



# Carbon Weekly Report

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## 08/07/2022

### Voluntary Markets

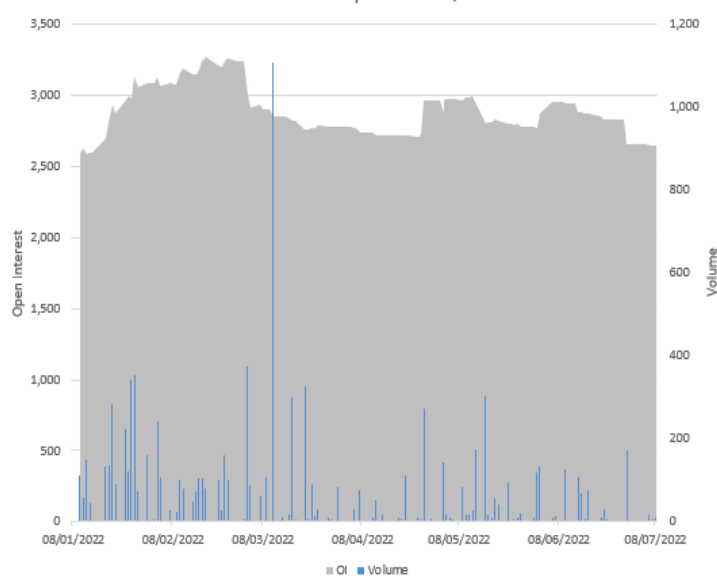
#### CME Futures

The exchange-traded voluntary carbon market appeared to have found some support in terms of price levels last week. Within nature-based credits, the NGO Dec-22 and Dec-23 contracts increased by +5.1%% and 3.9%%, respectively. Most notably on the NGO Dec-23 contract where prices were pinned to the \$15.00 handle for sometime, the sharp sell-off recently has found support around \$11.00—even after trading below this level for a few days. In summary, NGO Dec-22 finished the week at \$8.86, and Dec-23 at \$11.24. What has been interesting this week is the change in open interest in both of these contracts, which suggests outright buyers have returned to the market. OI on Dec-22 now stands at 6,556, and Dec-23 at 4,790. Within the technology-based credits, volumes were rather thin on both Dec-22 and Dec-23 and prices decreased by -2.4% and 3.3%.

CME DEC22/ DEC23 GEO Futures



CME GEO DEC22 Open Interest/ Volume

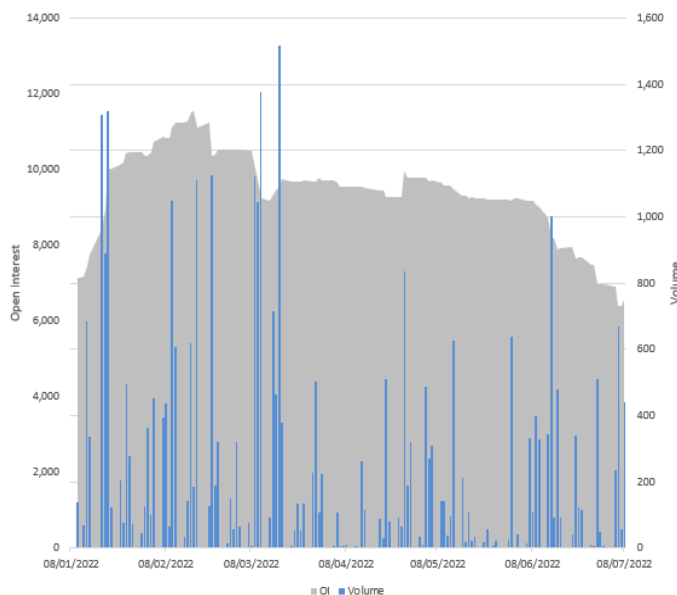


Source: Refinitiv

CME DEC22/ DEC23 NGO Futures



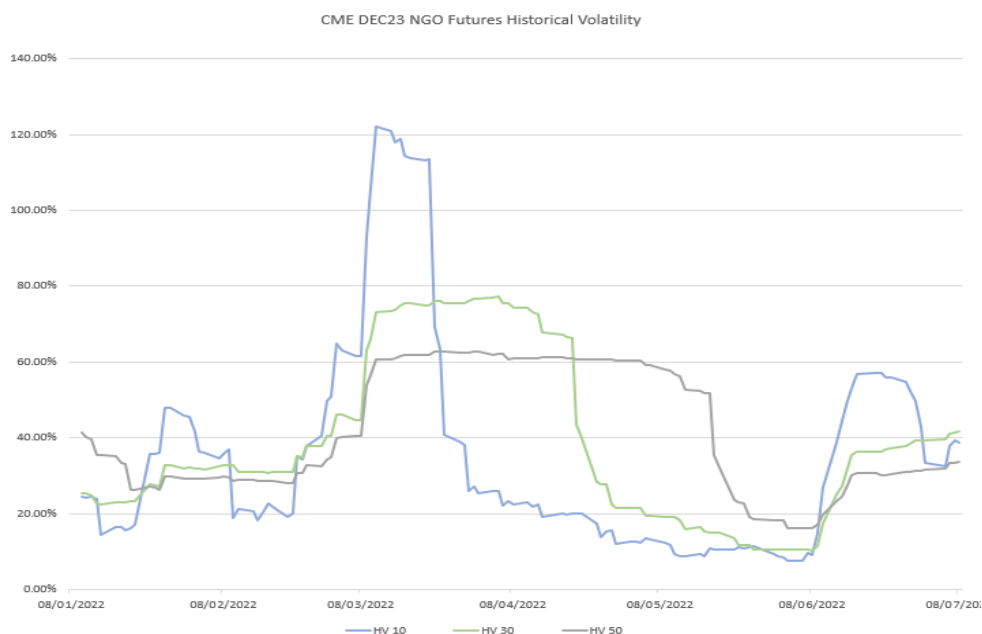
CME NGO DEC22 Open Interest/ Volume



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 4th)

A total of 2.5m tonnes was traded on CME through 30 blocks last week on the GEO/ NGO contracts. In summary, 50kt was traded on GEO Dec-23, 1.2m on NGO Dec-22, and 2.5m on NGO Dec-23.

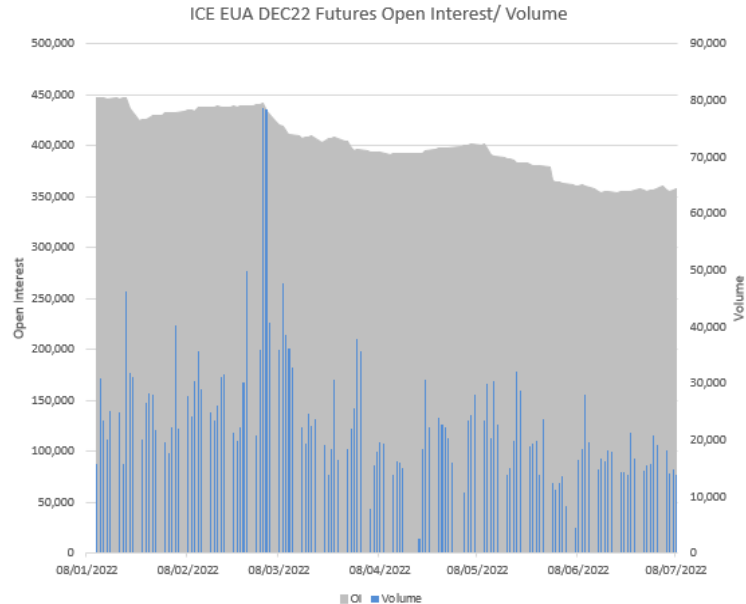
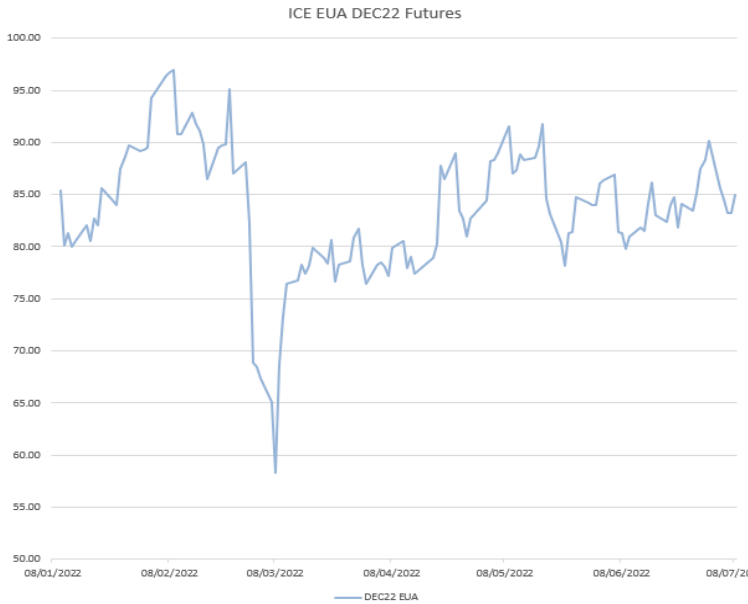
Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
07/07/2022	B	NGO	NGO	11.25	25
07/07/2022	B	NGO	NGO	11.25	25
07/07/2022	B	NGO	NGO	11.35	25
07/07/2022	B	NGO	NGO	11.25	50
07/07/2022	B	NGO	NGO	11.25	50
07/07/2022	B	NGO	NGO	8.85	50
07/07/2022	B	NGO	NGO	8.85	25
07/07/2022	B	NGO	NGO	8.85	75
07/07/2022	B	NGO	NGO	11.15	25
07/07/2022	B	NGO	NGO	8.85	100
07/07/2022	B	NGO	NGO	8.85	50
07/07/2022	B	GEO	GEO	4	50
07/07/2022	B	NGO	NGO	8.7	81
07/07/2022	B	NGO	NGO	11	50
06/07/2022	B	NGO	NGO	11	50
06/07/2022	B	NGO	NGO	10.7	50
05/07/2022	B	NGO	NGO	10.55	25
05/07/2022	B	NGO	NGO	10.55	25
05/07/2022	B	NGO	NGO	10.55	25
05/07/2022	B	NGO	NGO	10.55	50
05/07/2022	B	NGO	NGO	8.15	18
05/07/2022	B	NGO	NGO	8.15	11
05/07/2022	B	NGO	NGO	8.15	211
05/07/2022	B	NGO	NGO	8.15	14
05/07/2022	B	NGO	NGO	8.15	249
05/07/2022	B	NGO	NGO	10.55	400
05/07/2022	B	NGO	NGO	10.55	300
05/07/2022	B	NGO	NGO	10.6	100
05/07/2022	B	NGO	NGO	10.6	100
04/07/2022	B	NGO	NGO	10.6	200

Source: CME Direct

# Compliance Markets

## EUAs

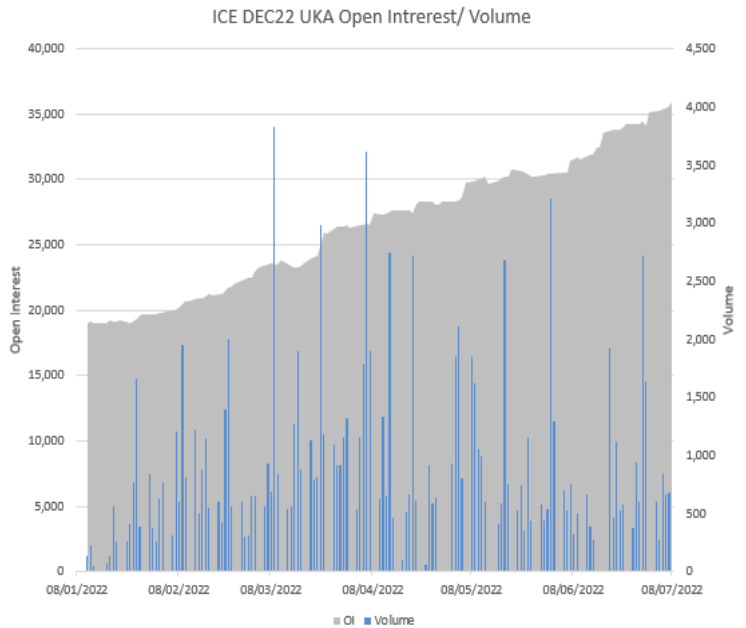
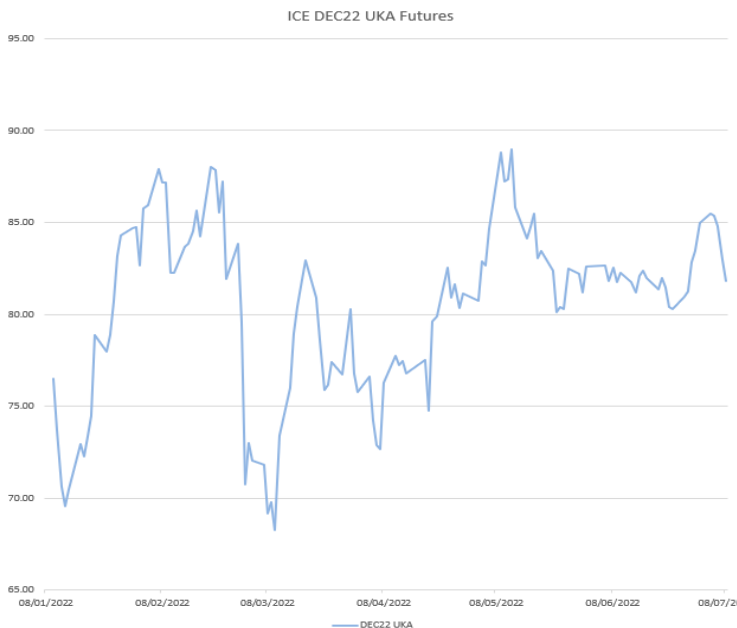
The European compliance market experienced mixed trading sessions last week and was largely influenced by headlines seen in other energy commodity markets. Following a few days of declines on the front Dec-22 contract, the market found some support on Tuesday and settled at €83.19. Prices then consolidated for most of Wednesday with a slight gain of €0.03c, followed by a large jump on Thursday as the TTF Gas market also saw significant gains. In summary, the Dec-22 contract finished the week down -2% at €82.79. Wider news surrounding the EU's climate policy is that Parliament voted to support the 'green' label for gas and nuclear investments.



Source: Refinitiv

## UK ETS

Prices within the UK compliance market decreased last week due to similar factors that caused the fall in EUA prices above - focus being paid elsewhere to other energy commodities. The UKA Dec-22 contract fell by -4.6% to settle at £81.50, losing £3.99 in a week. Other news surrounding the UK's emissions market and climate goals is the government plan to invest £54m into carbon removal technology projects (Carbon Pulse).



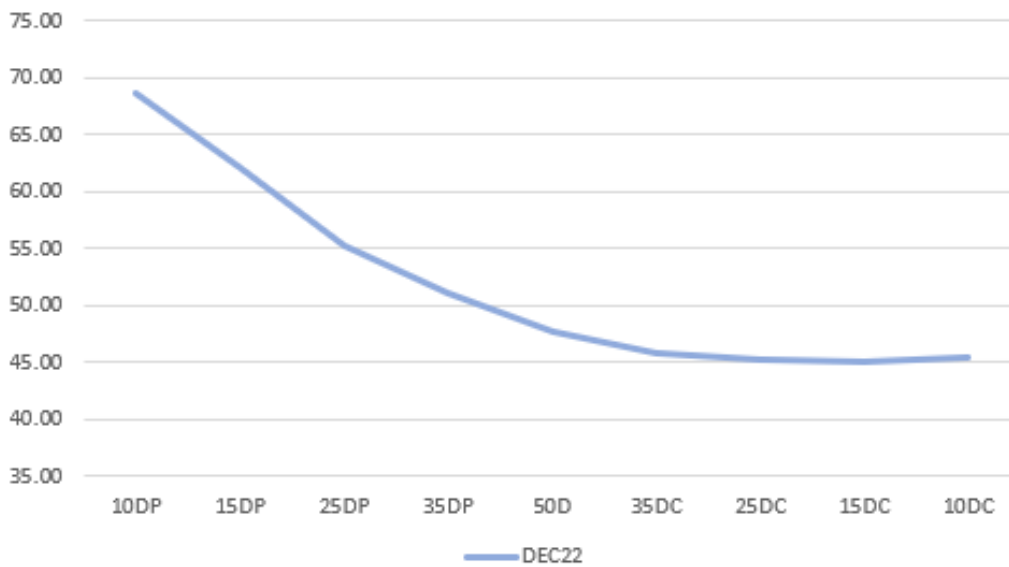
Source: Refinitiv

## 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 (16,419 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 11.3m tonnes (11,376 lots), and €60.00 strikes at 13.951m tonnes (13,951 lots).

Volatility Surface: 04/07/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	68.65	62.14	55.32	51.15	47.64	45.79	45.18	45.11	45.39

EUA DEC22 Options Volatility



Source: Bloomberg

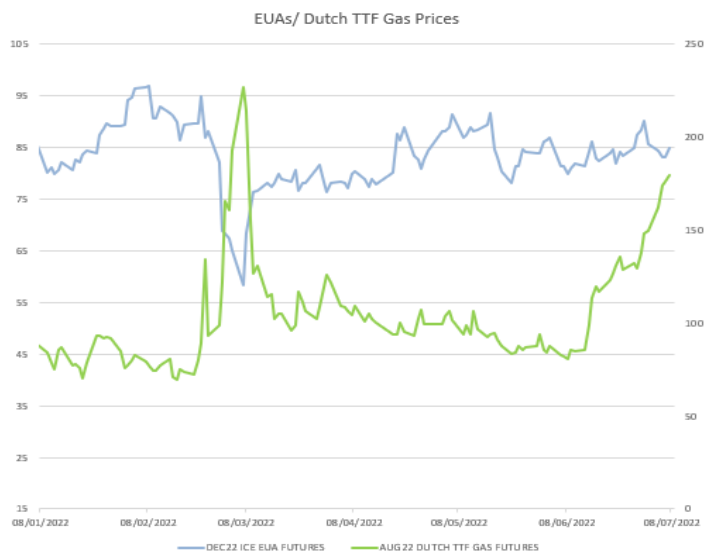
EUA DEC22 Historical Volatility



Source: Bloomberg

## Correlated Markets

Energy markets certainly dominated the headlines last week, particularly in oil and gas markets. Oil prices began to slip early last week, largely due to a poor macroeconomic outlook and continued fears from China's Covid situation which caused prices to fall below the \$100/bbl mark. Some recovery was seen towards the second-half of the trading week, however, with the front-month contract printing at \$107.02/bbl on Friday. Within the gas market, TTF gas saw significant gains as labour strikes, Nord Stream supply concerns, and general EU warnings were all reported. The TTF front month contract gained +18.5% to settle at €175.212 on Friday.



Source: Refinitiv

## Market News

EU Parliament supports 'green' label for gas and nuclear investments (Reuters).

Corporate demand for forest-related carbon credits is set to vastly outstrip available supply over the next 30 years (Carbon Pulse).

Verra proposes a new carbon credit label for nature-based removal units that would signify greater attention paid to accurate emissions baselines and preventing leakage (Carbon Pulse).

Maersk quits ICS as climate ambition divides industry representation. They are seeking a more ambitious and aggressive leadership position on climate change and the broad base of ICS consensus policy is no longer a good fit for the container line's progressive agenda (Lloyd's List).

Hong Kong Exchanges and Clearing Limited (HKEX) launches Hong Kong International Carbon Market Council and unveils carbon market plans (Mondovisione).

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