



# Carbon Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

## 05/08/2022

### Voluntary Markets

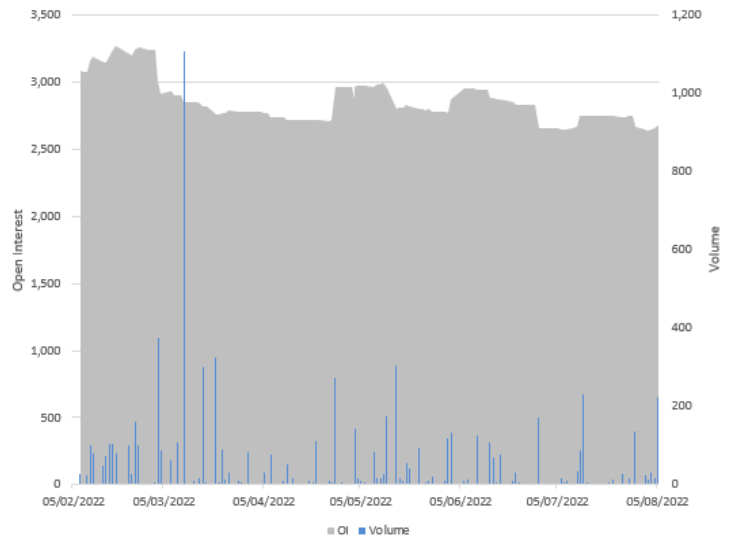
#### CME Futures

Prices in the exchange-traded VCM rose sharply last week, with the majority of gains concentrated in the technology sector. The CORSIA-aligned GEO Dec-22 contract gained +\$1.14 to \$4.04 (+39%), while Dec-23 gained +\$1.25 to \$4.32 (+40%). For context, GEO Dec-22 settled earlier in the week on Monday 1st at \$2.90. Nature-based prices also posted positive gains with NGO Dec-22 adding +\$0.71c to \$7.92 (+9.8%), and Dec-23 by +\$0.90c (+9.6%). Although the recent sell-off has been attributed to the weakening macro situation, the increases seen over the past week provides some support and points to a potential recovery even as the global economic outlook continues to worsen.

CME GEO DEC22/23 Futures



CME GEO DEC22 Open Interest/ Volume

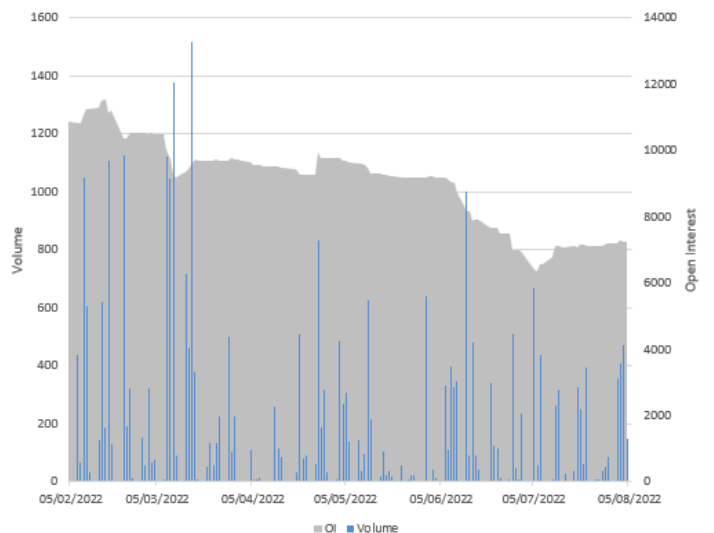


Source: Refinitiv

CME NGO DEC22/ DEC23 Futures



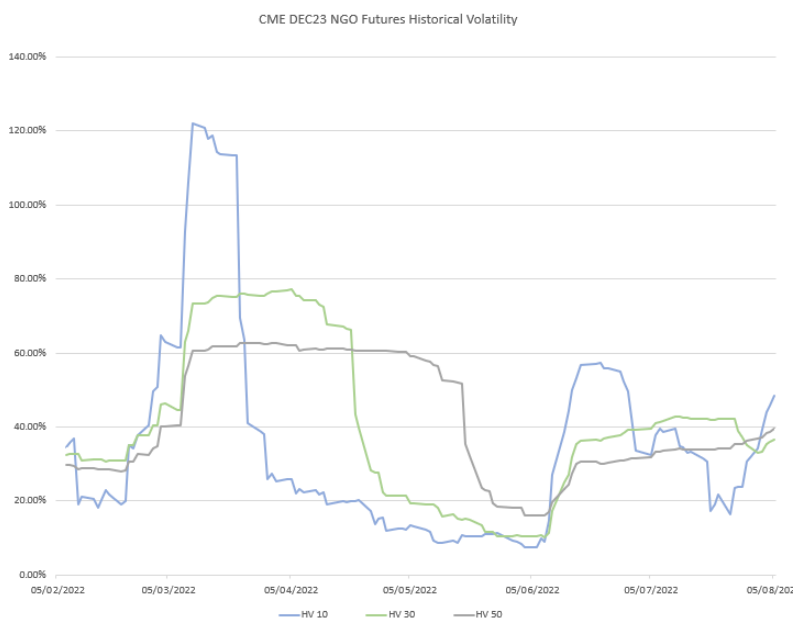
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

## CME NGO Historical Volatility

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



Source: Bloomberg

## Block Trades on CME (w/c 1st)

A total of 845kt tonnes was traded on CME through 15 blocks last week on the GEO/ NGO contracts.

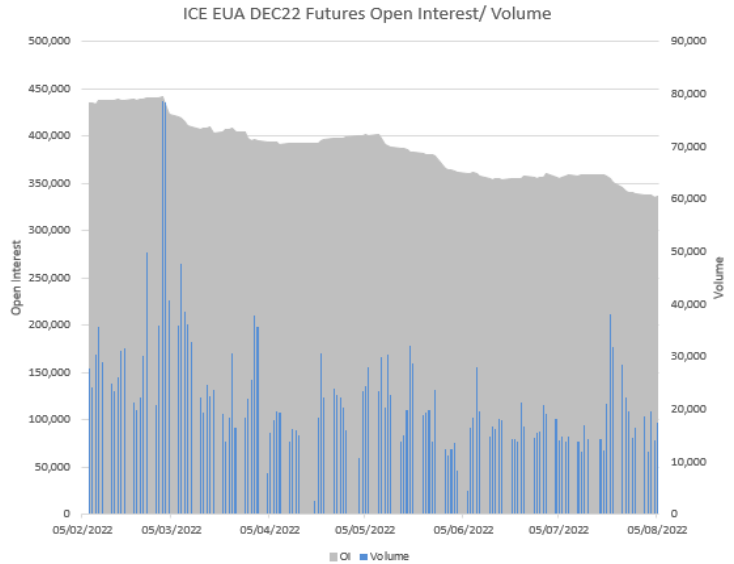
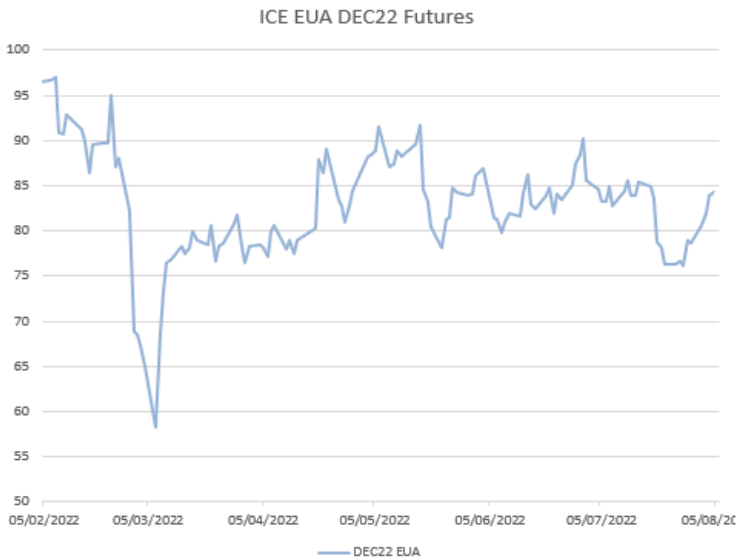
Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
05/08/2022	B	GEO	Dec-22	4.00	50
05/08/2022	B	GEO	Dec-22	4.00	50
05/08/2022	B	GEO	Dec-22	3.75	25
05/08/2022	B	GEO	Dec-23	3.85	25
05/08/2022	B	NGO	Dec-25	13.00	200
04/08/2022	B	NGO	Dec-22	7.55	40
03/08/2022	B	NGO	Dec-23	9.50	25
03/08/2022	B	NGO	Dec-22	7.30	22
03/08/2022	B	NGO	Dec-23	9.50	35
03/08/2022	B	NGO	Dec-22	7.30	250
02/08/2022	B	NGO	Dec-22	7.40	10
02/08/2022	B	NGO	Dec-23	9.40	10
02/08/2022	B	NGO	Dec-23	9.30	28
01/08/2022	B	NGO	Dec-23	9.35	50
01/08/2022	B	NGO	Dec-22	7.25	25

Source: CME Direct

# Compliance Markets

## EUAs

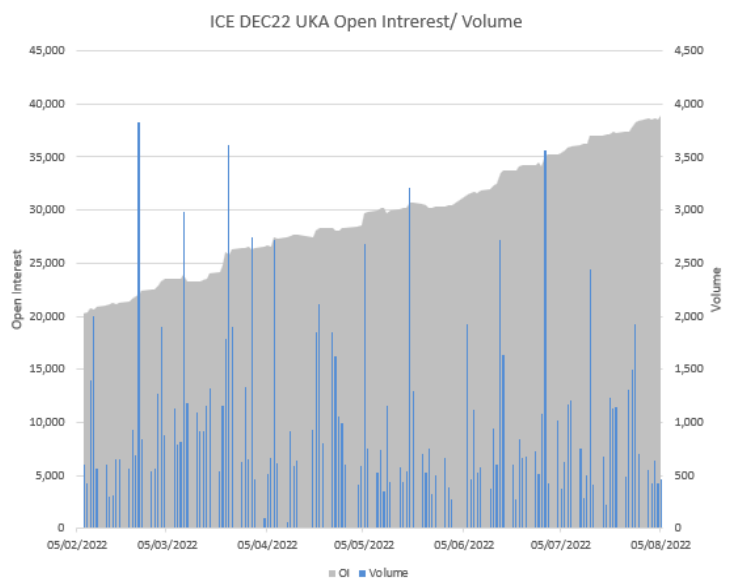
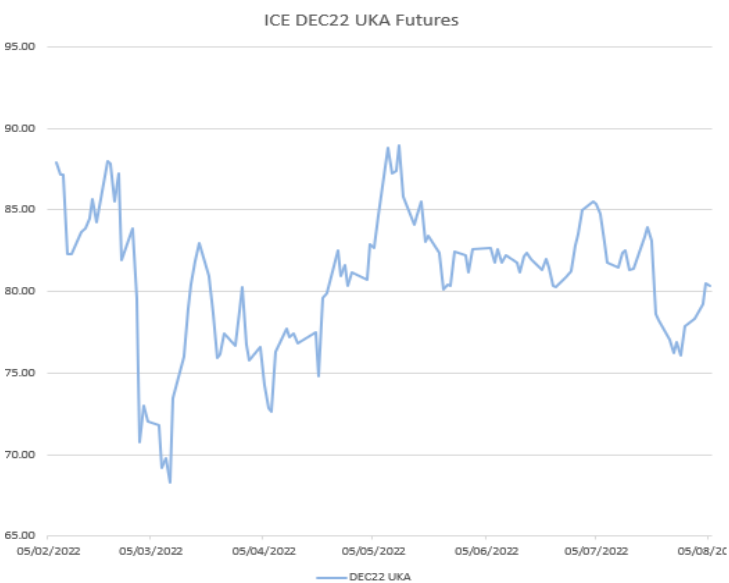
The decrease in auction supply, position reversals, and technical buying caused prices in the EUA market to jump last week. The first half of the week posted strong auction results, in both the EU Primary Auction and the Polish Market Auction. However, by Friday and the German auction, a weak sale and thin liquidity limited upside gains. The gas market also continues to influence EUA trading, especially as the EU is gearing up for winter and uncertainty remaining on storage of the commodity. In summary, the EUA Dec-22 contract gained +€4.25 to €84.76, a +5.2% increase. The Dec-23 contract also saw gains of +5.3% after printing on Friday at €87.16.



Source: Refinitiv

## UK ETS

The UK compliance market moved up broadly in line with EUAs last week to post a gain of £2.53 after settling on Friday (5th) at £81.31; a +3.2% gain in percentage terms.



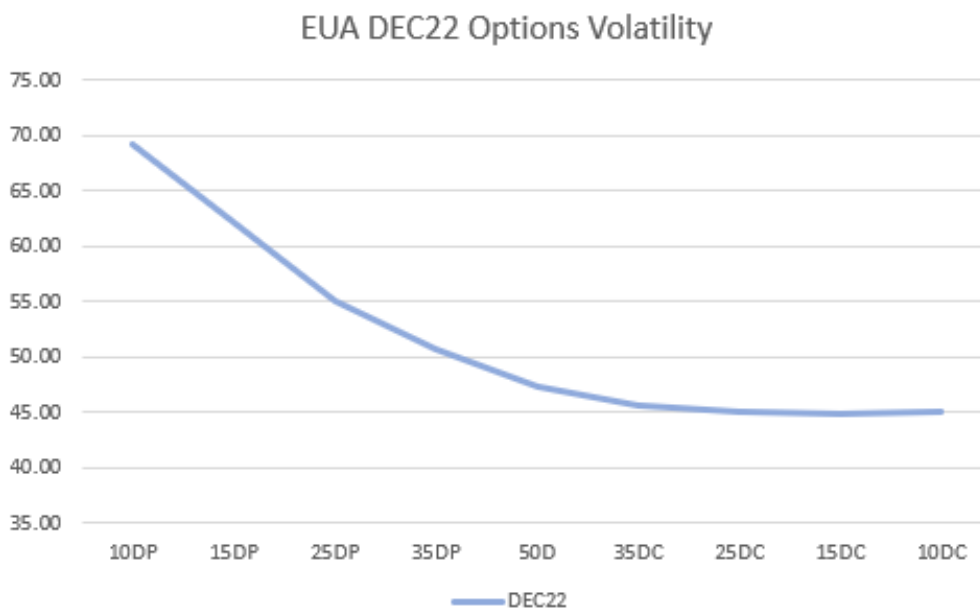
Source: Refinitiv

## EUA Options Market

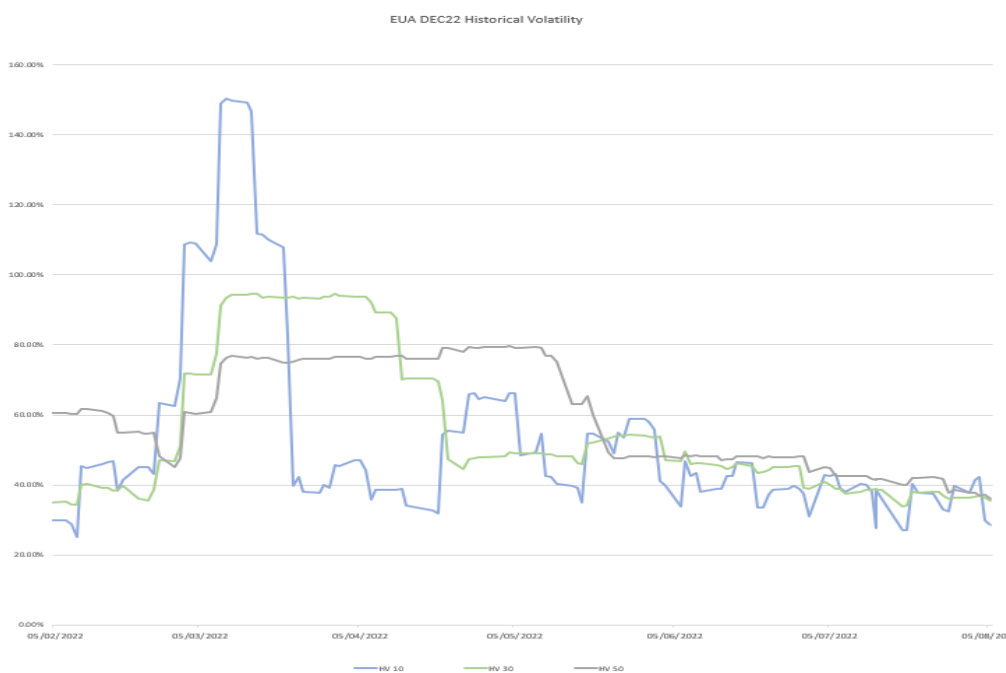
Open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 12.8m tonnes (12,832 lots), €90.00 strike calls at 11.8m tonnes (11,822 lots), and €100.00 strike calls at 14.4m tonnes (14,424 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 9.7m tonnes (9,728 lots), €50.00 strikes at 12.6m tonnes (12,621 lots), and €60.00 strikes at 17.2m tonnes (17,221 lots).

**Volatility Surface: 01/08/2022**

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	69.17	62.17	55.10	50.75	47.26	45.68	45.13	44.90	44.96



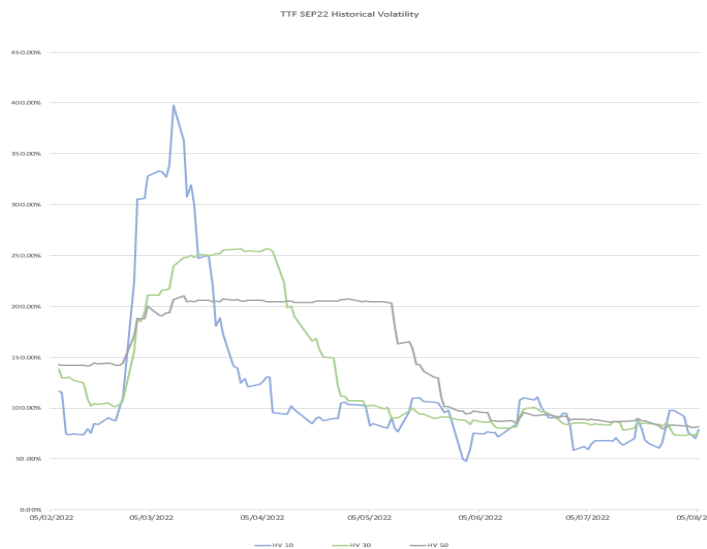
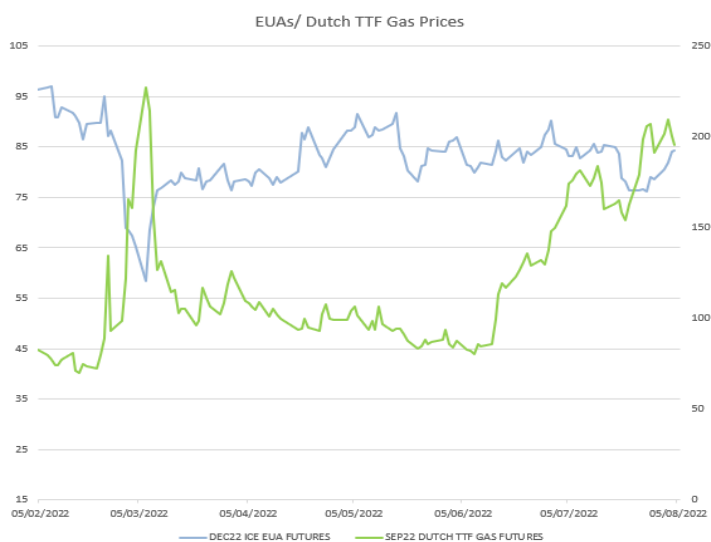
Source: Bloomberg



Source: Bloomberg

## Correlated Markets

The gas market started the week in bullish territory as the continued debacle on Russian supply to the EU spiked prices to a settlement high of €205.174/MWh on the front-month TTF Gas contract. Other factors continuing to fuel gains is uncertainty on the EU gas storage filling target ahead of the incoming winter months. However, the later half of the week saw prices begin to cool as Germany agreed on a district heating system initiative, suggesting a positive step forward for their climate targets. In addition, the German chancellor also raised the likelihood of extending the use of nuclear power plants to alleviate gas constrains.



Source: Refinitiv

## Market News

Xpansiv set to acquire the US carbon brokerage, Evolution (Xpansiv).

China suspends US climate talks after Pelosi Taiwan visit (Carbon Pulse).

Australia's carbon market review crucial to addressing fundamental integrity concerns (Platts).

California's 100-year forest offset reserve set aside for wildfires has been exhausted in less than a decade (Carbon Pulse).

China's Ministry of Industry and Information Technology (MIIT) on Aug. 1 released its carbon peaking action plan for industrial sectors and confirmed that industrial sectors are required to peak their total carbon emissions by the end of 2030 (Platts).

Most container ships fail to meet IMO carbon reduction measures, says report (TradeWinds).

**Written by** Kieran Batterbury

### Contact

**Kieran Batterbury**

KieranB@freightinvestor.com

+44 (0) 207 090 1120

**Theodore Goulios**

TheoG@freightinvestor.com

+64 6535 5189

**Fan Huilian**

HuilianF@freightinvestor.com

+44 (0) 207 090 1120

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