



Carbon Weekly Report

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23/09/2022

Voluntary Markets

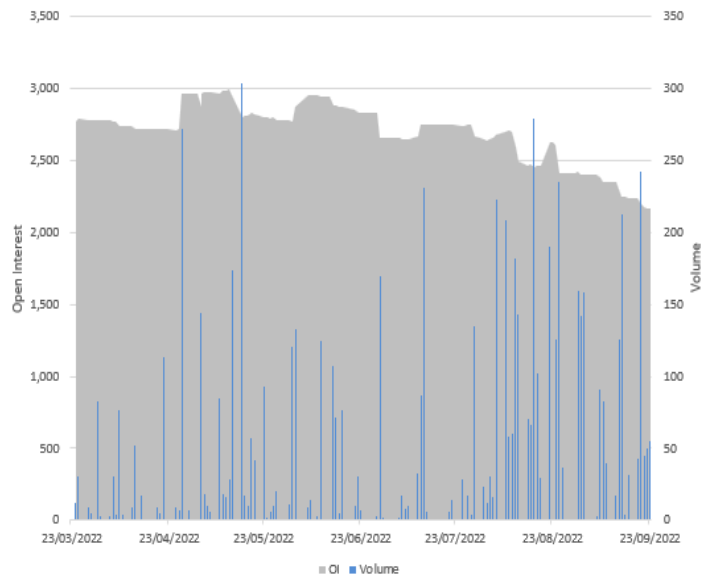
CME Futures

CME VCM prices lost ground last week—in tandem with a bleaker macroeconomic situation and heightened recessionary fears across most Western economies. Most notable was the decrease in nature-based prices on both NGO Dec-22 and Dec-23, even with strong traded volumes. NGO Dec-22 decreased by $-\$0.63c$ to $\$8.66$ (-6.7%), while NGO Dec-23 fell $-\$0.68c$ to $\$12.02$ (-5.3%). Technology credit prices fared considerably better than nature-based, with GEO Dec-22 losing $-\$0.03c$ to $\$4.05$ (-0.74%), and Dec-23 by $-\$0.01c$ to $\$4.24$ (-0.24%).

CME GEO DEC22/23 Futures



CME GEO DEC22 Open Interest/ Volume

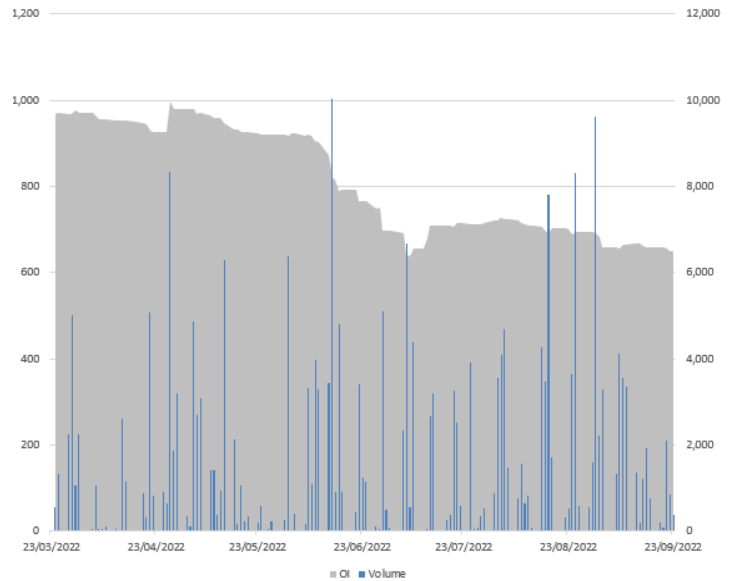


Source: Refinitiv

CME NGO DEC22/ DEC23 Futures



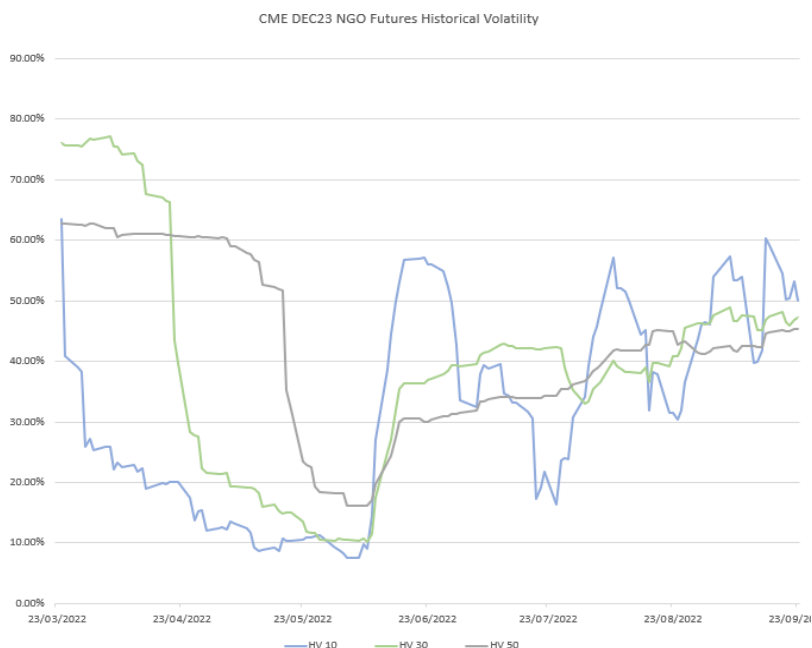
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

Volatility on the NGO Dec-23 contract decreased last week across ten days. However, levels still remain elevated above both thirty and fifty days.



Source: Refinitiv

Block Trades on CME (w/c 19th)

A total of 1.35m tonnes was traded on CME through 16 blocks last week on the GEO and NGO contracts.

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
23/09/2022	B	NGO	Dec-23	11.90	50
23/09/2022	B	NGO	Dec-23	11.90	50
23/09/2022	B	NGO	Dec-23	11.90	50
23/09/2022	B	NGO	Dec-23	11.90	50
23/09/2022	B	NGO	Dec-23	12.00	100
22/09/2022	B	NGO	Dec-23	12.40	50
21/09/2022	B	NGO	Dec-23	12.25	50
21/09/2022	B	NGO	Dec-24	14.00	200
21/09/2022	B	NGO	Dec-23	12.25	75
21/09/2022	B	NGO	Dec-24	13.80	75
20/09/2022	B	NGO	Dec-22	9.10	200
20/09/2022	B	NGO	Dec-23	12.50	100
20/09/2022	B	NGO	Dec-23	12.75	50
19/09/2022	B	GEO	Dec-22	4.00	100
19/09/2022	B	NGO	Dec-23	12.75	50
19/09/2022	B	NGO	Dec-23	12.75	100

Source: CME Direct

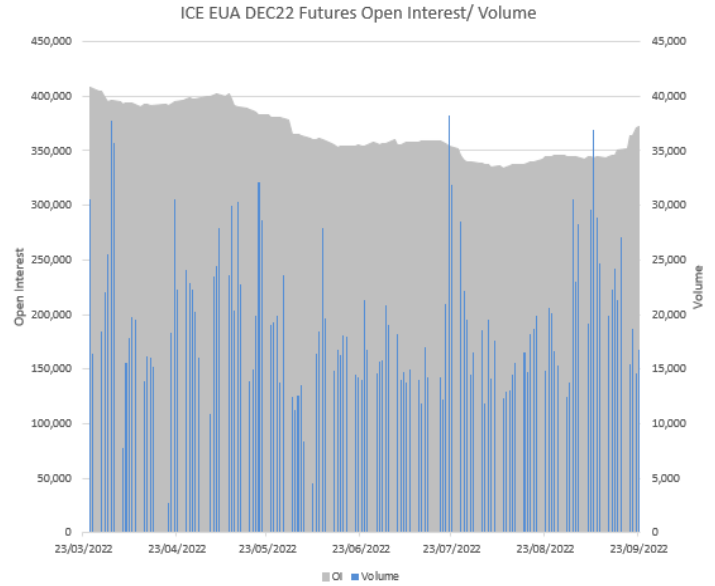
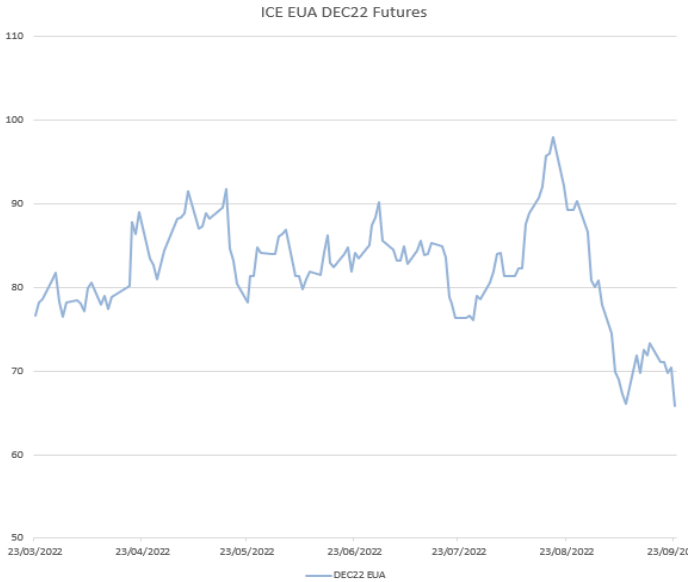
FIS Trades (w/c 19th)

NGO Dec-23 at 12.75, 50kt.

Compliance Markets

EUAs

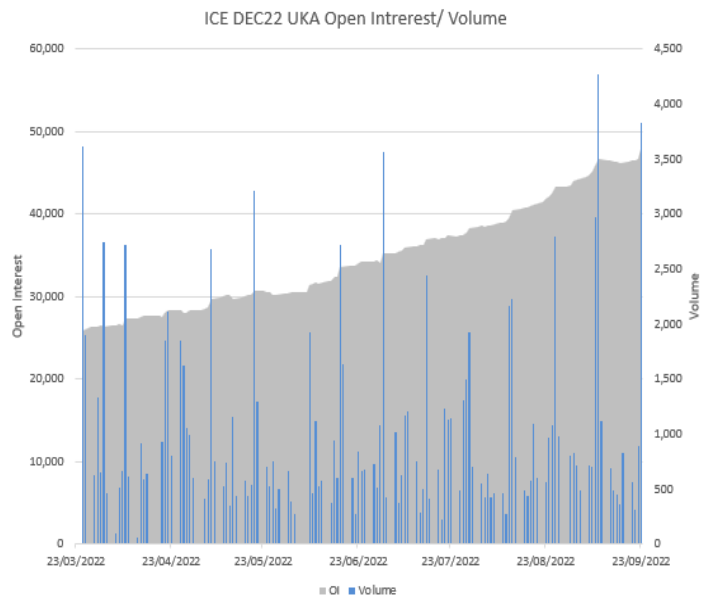
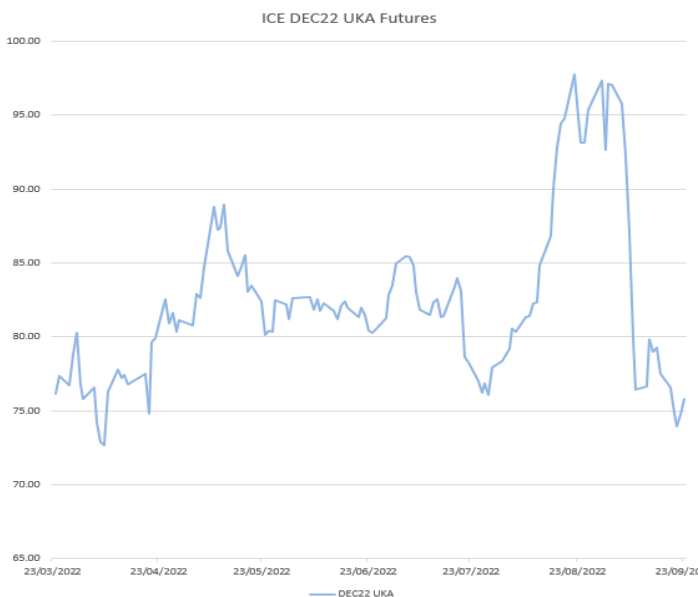
Last week saw the EUA market trade down to levels not seen since March when the outbreak of the Ukraine conflict caused significant volatility. The largest driver behind a decrease in EUA prices last week was continued rumours around the €30bn MSR sales of allowances as part of the REPowerEU strategy (Reuters). This news, along with the Sep-22 option expiry on Wednesday 21st did little to provide support to the market. In summary, the EUA Dec-22 contract fell by -€5.33 in value to print at €65.77 on Friday; a decrease of -7.5%.



Source: Refinitiv

UK ETS

Amidst a wave of political change in the UK, prices in the UK ETS remained indecisive last week and managed to hold value somewhat. After a new 'mini-budget' was announced on Friday (23rd), which included a range of tax cuts, the pound plunged to a new low not seen since 1971. Considering this bearish tone, the UKA Dec-22 contract only lost -£0.85c in value to print at £74.03, a decrease of -1.1%.



Source: Refinitiv

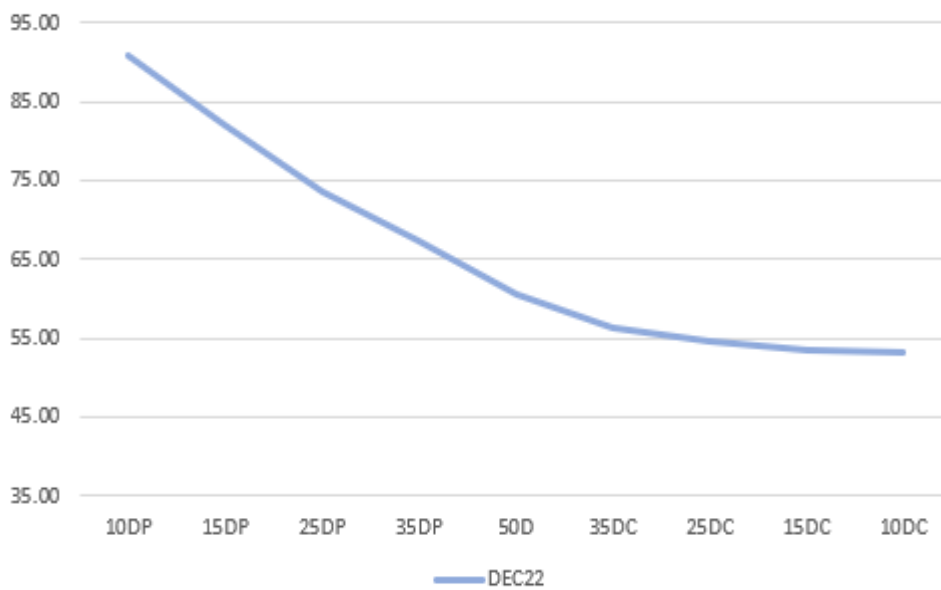
EUA Options Market

Last week (21st of September) saw the EUA Sep-22 options expire. On the December expiry, open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 11.5m tonnes (11,552 lots), €90.00 strike calls at 11.4m tonnes (11,447 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 13.7m tonnes (13,710 lots), and €60.00 strikes at 17.2m tonnes (17,231 lots).

Volatility Surface: 19/09/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	90.79	82.22	73.66	67.36	60.69	56.42	54.57	53.43	53.22

EUA DEC22 Options Volatility



Source: Bloomberg

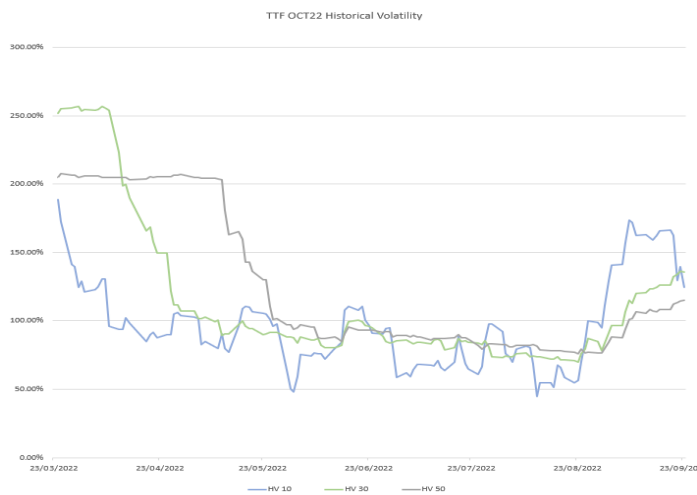
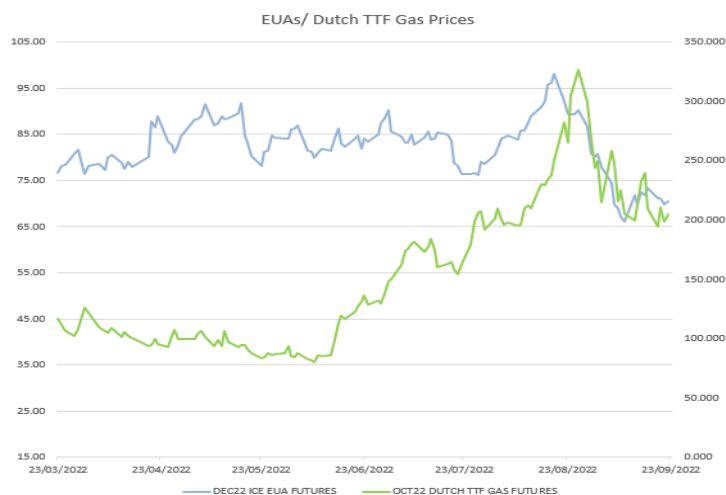
EUA DEC22 Historical Volatility



Source: Bloomberg

Correlated Markets

On the energy side, the big news this week was the German government finalised the nationalisation of Uniper to prevent bankruptcy (Bloomberg). In terms of prices, the Dutch TTF Gas market gained +1.8% on the Oct-22 contract after printing at €185.495/MWh on Friday; a monetary gain of +€3.23. In power markets, Cal-23 German Baseload Futures fell by -1.5% to €486.24/MWh.



Source: Refinitiv

Market News

Verra, the world's largest carbon standard, has slammed the Core Carbon Principles proposed by the Integrity Council for the Voluntary Carbon Market (Quantum Commodity Intelligence)

The EU, the world's third-biggest emitter, has pledged to cut its net emissions by 55% by 2030, from 1990 levels - one of the most ambitious goals among major economies. EU officials hope it will be possible to nudge that goal a few percentage points higher (Reuters)

Germany nationalises gas giant Uniper to avert winter energy collapse (Bloomberg).

Government ministers are in the process of carving out €20 billion worth of exemptions for the shipping industry in the new maritime carbon market (ETS), according to a new analysis (Transport & Environment).

Wall Street banks including JPMorgan, Morgan Stanley and Bank of America have threatened to leave Mark Carney's financial alliance (Financial Times).

Japan started trial trading of carbon credits on Thursday at the Tokyo Stock Exchange (TSE) as the world's fifth-largest carbon emitter aims to create a nationwide market mechanism to help achieve carbon neutrality by 2050 (Reuters).

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