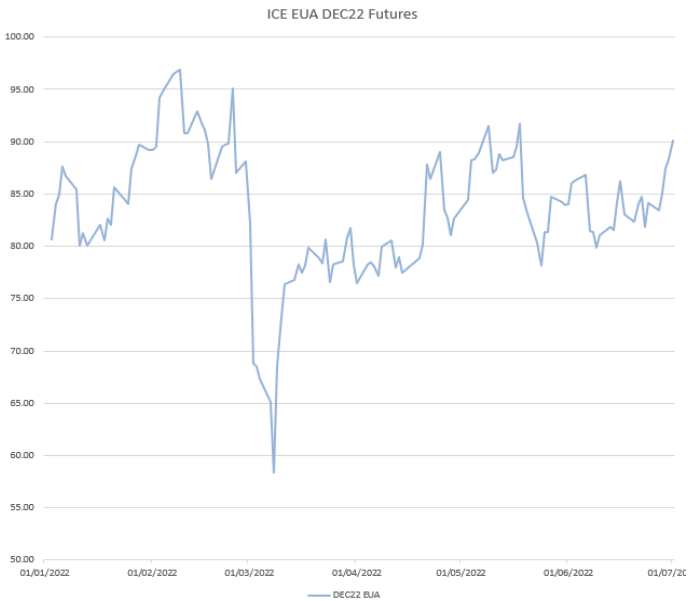
CME NGO Dec-23/25 at -3.20 in 50kt (legs at \$11.30 / \$14.50).

CME NGO Dec-23/25 at -3.15 in 75kt (legs at \$11.30 / \$14.45).

# Compliance Markets

## EUAs

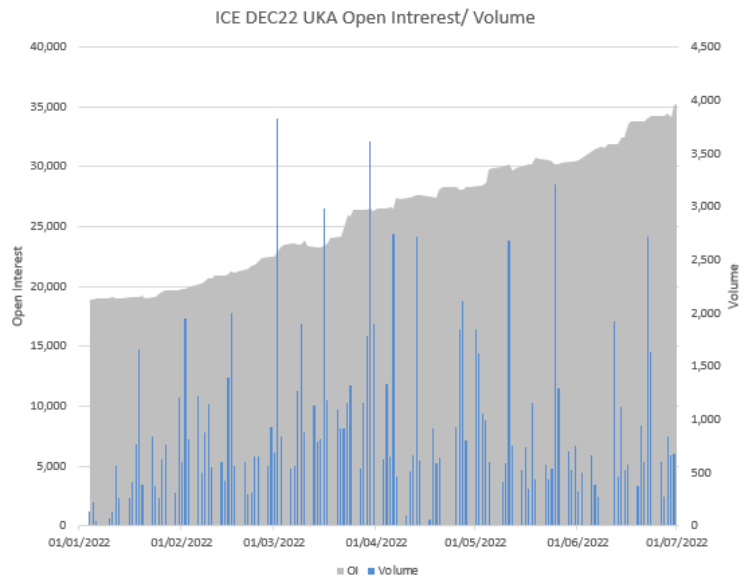
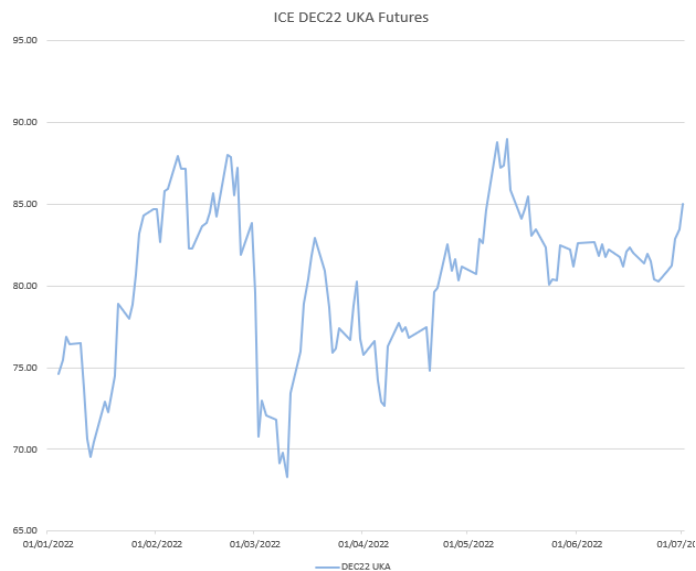
It was another volatile week for the EU compliance carbon market which saw the European Council meeting agree on five climate policy reform proposals after intense talks that stretched for over 16 hours into the early hours of this morning. On ETS reform, member states stuck to the European Commission's proposal for many elements of the current market that would result in a 61% emissions reduction target for 2030 (Carbon Pulse). In terms of prices, the EUA Dec-22 contract began climbing from Monday at €85.05 and hit a six-week high on Thursday at €90.16. Early into the session on Friday morning, however, saw a rather violent correction—arguably due to profit-taking as the Dec-22 fell to a session low of €85.01. Prices eventually settled at €85.58, a gain of 0.62%% WoW. Finally, it is important to note that sources in Brussels have said the EU Council, Commission, and Parliament would start negotiations over a final compromise set of reforms to the ETS in July (Carbon Pulse).



Source: Refinitiv

## UK ETS

Similarly to the EUA market, the UK's compliance emission prices also surged last week but did not suffer the same price correction. Week-on-week, the UKA Dec-22 contract gained +5.2% to print at €85.49, gaining £4.25. Wider-news regarding the UK ETS is that the government has launched a tender to select a platform to host auctions for the allowances, with a decision expected to be taken in the coming months ahead of the first auction at the start of the year (Carbon Pulse).



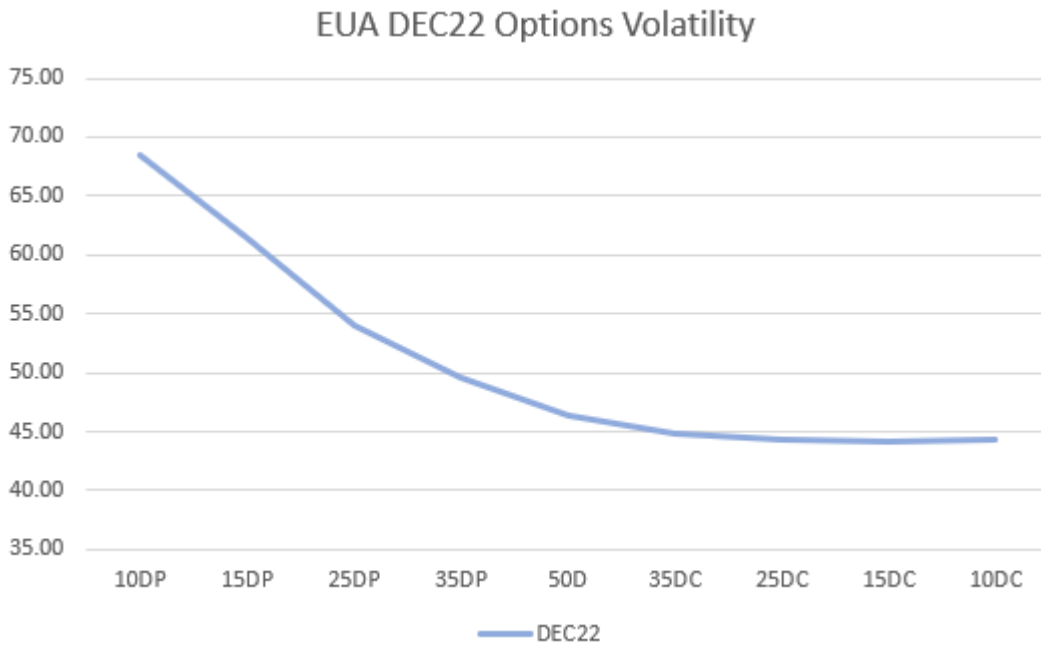
Source: Refinitiv

## EUA Options Market

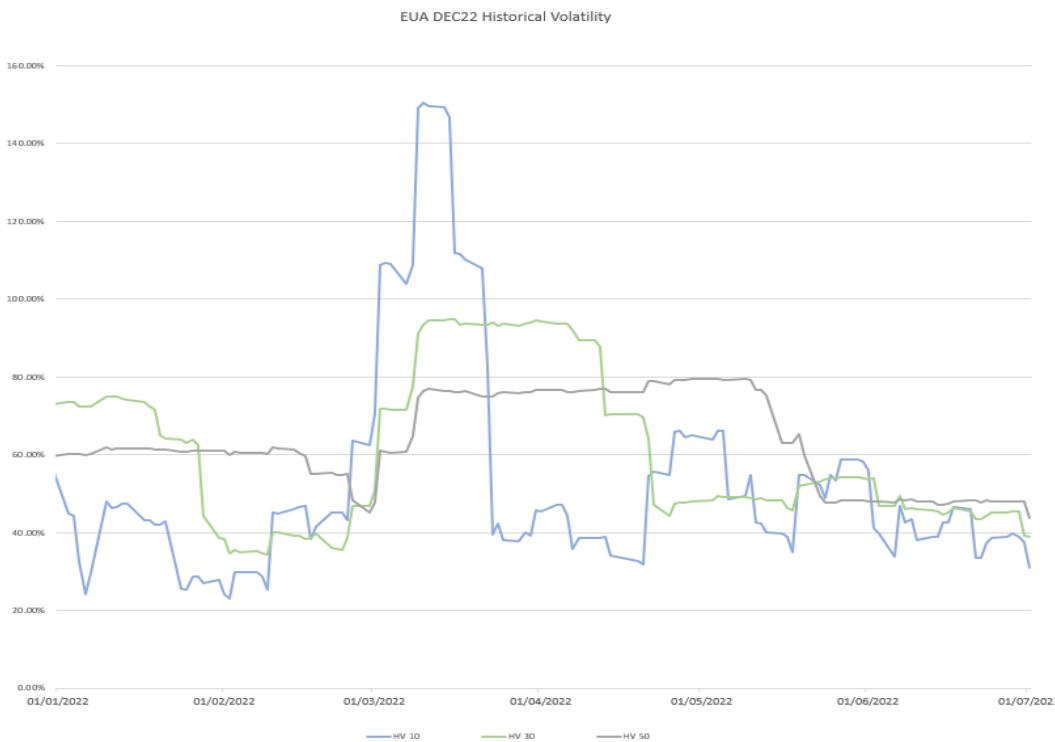
Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 15.1m tonnes (15,132 lots), €90.00 strike calls at 11.4m tonnes (11,447 lots), and €100.00 strike calls at 16.3m tonnes (16,389 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 10.1m tonnes (10,138 lots), €50.00 strikes at 11.4m tonnes (11,401 lots), and €60.00 strikes at 13.951m tonnes (13,951 lots).

**Volatility Surface: 27/06/2022**

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	68.43	61.49	53.96	49.67	46.41	44.87	44.33	44.15	44.25



Source: Bloomberg



Source: Bloomberg

## Correlated Markets

Prices within energy commodities continued to rise last week, most noteworthy within the TTF Gas market. The front-month TTF August contract gained +13.5% week-on-week to settle at €147.784/MWh, arguably driven by supply scarcity and the German government suggesting it would permit higher gas costs to be passed through to all consumers (Carbon Pulse). Within the German Power market, the Cal-23 baseload future gained +12.4% to settle at €295.97/MWh on Friday (1st).

EUAs/ Dutch TTF Gas Prices



TTF AUG22 Historical Volatility



Source: Refinitiv

## Market News

EU nations agreed on five climate policy reform proposals after intense talks that stretched for over 16 hours into the early hours of this morning. On ETS reform, member states stuck to the European Commission's proposal for many elements of the current market that would result in a 61% emissions reduction target for 2030 (Carbon Pulse).

World's biggest ever issue of carbon credits is planned in Gabon. The country aims to create 187m carbon credits, almost half of which may be sold in the offsets market in what would be the single largest issuance in history (Bloomberg).

Australia's new Labor government will introduce an emissions trading scheme next year, almost a decade after the previous conservative administration repealed its first attempt to price carbon (Financial Times).

The Australian government has committed A\$9.5m (\$6.4 mln) to support five domestic blue carbon projects around the country, designed to restore mangroves, seagrasses, and tidal marshes, while also co-funding a batch of global schemes to ramp up project pipeline development (Carbon Pulse).

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