

15/07/2022

Voluntary Markets

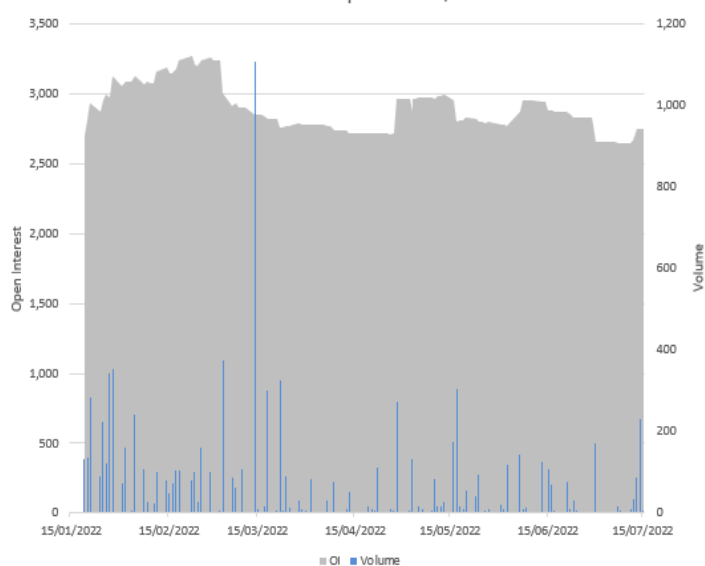
CME Futures

After finding some support in terms of prices levels and appearing to be recovering, the voluntary carbon market unfortunately lost ground again last week. With smaller volumes, prices for nature-based credits and technology/ renewables credits decreased. Within the NGO contract, Dec-22 lost -3.5% to \$8.55, and Dec-23 fell -2.9% to \$10.83. Total traded volume on these two contracts was 614kt and 154kt, respectively. Open interest on these two contracts also printed at 7,088 and 4,801 on Friday (15th). On the GEO contracts, Dec-22 lost -3.8% to print at \$3.77, while Dec-23 decreased by -3.6% to \$3.91.

CME DEC22/ DEC23 GEO Futures



CME GEO DEC22 Open Interest/ Volume

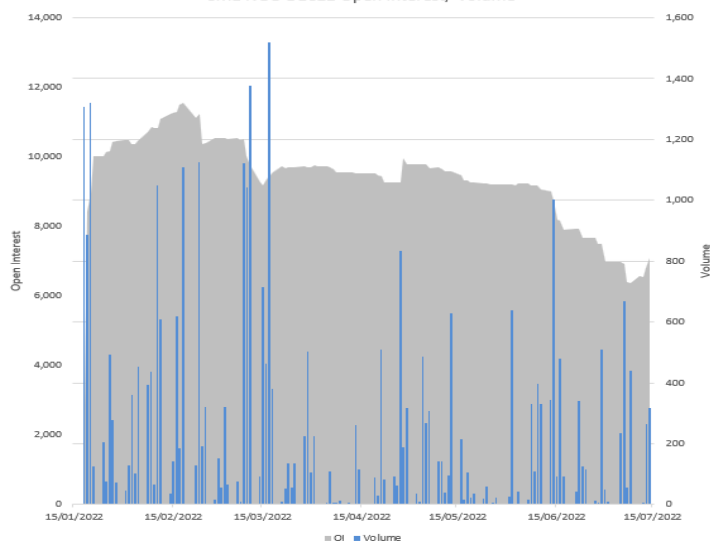


Source: Refinitiv

CME DEC22/ DEC23 NGO Futures



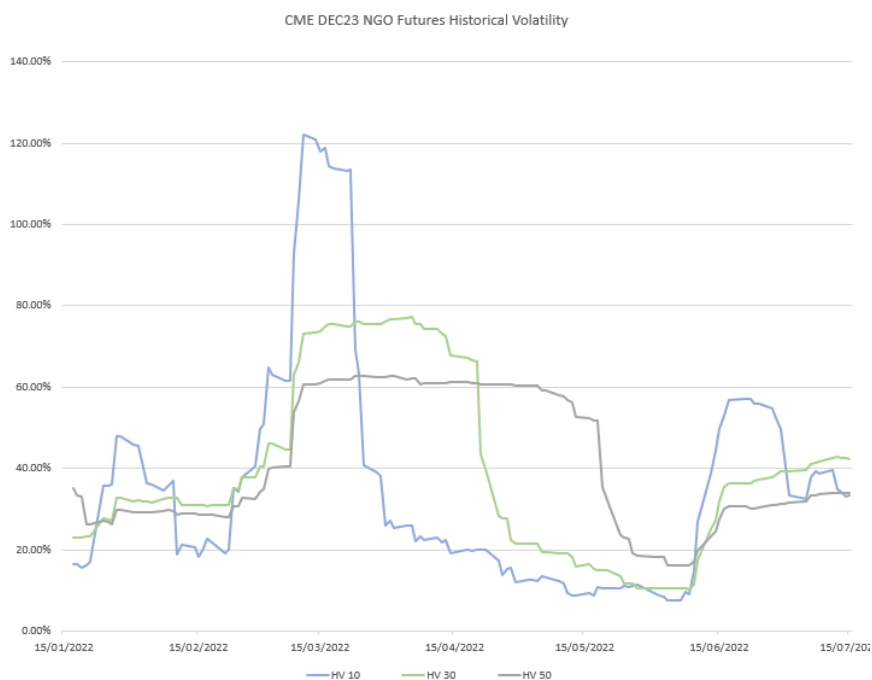
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

Following the decrease in prices discussed above, volatility on the Dec-23 NGO contract continues to increase across ten, thirty, and fifty days.



Source: Refinitiv

Block Trades on CME (w/c 11th)

A total of 950kt tonnes was traded on CME through nine blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
15/07/2022	B	NGO	Dec-22	8.55	24
13/07/2022	B	NGO	Dec-23	11.25	12
12/07/2022	B	NGO	Dec-22	8.7	13
12/07/2022	B	NGO	Dec-22	8.78	200
12/07/2022	B	GEO	Dec-22	3.77	100
12/07/2022	B	GEO	Dec-22	3.75	95
12/07/2022	B	NGO	Dec-22	8.8	100
12/07/2022	S	NGO	Dec-23	11.15	100
11/07/2022	B	GEO	Dec-22	3.94	80
11/07/2022	B	NGO	Dec-22	8.87	250

Source: CME Direct

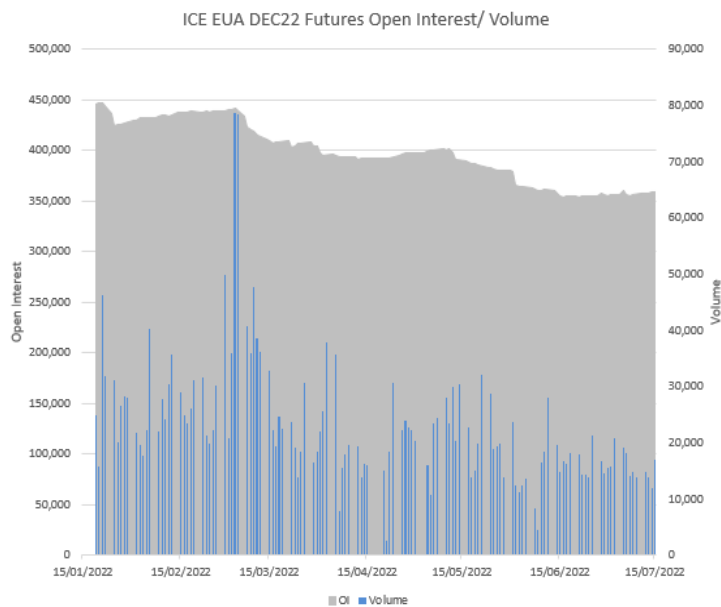
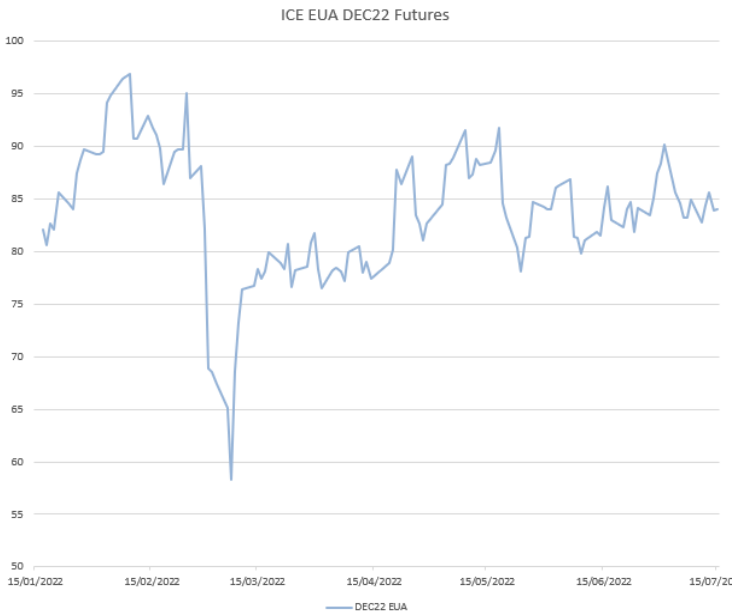
FIS Trades (w/c 11th)

EUA Dec-22 call spread 90/105 traded at €4.15 in 25kt.

Compliance Markets

EUAs

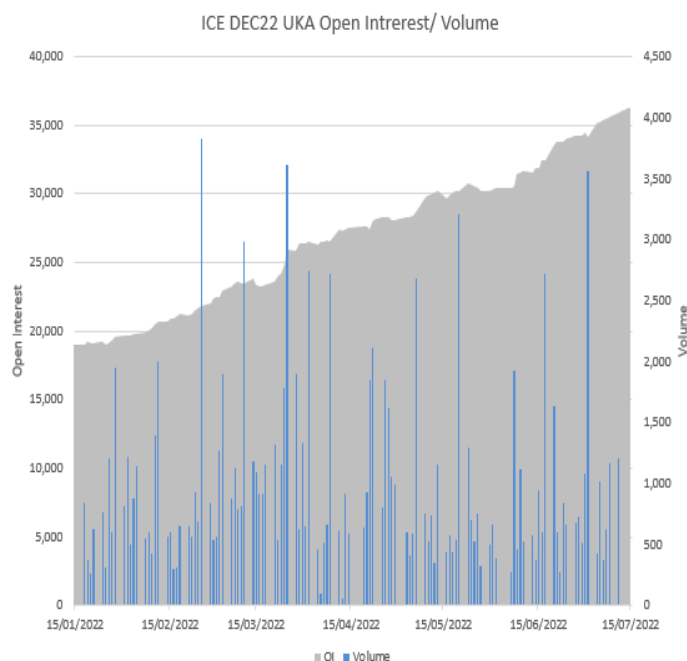
After a brief spike early in the week (12th) which saw the EUA Dec-22 contract hit a seven-day high and gain +€1.29 to €85.65, the remaining trading sessions saw these gains reversed. This spike was caused in anticipation of there being no auction supply on the following day (13th), while also following gains seen elsewhere in energy markets. Consolidation was evident in the latter half of the week due to ongoing debates in the EU Parliament regarding the proposed sale of ~250m MSR-held allowances to fund the REPowerEU initiative. In summary, the Dec-22 contract gained +1.2% to €85.38, while Dec-23 gained +1.1% to €88.11.



Source: Refinitiv

UK ETS

This week saw the fortnightly UKA auction return, and with the added supply the corresponding Dec-22 futures contract initially decreased. However, Friday reversed the consolidation and caused the Dec-22 contract to finish the week strongly. In summary, UKA Dec-22 gained +£1.02 in value, a +1.2% increase after printing at £83.37 on Friday.



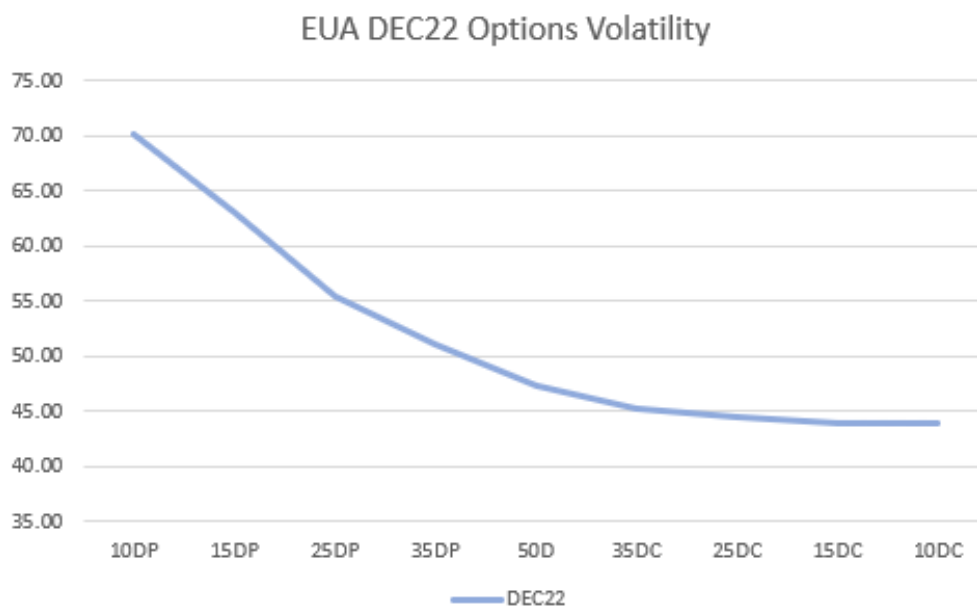
Source: Refinitiv

EUA Options Market

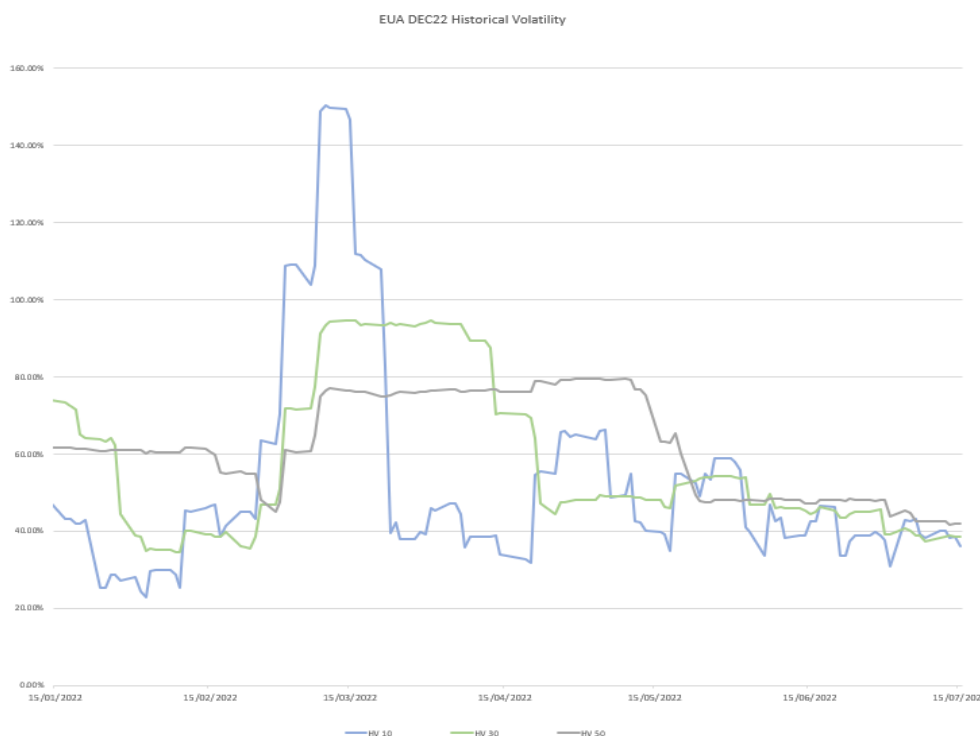
Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 15.1m tonnes (15,132 lots), €90.00 strike calls at 11.2m tonnes (11,297 lots), and €100.00 strike calls at 15.5m tonnes (15,519 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 9.6m tonnes (9,688 lots), €50.00 strikes at 11.6m tonnes (11,651 lots), and €60.00 strikes at 13.9m tonnes (13,956 lots).

Volatility Surface: 11/07/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	70.16	62.99	55.50	51.04	47.27	45.23	44.46	44.01	43.96



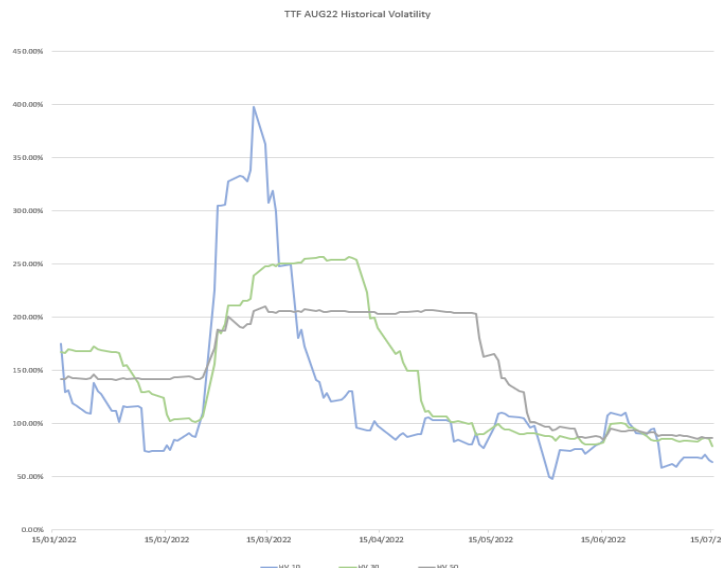
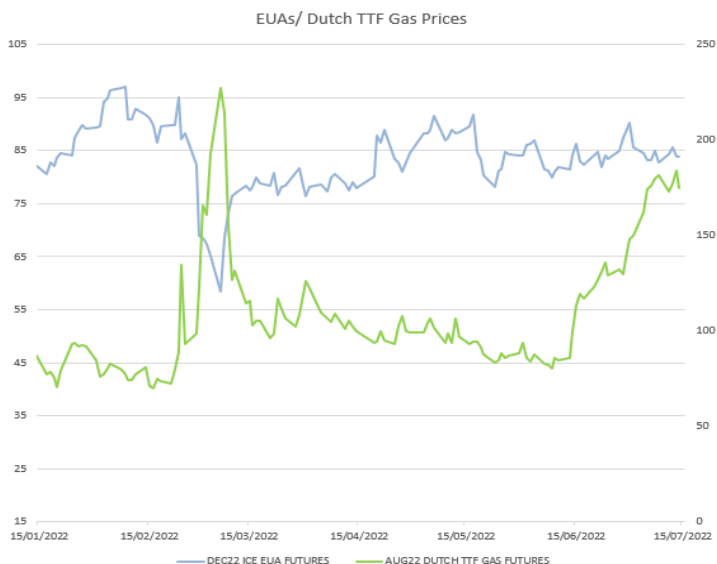
Source: Bloomberg



Source: Bloomberg

Correlated Markets

Energy scarcity continues to create volatile trading conditions across most energy commodities, most notably in the TTF Gas market. Following the news of supply issues with the Nord Stream 1 pipeline, the front-month TTF Gas contract saw large gains from Monday onwards, rising from €164.52/MWh on Monday to €180.505/MWh by Wednesday. However, from then prices began to consolidate and the TTF Aug-22 market eventually realised a +3.1% gain after printing at €164.52/MWh for the week.



Source: Refinitiv

Market News

European Union countries are considering alternatives to an EU plan to use a carbon market reserve to help finance their exit from Russian gas, as some fear the proposal would undermine the bloc's main climate change policy (Yahoo).

The European Central Bank has modelled a €300 EUA price to be required by 2030 to remain on an 'orderly' pathway to the Paris Agreement climate targets (Carbon Pulse).

Shell invests \$38m in carbon credit projects in Brazil (Reuters).

Plans in Europe to place phased-out coal power plants on standby in case Russian gas supplies suddenly stop would add no more than 1.3% to emissions annually according to an environmental think-tank (Carbon Pulse).

BCarbon issues UK's first soil-based international carbon credits (GOV.uk).

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