

**22/07/2022**

## Voluntary Markets

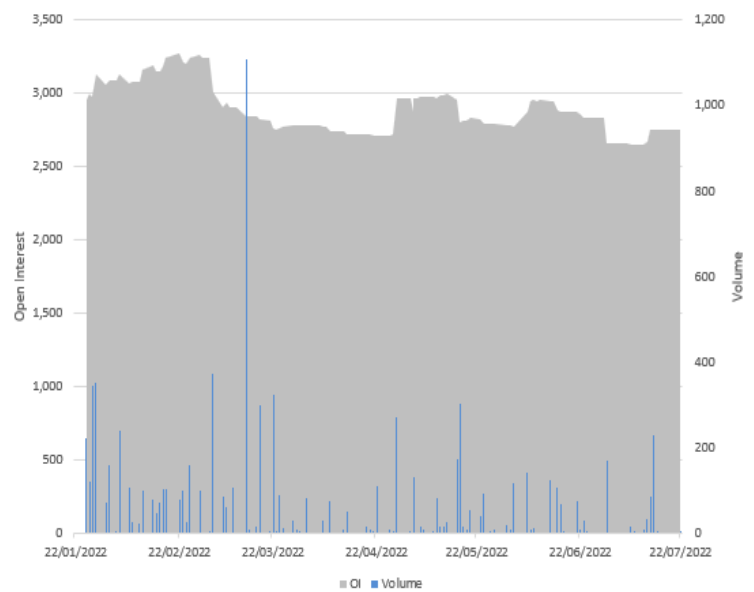
### CME Futures

The exchange-traded contract prices continued to fall this week. Three Dec-22/23 spread trades totalling 400 lots were blocked, while two Dec-23/25 spread trades totalling 550 lots were also blocked. Over the week, the NGO Dec-22 contract lost 9.65% to \$7.68, and Dec-23 fell by 8.72% to \$9.84. Open interest on NGO Dec-22 and Dec-23 stood at 7,134 and 4,785 respectively on Friday 22nd July. On the GEO contracts, Dec-22 lost 21.87% to print at \$2.93, while Dec-23 decreased by 22.11% to \$3.03.

CME DEC22/ DEC23 GEO Futures



CME GEO DEC22 Open Interest/ Volume

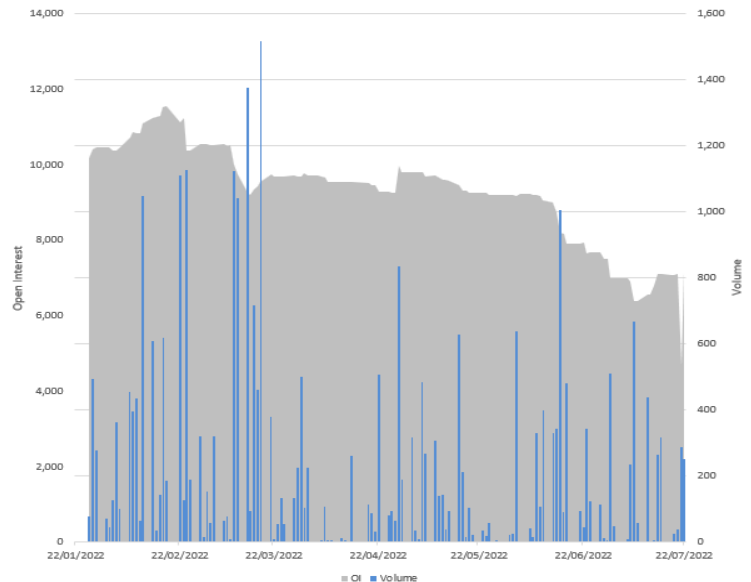


*Source: Refinitiv*

CME DEC22/ DEC23 NGO Futures



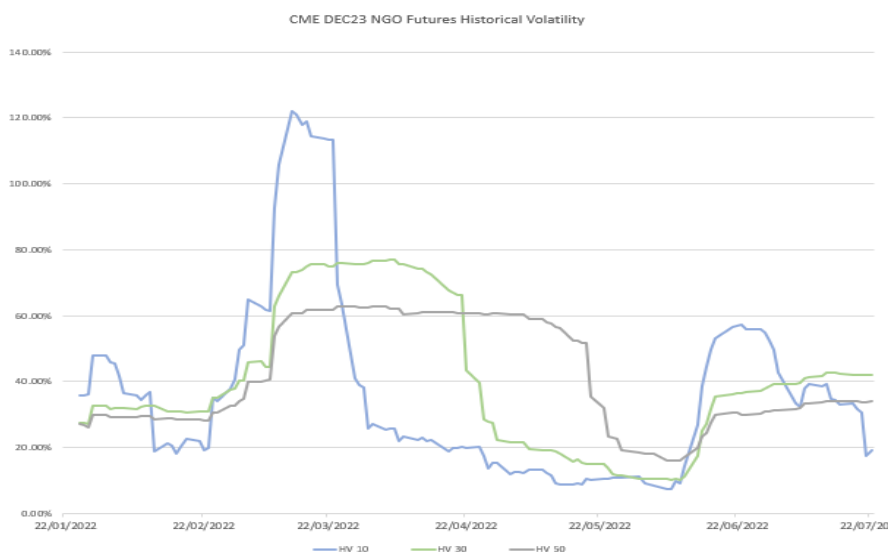
CME NGO DEC22 Open Interest/ Volume



*Source: Refinitiv*

## CME NGO Historical Volatility

Following the decrease in prices discussed above, volatility on the Dec-23 NGO contract continued to drop for ten days, having stayed relatively flat for even up to a fifty day period.



Source: Refinitiv

## Block Trades on CME (w/c 18th)

A total of 2115 kt was traded on CME in eleven block trades last week on the NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
22/07/2022	B	NGO	Dec-23	9.75	25
22/07/2022	B	NGO	Dec22/Dec23	-2.15	150
22/07/2022	B	NGO	Dec-23	9.75	25
22/07/2022	B	NGO	Dec22/Dec23	-2.15	150
22/07/2022	B	NGO	Dec-22	7.55	50
21/07/2022	B	NGO	Dec23/Dec25	-3.00	400
21/07/2022	B	NGO	Dec23/Dec25	-3.00	150
20/07/2022	B	NGO	Dec-22	8.25	50
19/07/2022	B	NGO	Dec-22	8.45	50
19/07/2022	B	NGO	Dec22/Dec23	-2.20	100
18/07/2022	B	NGO	Dec-22	8.50	15

Source: CME Direct

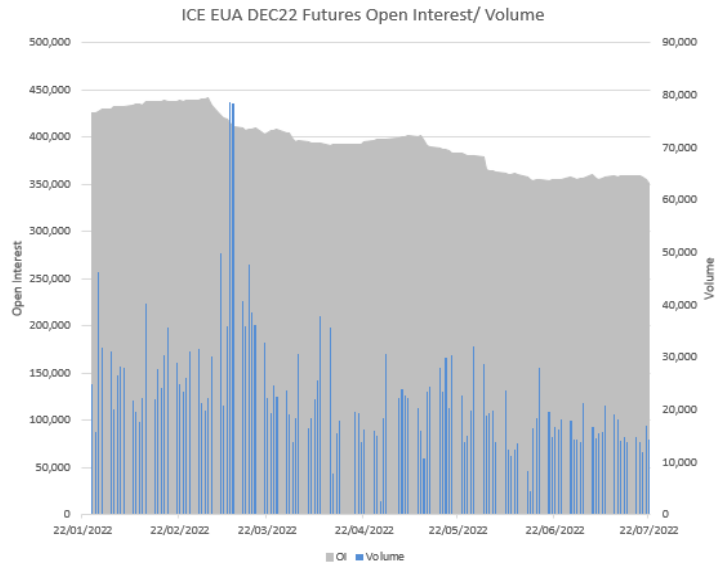
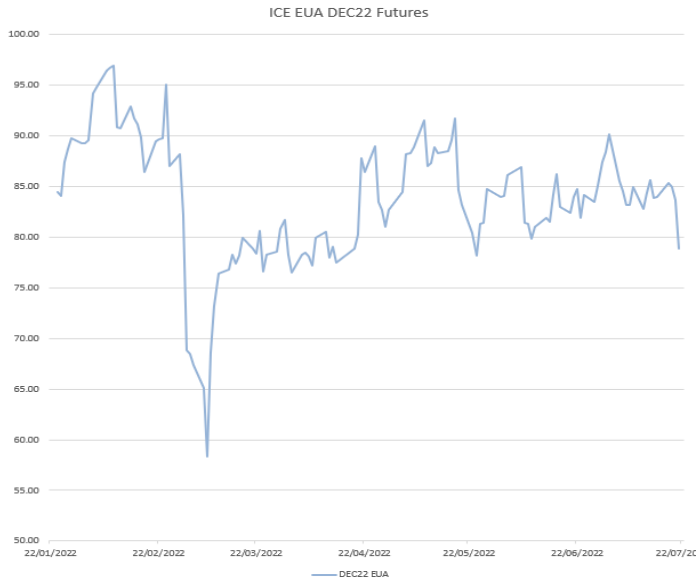
## FIS Trades (w/c 18th)

VCS 674 Rimba Raya (Indonesia), V2014 at \$9.00 in 20kt.

# Compliance Markets

## EUAs

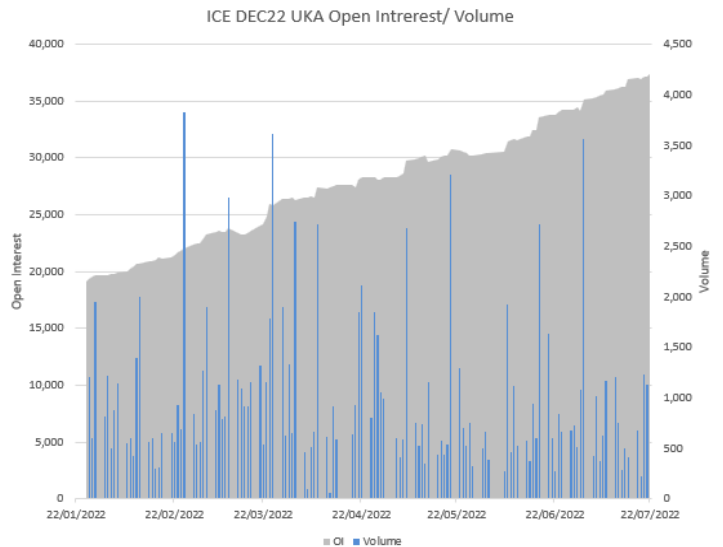
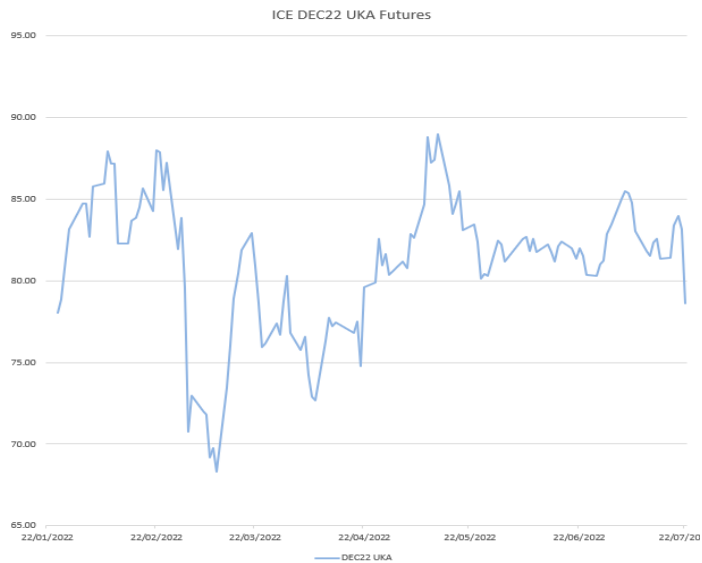
This week EUA Dec-22 contract incurred its biggest weekly fall since March 2022. Friday afternoon's sell-off pushed the EUA Dec-22 contract down to a settlement price of €76.03. This price drop was potentially caused by the resumed gas flow into Nord Stream 1 on Thursday 21st July and the fundamental bearish signals of EU strategy publication of cutting 15% gas demand, with carbon following TTF losses. In summary, over the week, the Dec-22 contract lost 10.17% to €76.30, and open interest was at 345,728 on Friday 22nd July.



Source: Refinitiv

## UKA

UKA Dec-22 futures contract this week also lost ground, mainly driven by its high correlation with EUA. UKA Dec-22 dropped £6.92 in value, an 8.24% decrease over the week and settlement printing at £77.03 on Friday.

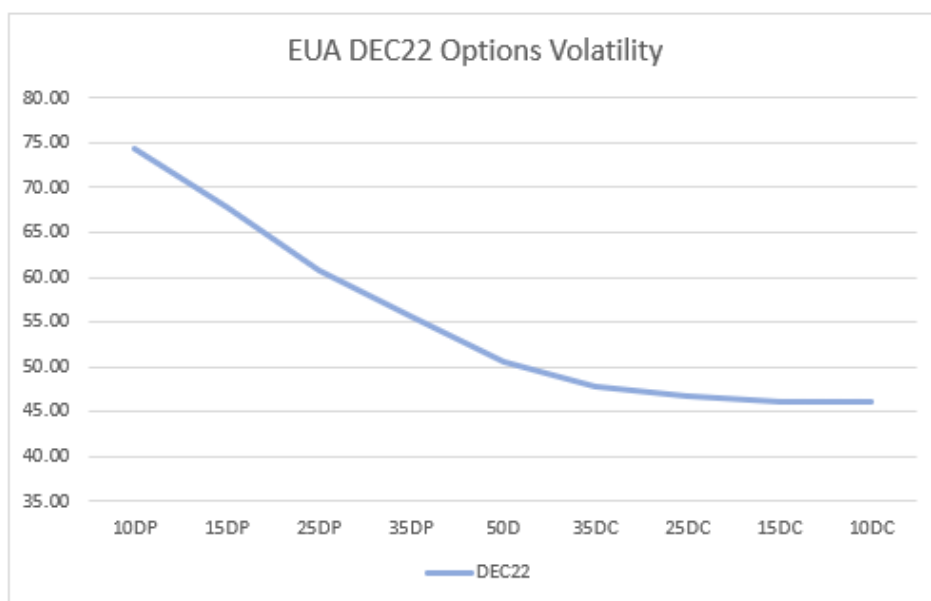


Source: Refinitiv

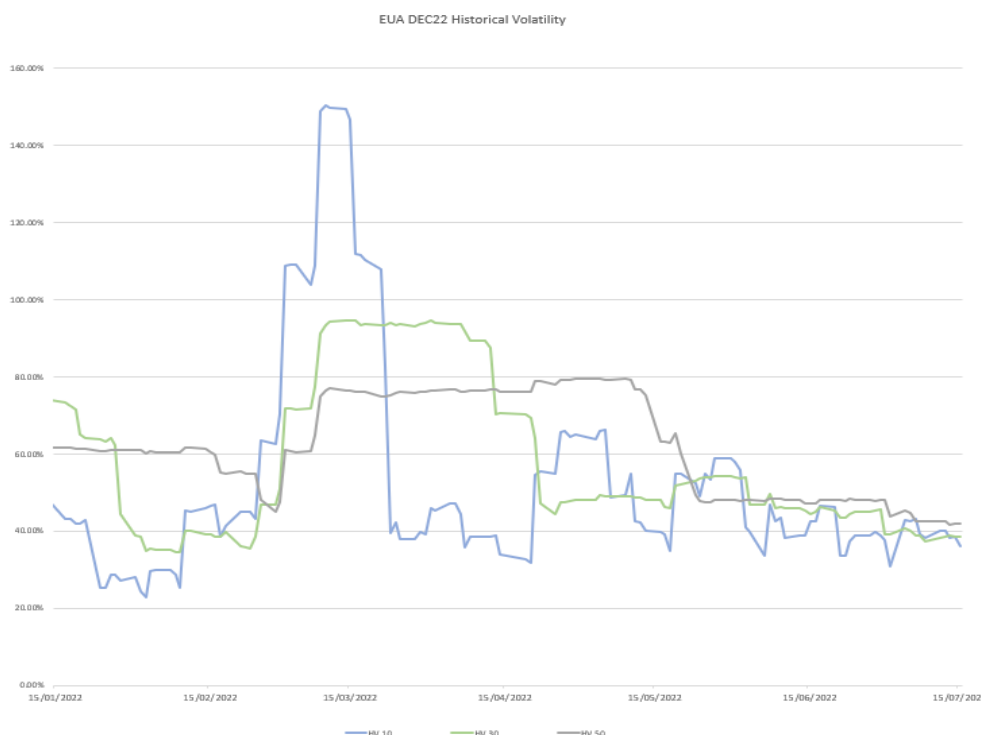
## EUA Options Market

Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 14.6m tonnes (14,632 lots), €100.00 strike calls at 15.3m tonnes (15,269 lots), and €110.00 strike calls at 14.3m tonnes (14,337 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 10.8m tonnes (10,813 lots), €50.00 strikes at 11.9m tonnes (11,856 lots), and €60.00 strikes at 16.5m tonnes (16,531 lots).

Volatility Surface: 25/07/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	74.37	67.79	60.78	55.67	50.65	47.77	46.66	46.10	46.08



Source: Bloomberg



Source: Bloomberg

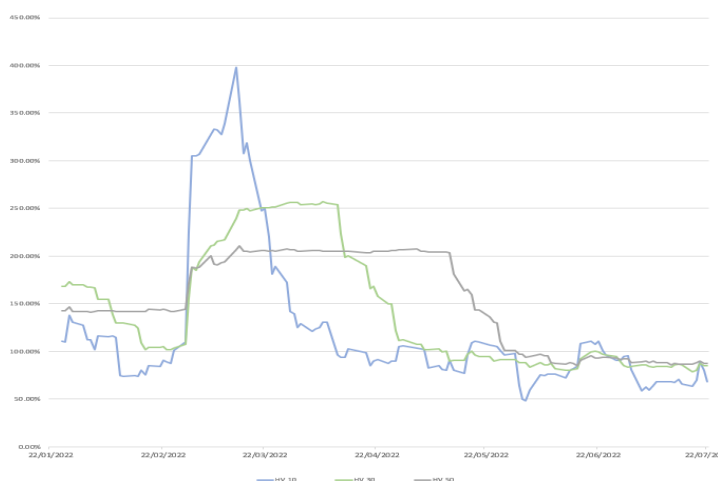
## Correlated Markets

Following the recent extremely hot weather across Europe, electricity demand spiked and energy scarcity concerns still dominated the market this week. EU on Wednesday 20th July proposed a 15% gas demand reduction, while Nord Stream 1 resumed gas flow on Thursday 21st. The front-month TTF Gas contract saw losses from Monday onwards, dropping from €157.258/MWh on Monday to €155.600/MWh on Friday. The TTF Aug-22 market over the week eventually incurred a 1.05% loss.

EUAs/ Dutch TTF Gas Prices



TTF AUG22 Historical Volatility



## Market News

- The Australian Parliament returns this week in advance of the Labor government's 2030 emission reduction target climate legislation (Carbon Pulse).
- Los Angeles-based venture capital firm Fifth Wall climate fund raised \$500 million and aims to decarbonise the property industry (Reuters).
- According to UK's climate envoy, the Ukraine war will accelerate the EU's transition to renewable energy, despite prompting many EU nations to more coal usage over the coming months (Reuters).
- Japan unveiled its ambitious plan to invest \$1.1 tn over the next decade to achieve Japan's net zero targets by 2050 (FT).

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