



# Carbon Weekly Report

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

## 16/09/2022

### Voluntary Markets

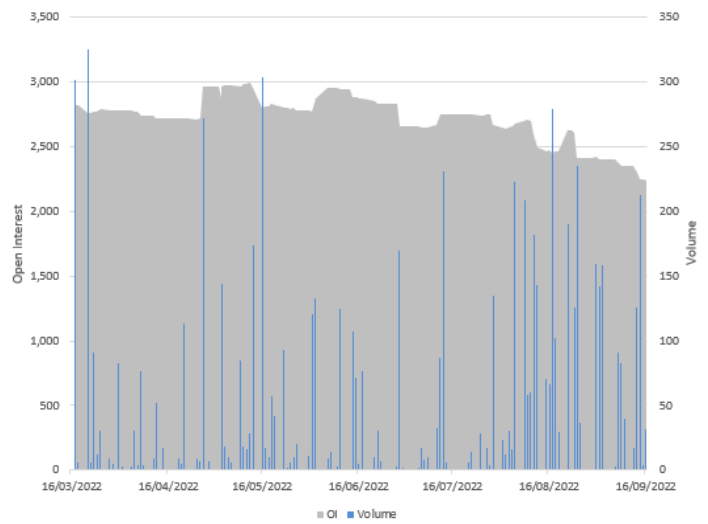
#### CME Futures

The CME VCM contracts across both nature-based and technology-based credits saw mixed trading weeks in terms of price action. Within the nature-based NGO contract, a fortnight ago the recent rally appeared to lose steam as prices headed to the downside. However, last week saw a return of buyers (in tandem to hearing physical OTC trading volume was healthy for NBS projects) and both NGO Dec-22 and Dec-23 saw gains. In summary, the former added +\$0.31c in value to print at \$9.29 (+3.4%), while the latter gained +\$0.48c to \$12.23 (+3.9%). On the contrary, technology prices within the GEO Dec-22 lost -\$0.10c to \$4.14 (-2.3%), and Dec-23 lost -\$0.13c to \$4.35 (-2.9%).

CME GEO DEC22/23 Futures



CME GEO DEC22 Open Interest/ Volume

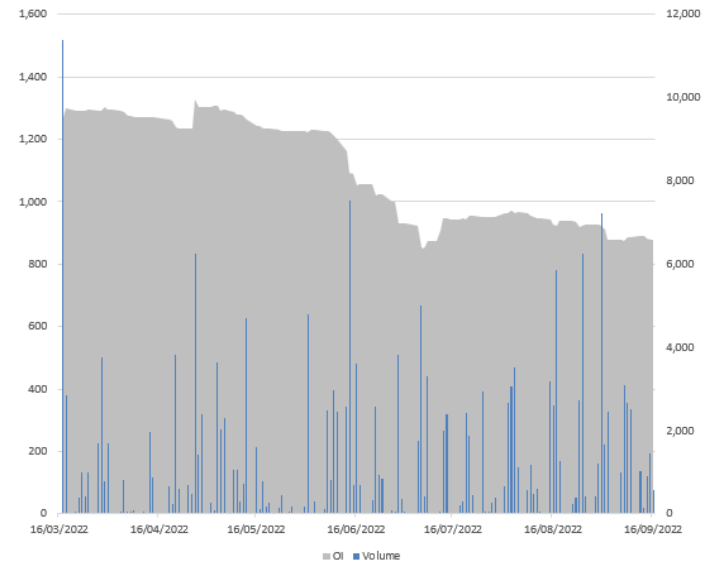


Source: Refinitiv

CME NGO DEC22/ DEC23 Futures



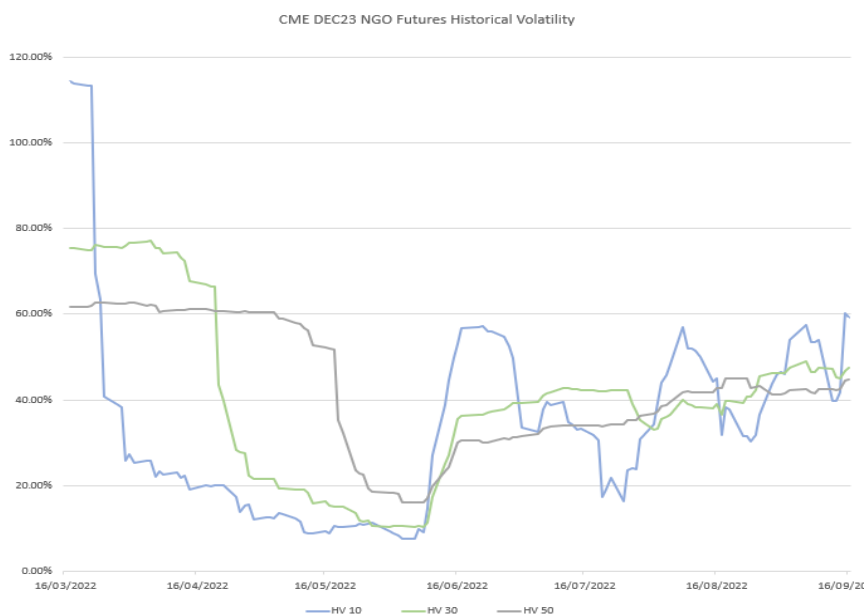
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

## CME NGO Historical Volatility

Volatility on the NGO Dec-23 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 12th)

A total of 675kt was traded on CME through ten blocks last week on the GEO and NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
16/09/2022	B	GEO	Dec-23	4.4	55
15/09/2022	B	NGO	Dec-23	12.5	50
15/09/2022	B	NGO	Dec-22	9.42	20
15/09/2022	B	NGO	Dec-23	12.75	50
14/09/2022	B	NGO	Dec-23	13.3	250
14/09/2022	B	NGO	Dec-23	13.3	50
13/09/2022	B	GEO	Dec-23	4.4	50
13/09/2022	B	GEO	Dec-22	4.15	50
13/09/2022	B	GEO	Dec-23	4.4	50
13/09/2022	B	GEO	Dec-23	4.4	50

Source: CME Direct

## FIS Trades (w/c 12th)

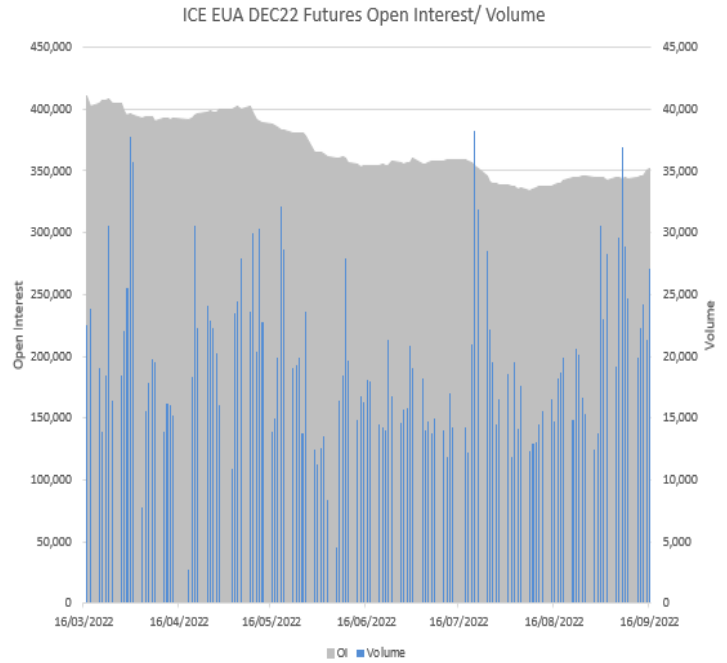
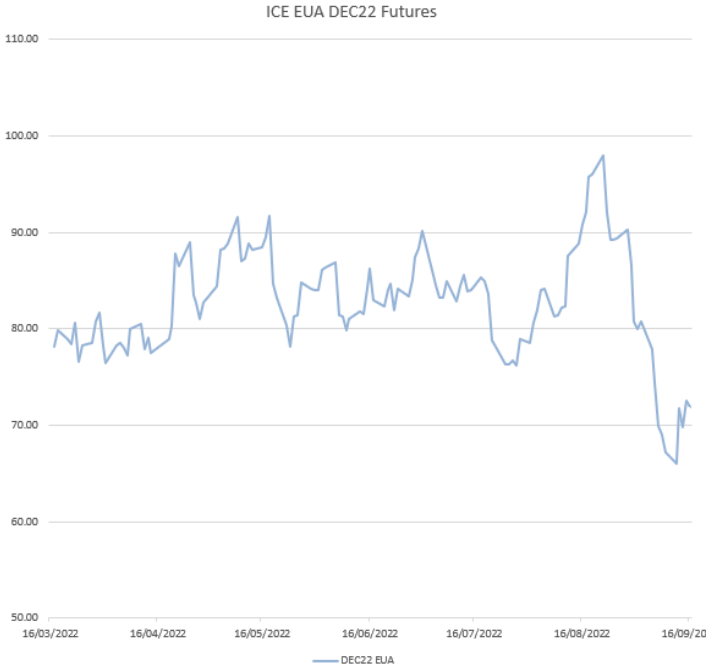
VCS 934 V19 in 100kt.

VCS 1650 V19 in 125kt.

# Compliance Markets

## EUAs

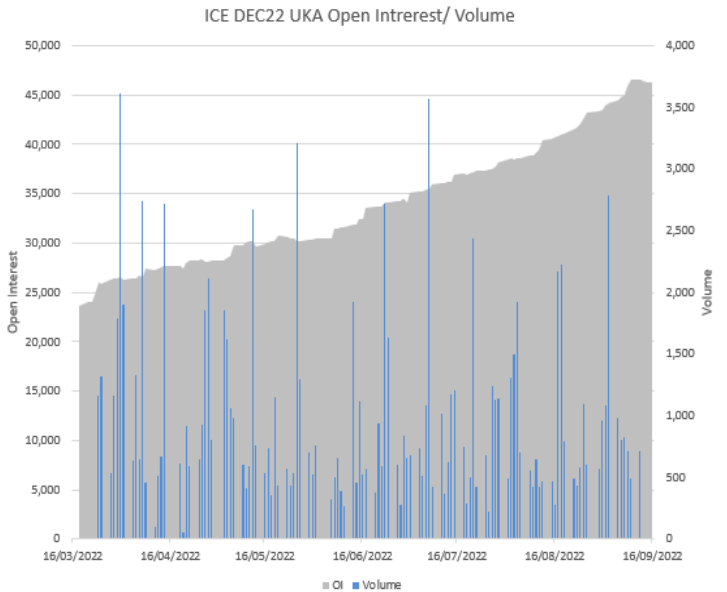
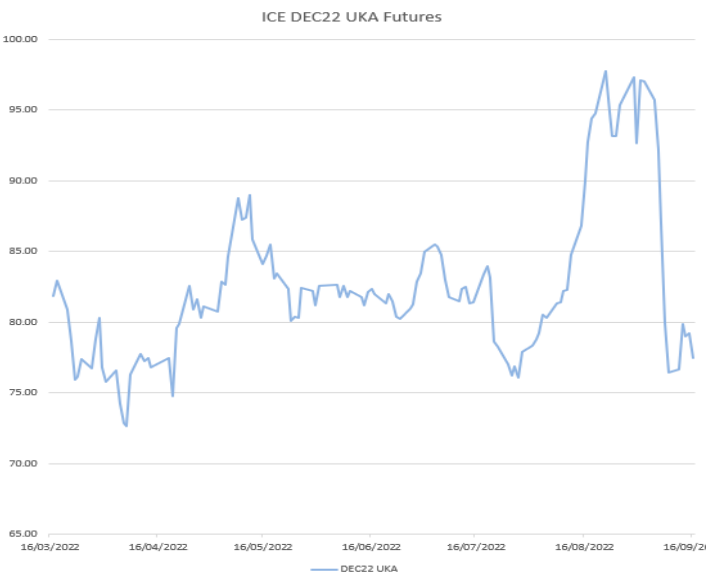
The EU compliance market returned to the bulls last week after the considerable sell-off seen recently and posted their first weekly gain for three weeks. The driving factor behind the price increases is arguably capitalising on the recent lows, as well as fundamental factors around the EU's handling of the energy crisis across the bloc and their plans to soften energy prices. The outlook from here will be focusing on the MSR sales, and wider macro scenario. In summary, the EUA Dec-22 contract gained +2% for the week to €73.27.



Source: Refinitiv

## UK ETS

In contrast to EUAs, prices within the UK ETS continue to head downwards driven by a worsening economic scenario in the UK and debate around how the country plans to handle their own domestic energy crisis. In summary, the UKA Dec-22 contract lost -£3.29 in value to print at £76.57 on Friday (-4.1%).

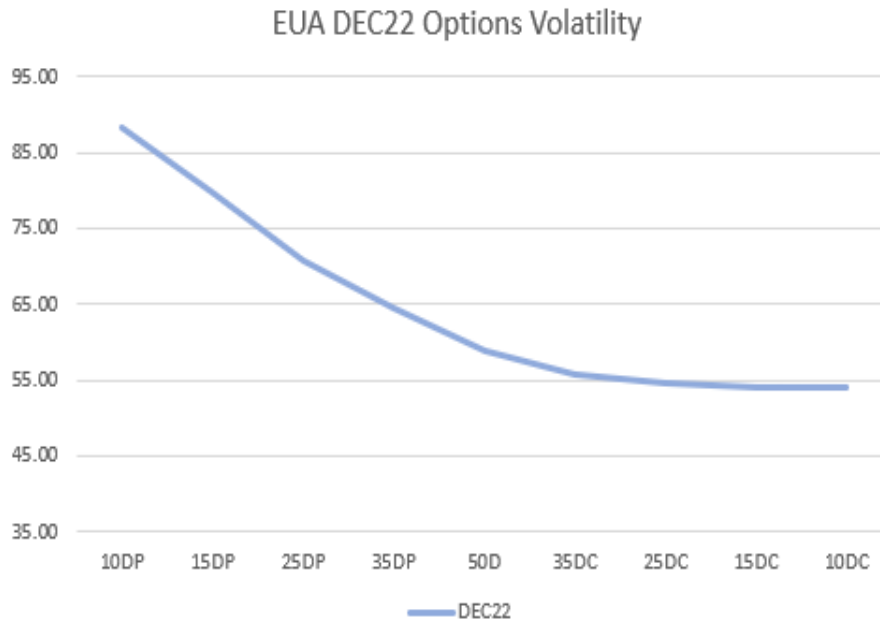


Source: Refinitiv

## EUA Options Market

Next week (21st of September) sees the EUA September options expire. On the December expiry, open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 11.3m tonnes (11,302 lots), €90.00 strike calls at 11.6m tonnes (11,674 lots), and €100.00 strike calls at 17.2m tonnes (17,299 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 9.3m tonnes (9,303 lots), €50.00 strikes at 12.1m tonnes (12,141 lots), and €60.00 strikes at 18.2m tonnes (18,281 lots).

Volatility Surface: 12/09/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	88.29	79.91	70.81	64.63	58.98	55.85	54.69	54.14	54.12



Source: Bloomberg



Source: Bloomberg

## Correlated Markets

As mentioned above, the European Commission announced an emergency intervention proposal in Europe's energy markets to tackle the recent dramatic rises. They are proposing exceptional electricity demand reduction measures, which will help reduce the cost of electricity for consumers, and measures to redistribute the energy sector's surplus revenues to final customers (European Commission). This news appeared to cool EU energy markets last week, most notably in the TTF Gas market which lost -€2.79 in value to finish the week at €187.793; a decrease of -1.4%. The German Power market, however, still shows no sign of cooling down as the Cal-23 contract saw a weekly gain of +7.5% to €510.93.



Source: Refinitiv

## Market News

CME to extend their nature-based futures curve to 2027 (Quantum Commodity Intelligence).

EU targets €140bn from windfall taxes on energy companies (Financial Times).  
Copenhagen abandons pledge to reach net-zero by 2025, casting doubt over other pledges made by countries and corporates alike (Carbon Herald).

Gold Standard moves towards embracing tokenisation of credits (Quantum Commodity Intelligence).

Thai stock exchange plans to set-up carbon credit market (The Asset).

Japan spearheads new global effort to spur international emissions trade (Carbon Pulse).

European Parliament backs 45% renewable energy goal for 2030 (EURACTIV).

**Written by** Kieran Batterbury

### Contact

**Kieran Batterbury**

KieranB@freightinvestor.com

+44 (0) 207 090 1120

**Theodore Goulios**

TheoG@freightinvestor.com

+64 6535 5189

**Josh Weinstein**

JoshW@freightinvestor.com

+44 (0) 207 090 1120

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [freightinvestorservices.com](https://www.freightinvestorservices.com)