



Carbon Weekly Report

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29/07/2022

Voluntary Markets

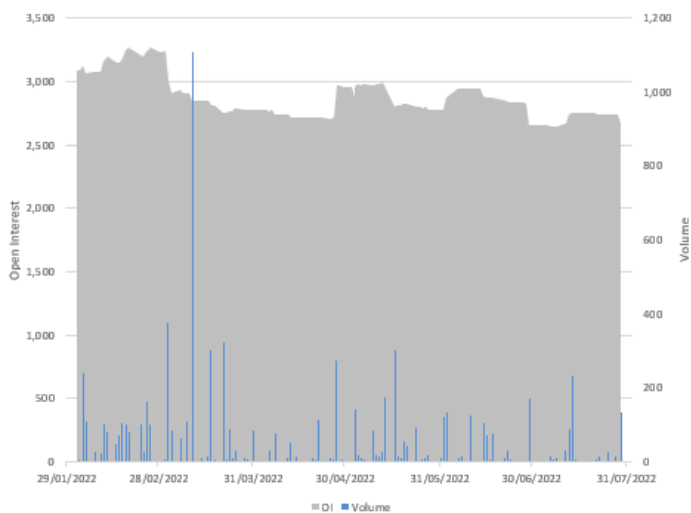
CME Futures

The exchange-traded voluntary carbon market was mixed again last week with the global macro scenario appearing to weigh on the market. Most notably within nature-based prices, commonly the more popular and versatile product. NGO Dec-22 decreased by -1.04% to \$7.57, while Dec-23 fell -0.61% to \$9.74. Recently, the Dec-23 contract appeared to have found a support level around the \$11.00 handle, and then later \$10.00; evidentially both have not been supported. On the other hand, after falling to new lows the technology product GEO posted a weekly gain last week. GEO Dec-22 increasing by +0.35% to \$2.92, and Dec-23 gained +0.65% to \$3.03.

CME DEC22/ DEC23 GEO Futures



CME GEO DEC22 Open Interest/ Volume

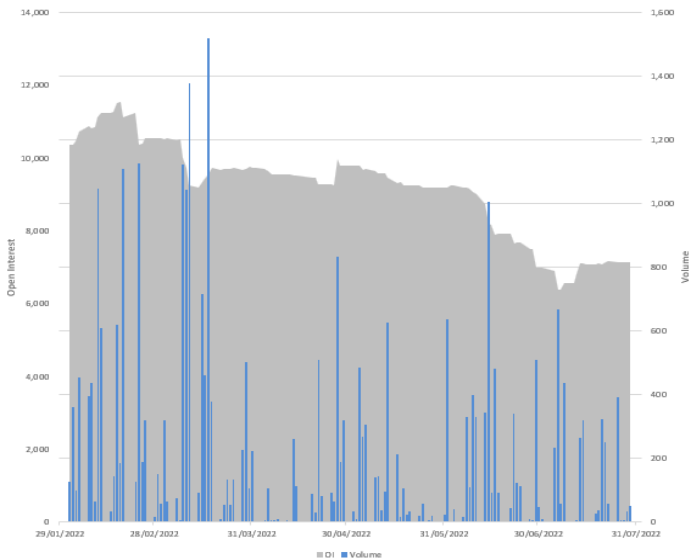


Source: Refinitiv

CME DEC22/ DEC23 NGO Futures



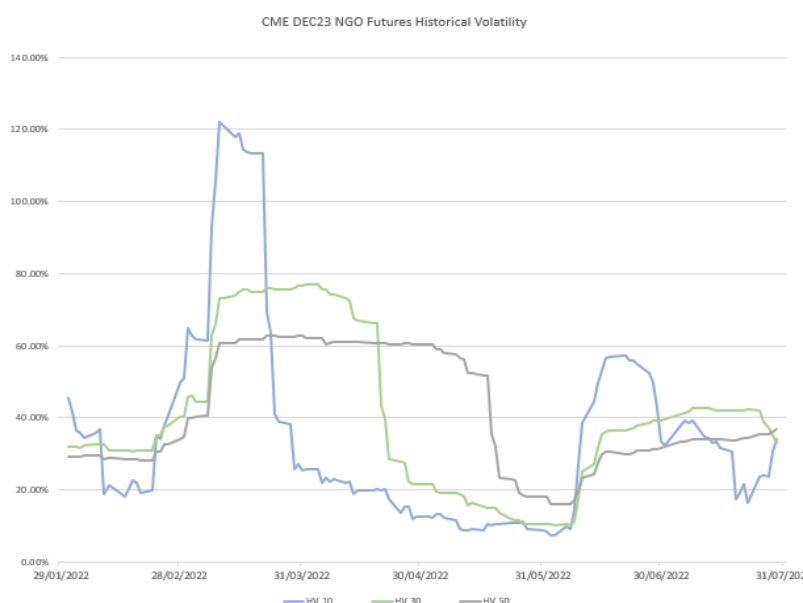
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

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



Source: Bloomberg

Block Trades on CME (w/c 25th)

A total of 549kt tonnes was traded on CME through 13 blocks last week on the GEO/ NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
29/07/2022	B	NGO	Dec-22	7.62	76
29/07/2022	B	GEO	Dec-22	2.92	23
28/07/2022	B	GEO	Dec-22	3	50
28/07/2022	B	NGO	Dec-23	9.5	50
28/07/2022	B	NGO	Dec-22	7.45	25
28/07/2022	B	NGO	Dec-23	9.6	25
28/07/2022	B	NGO	Dec-23	9.9	50
28/07/2022	B	NGO	Dec-23	9.6	25
28/07/2022	B	NGO	Dec-23	9.6	50
28/07/2022	B	NGO	Dec-23	9.6	75
28/07/2022	B	NGO	Dec-23	9.6	50
28/07/2022	B	GEO	Dec-22	3	25
25/07/2022	B	NGO	Dec-23	9.7	25

Source: CME Direct

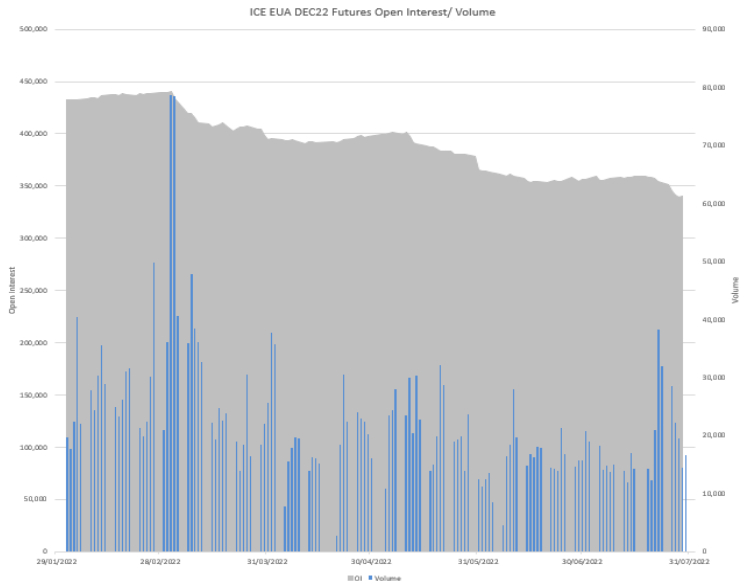
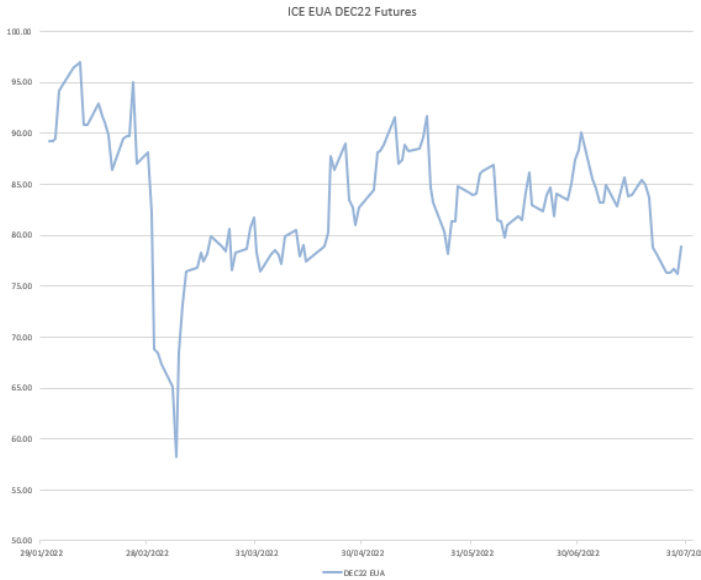
FIS Trades (w/c 25th)

VCS 2478 Reducing Gas Leakages within the Titas Gas Distribution Network (Bangladesh), V2019 at \$4.45 in 25kt

Compliance Markets

EUAs

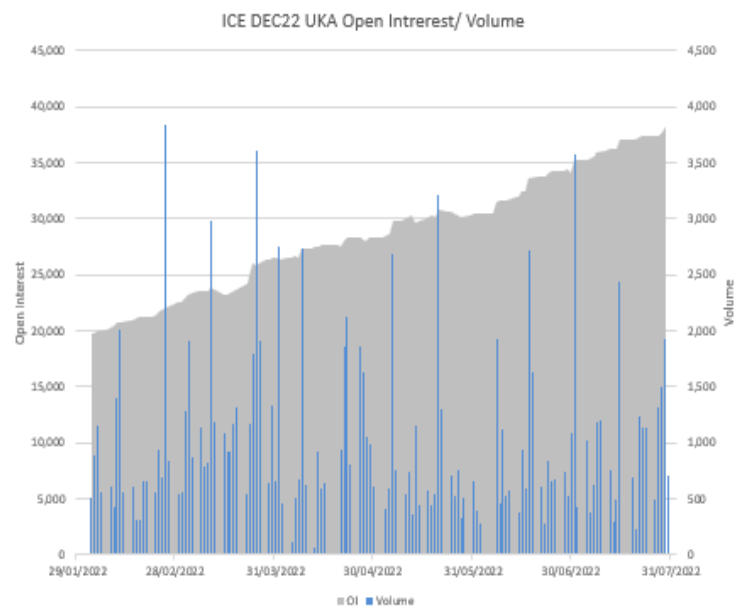
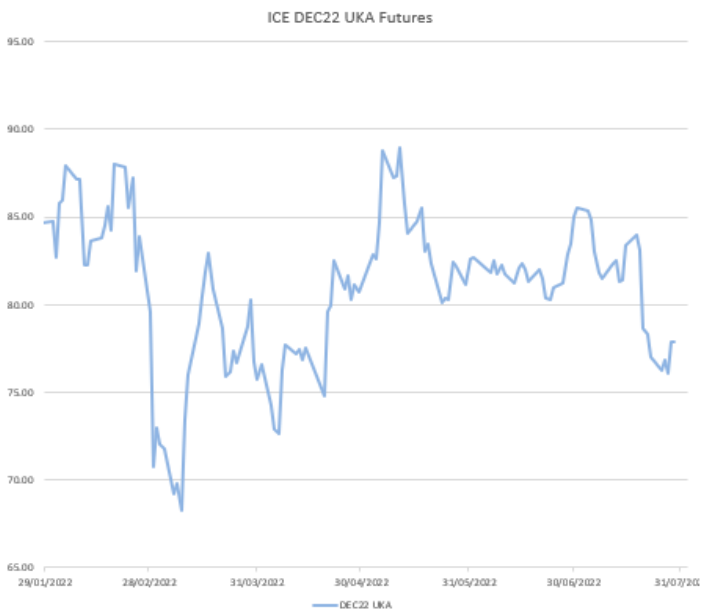
The performance of the EUA contracts last week was again heavily tied to gas prices, especially with the market anticipating the news/ confirmation on the 15% gas reduction target. On Dec-22, prices were seen trading in the range of €76.14-€78.96 with news that the Nord Stream 1 supply pushing prices higher intraday on Thursday to €80.12. In summary, EUA Dec-22 increased by +2.8% to €78.55, while Dec-23 gained +2.5% to €80.78. The outlook for the market throughout August will be vastly different to what we have seen of late due to the lower volumes planned for each auction.



Source: Refinitiv

UK ETS

The UK ETS followed EUAs throughout the week as the Dec-22 contract gained +2.7% to £78.33; adding £2.08. In the news was that the UK government outlined a new proposal to overhaul the British power market in a bid to accelerate the energy transition away from fossil fuel types to more sustainable sources.



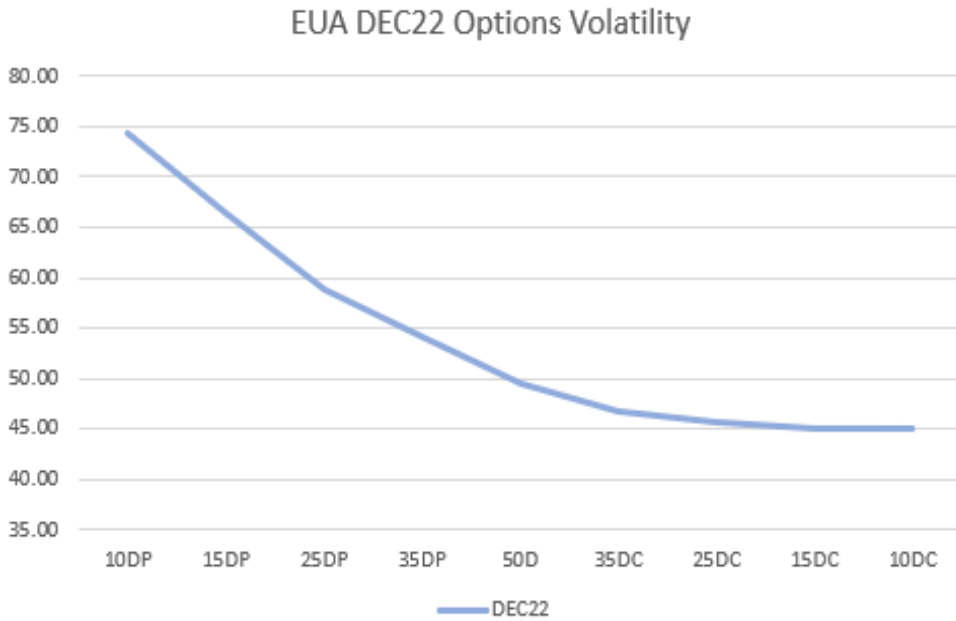
Source: Refinitiv

EUA Options Market

Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 12.8m tonnes (12,882 lots), €90.00 strike calls at 11.9m tonnes (11,922 lots), and €100.00 strike calls at 14.4m tonnes (14,474 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 9.8m tonnes (9,888 lots), €50.00 strikes at 11.9m tonnes (11,956 lots), and €60.00 strikes at 13.2m tonnes (13,206 lots).

Volatility Surface: 25/07/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	74.35	66.50	58.93	54.12	49.47	46.78	45.71	45.14	45.09



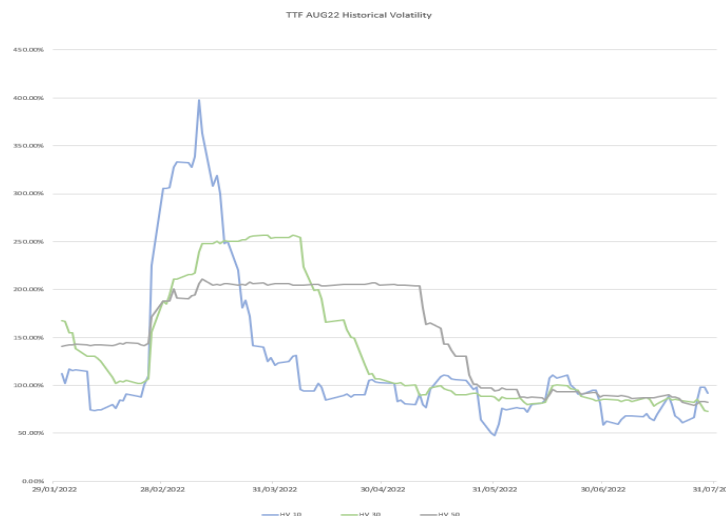
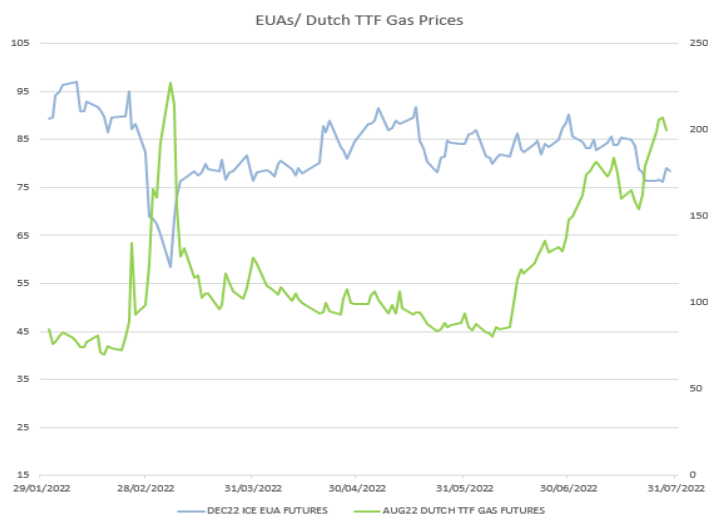
Source: Bloomberg



Source: Bloomberg

Correlated Markets

As mentioned above, TTF Gas prices dominated headlines and wider market news last week as geopolitical risks, supply constraints, and operational concerns fuelled volatility. The biggest talking point continued to be Nord Stream 1 and a final decision by the EU on whether the 15% gas reduction plan would be enforced. In summary, front-month TTF gained +7% to €190.915.



Source: Refinitiv

Market News

Australian government agency confirms its focus on electrification and energy efficiency technologies instead of former government's focus on blue hydrogen, CCS and soil carbon. This could potentially have impact on ACCU generating projects investment (Carbon Pulse).

Global asset manager Schrodgers is establishing a subsidiary called Akaria Natural Capital in Singapore to invest fifteen to twenty nature-based carbon business across Southeast Asia (Carbon Pulse).

Vietnam releases comprehensive national climate strategy to cut emissions by 43% by 2030, which is a far more ambitious target than its outlined NDC (Carbon Pulse).

Major review into Britain's electricity market design launched by UK government to radically enhance energy security and cut costs of electricity for consumers in the long term (GOV.uk).

The IEA noted in their July Electricity Market Report that Europe is the only continent where emissions are expected to rise up to 3% compared to last year (IEA).

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