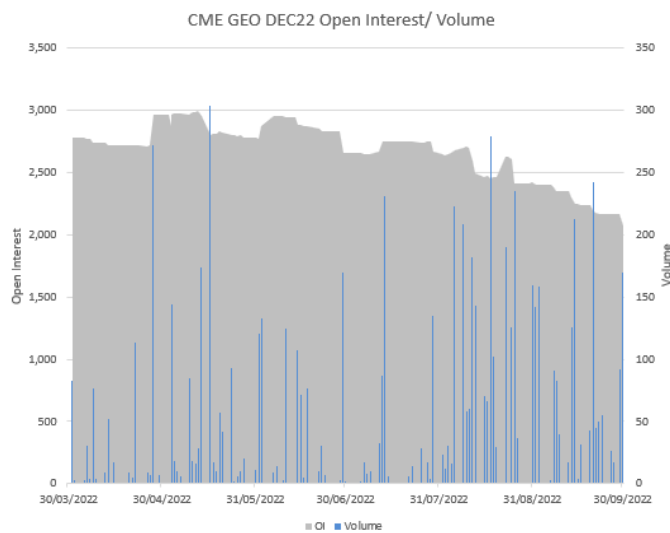


## 30/09/2022

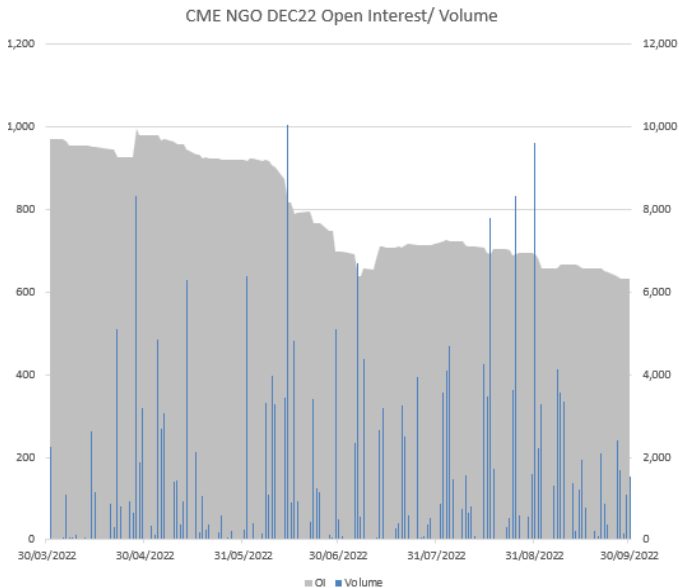
### Voluntary Markets

#### CME Futures

Last week again saw the CME VCM contracts decrease in price, even amidst healthy volumes on both spot and future contracts. Market commentary around the VCM last week suggested the market was split between corporate buyers obtaining credits ahead of COP27 and Q4, while jostling with bearish sentiment from financial players and a strong US dollar. The nature-based (NGO) Dec-22 contract fell by  $-\$0.47c$  to print at  $\$8.21$  on Friday (-5.4%), while Dec-23 shed  $-0.37c$  to  $\$11.61$  (-3%). Additionally, technology-based GEO prices on Dec-22 lost  $-\$0.15c$  to  $\$3.96$  (-3.6%), falling below the  $\$4.00$  handle for the second time in September. On GEO Dec-23, the contract lost  $-\$0.16c$  to  $\$4.14$  (-3.5%).



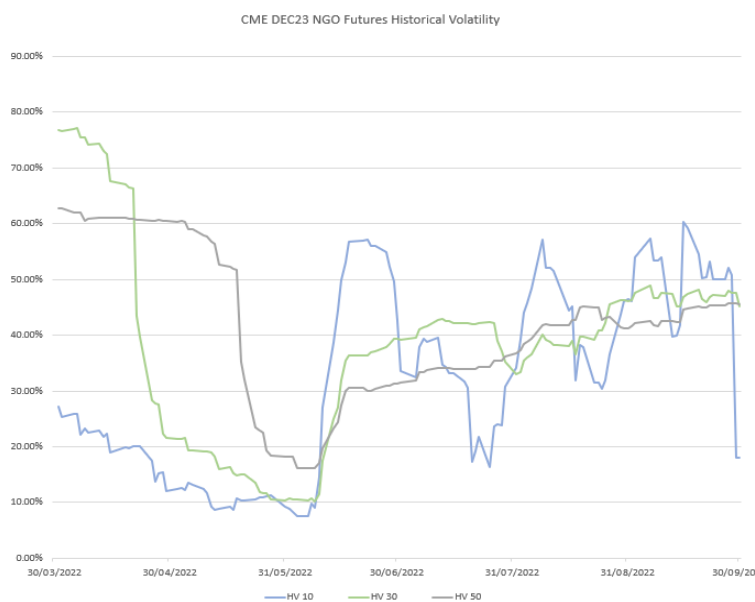
Source: Refinitiv



Source: Refinitiv

## CME NGO Historical Volatility

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



Source: Refinitiv

## Block Trades on CME (w/c 26th)

A total of 656kt was traded on CME through nine blocks last week on the GEO (three blocks) and NGO contracts (six blocks).

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
30/09/2022	B	NGO	Dec-22	8.20	16
30/09/2022	B	NGO	Dec-22	8.30	200
29/09/2022	B	GEO	Dec-23	4.10	50
29/09/2022	B	NGO	Dec-22	8.25	100
29/09/2022	B	GEO	Dec-22	4.00	100
28/09/2022	B	GEO	Dec-22	4.10	50
28/09/2022	B	NGO	Dec-22	8.45	15
26/09/2022	B	NGO	Dec-23	11.95	100
26/09/2022	B	NGO	Dec-23	12.10	25

Source: CME Direct

## FIS Trades (w/c 26th)

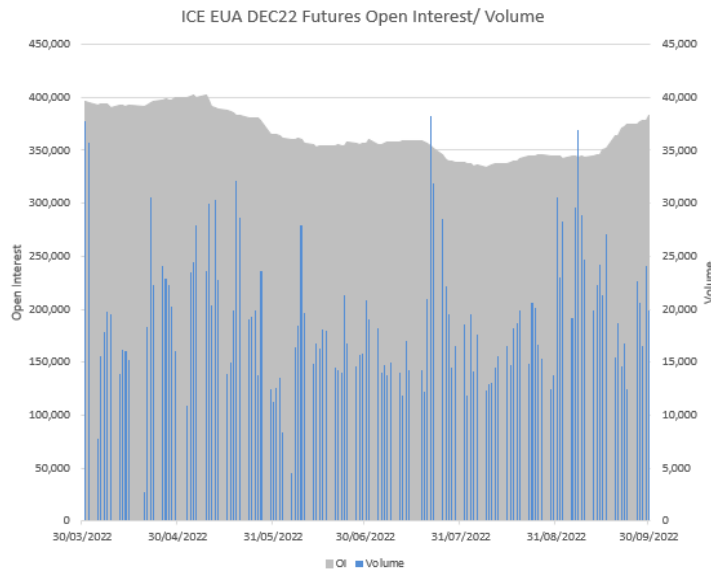
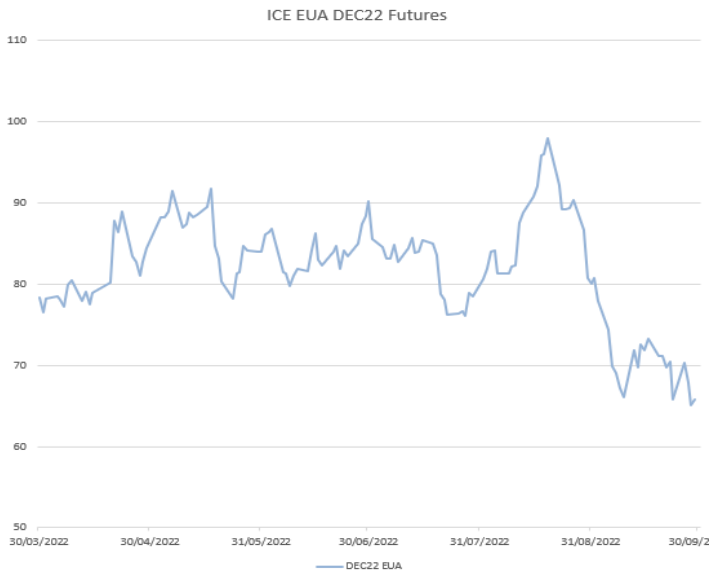
NGO Dec-23 at USD 12.10, 25kt.

VCS 2402, V19-20, USD 4.40, 50kt

# Compliance Markets

## EUAs

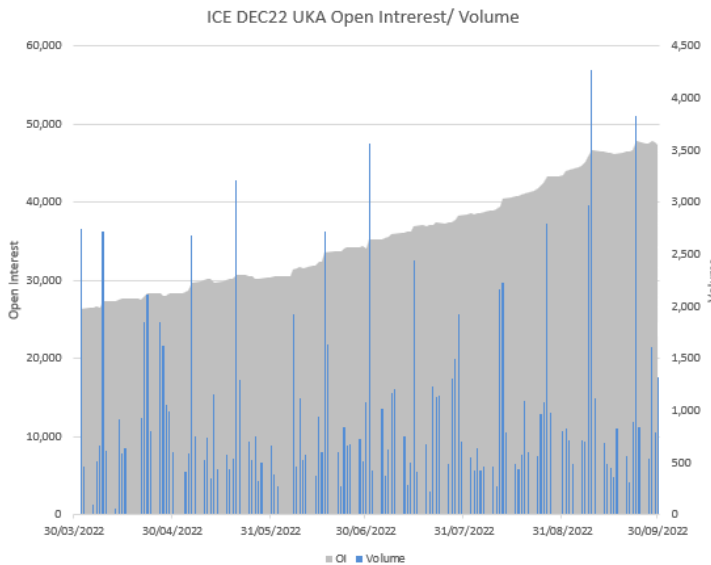
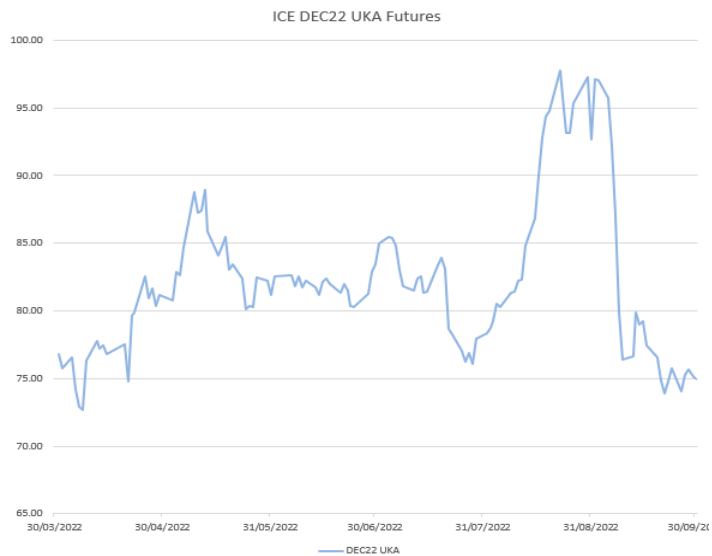
Last week the EUA Dec-22 contract traded within a range of €66-€71. Supporting the market was the ENVI decision on the REPowerEU strategy where they voted against raising funds by increasing allowance supply and instead agreed to frontload auctions instead. The final vote for this decision is expected to take place on 3rd October. In summary, the EUA Dec-22 contract lost -€3.60 in value after printing on Friday (30th) at €67.33.



Source: Refinitiv

## UK ETS

As the pound saw a slight recovery last week, UKA prices remained fairly flat. The Dec-22 contract ended the month with an average settlement price of £79.41, while it's weekly futures performance last week saw a slight decrease of -£0.25c after printing at £75.03 on Friday (-0.33%).



Source: Refinitiv

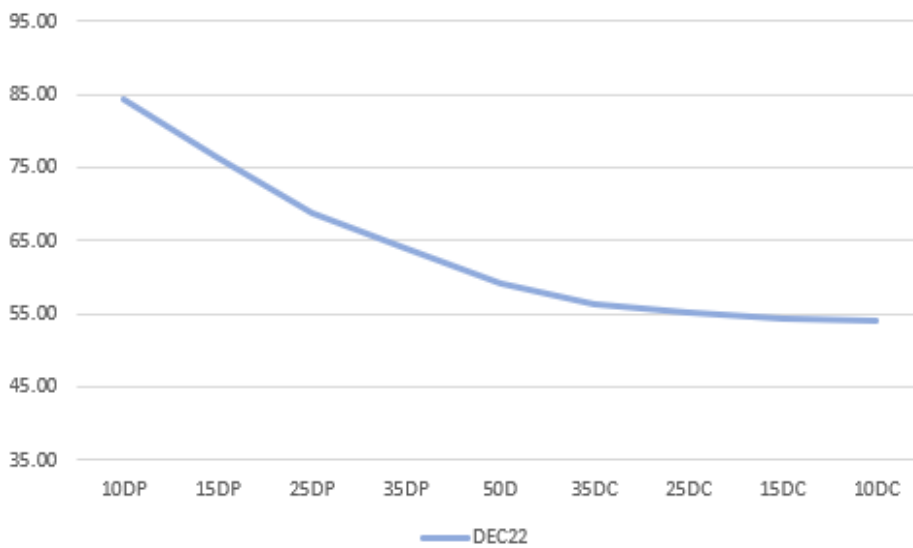
## EUA Options Market

On the December 2022 expiry, open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 11.8m tonnes (11,862 lots), €90.00 strike calls at 11.7m tonnes (11,797 lots), and €100.00 strike calls at 16.7m tonnes (16,749 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 10.6m tonnes (10,653 lots), €50.00 strikes at 13.3m tonnes (13,360 lots), and €60.00 strikes at 18,321m tonnes (18,321 lots).

**Volatility Surface: 26/09/2022**

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	84.30	76.49	68.89	63.83	59.07	56.30	55.15	54.32	54.09

**EUA DEC22 Options Volatility**



Source: Bloomberg

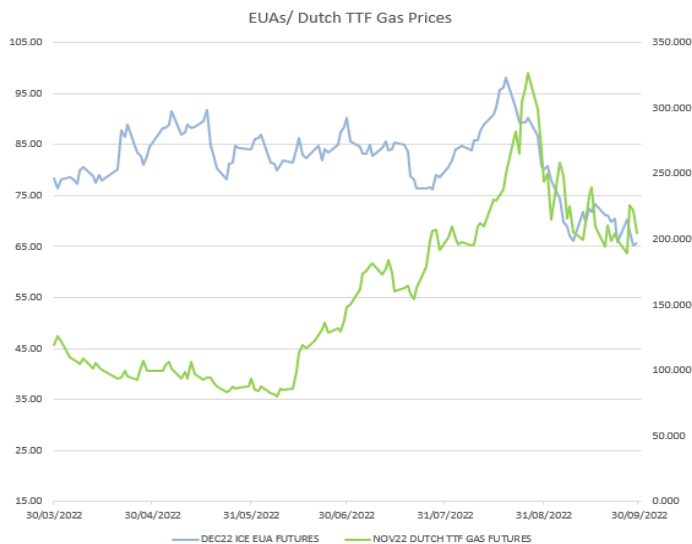
**EUA DEC22 Historical Volatility**



Source: Bloomberg

## Correlated Markets

On Friday (30th) EU energy ministers reached a political agreement on a proposal for a Council Regulation to address high energy prices. This new regulation introduces measures to reduce electricity demand and to collect and redistribute the energy sector's surplus revenues to final customers (European Council). In addition to this news, the Nord Stream 1 pipeline was in the headlines due to a leak (Reuters). In terms of prices, the front-month Dutch TTF Gas Base Load Futures contract decreased by -2% to finish the week at €188.80/MWh; losing €3.98 in value. In power markets, German Power Baseload Futures also decreased by -5% on the Cal-23 contract to print at €453.44/MWh.



Source: Refinitiv

## Market News

Lawmakers close in on EU carbon market 'frontloading' to lower energy prices. The European Parliament announced a deal on Tuesday (27th September) that will see the equivalent of €20 billion taken from the EU carbon market in a bid to finance the move away from Russian fossil fuels and lower consumer energy bill (Euractiv).

Half of Centrica's carbon offsets banned by EU emissions trading system in 2013. Climate experts have called for stricter regulations to prevent companies buying ineffectual offsets in the future (Sky News).

UK set to announce £60m zero-emission shipping fund (Ship Technology).

Bringing the iron and steel industry to net zero by 2050 requires \$1.4 trillion of investment, \$250 billion of which is for carbon credits (Wood Mackenzie).

The Science Based Targets initiative (SBTi) has today (28th September) launched new guidance for companies to set targets that account for land-based emission reductions and removals (ESG Today).

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