



Carbon Weekly Report

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07/10/2022

Voluntary Markets

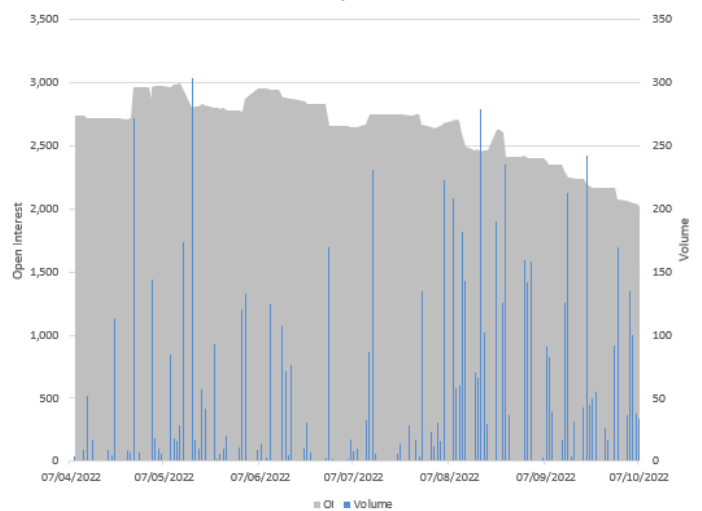
CME Futures

The two leading VCM futures contracts on CME, GEO and N-GEO, both diverged again in terms of performance last week. Most noteworthy was the performance of nature-based prices which continue to hold firm in the wake of growing macroeconomic uncertainty. To summarise, the N-GEO Dec-22 contract posted an impressive gain of +2.5% WoW after printing at \$8.55 on Friday (7th), meanwhile the further-dated N-GEO Dec-23 saw a slight increase of +0.77% to finish the week at \$11.84. On the technology front, GEO fell to levels not seen since earlier in the summer months, and both Dec-22 and Dec-23 dropped below the key \$4.00 support level during the week. WoW, GEO Dec-22 decreased by -3.25% to \$3.87, and Dec-23 by -3.3% to \$4.06.

CME GEO DEC22/23 Futures



CME GEO DEC22 Open Interest/ Volume

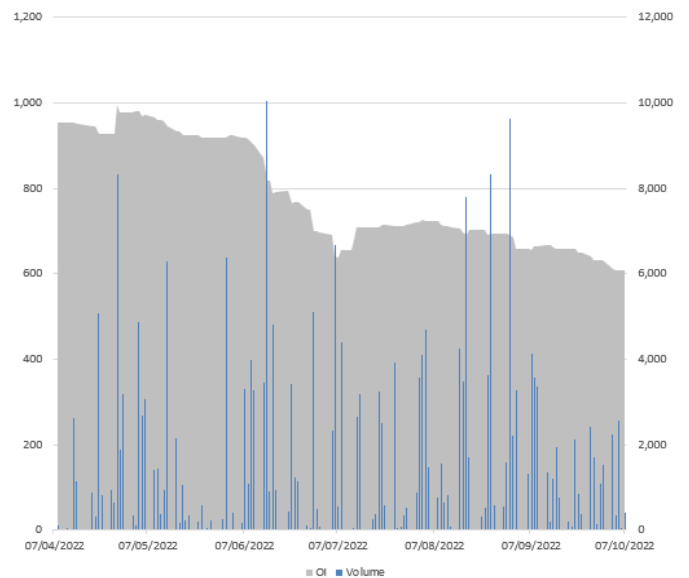


Source: Refinitiv

CME NGO DEC22/ DEC23 Futures



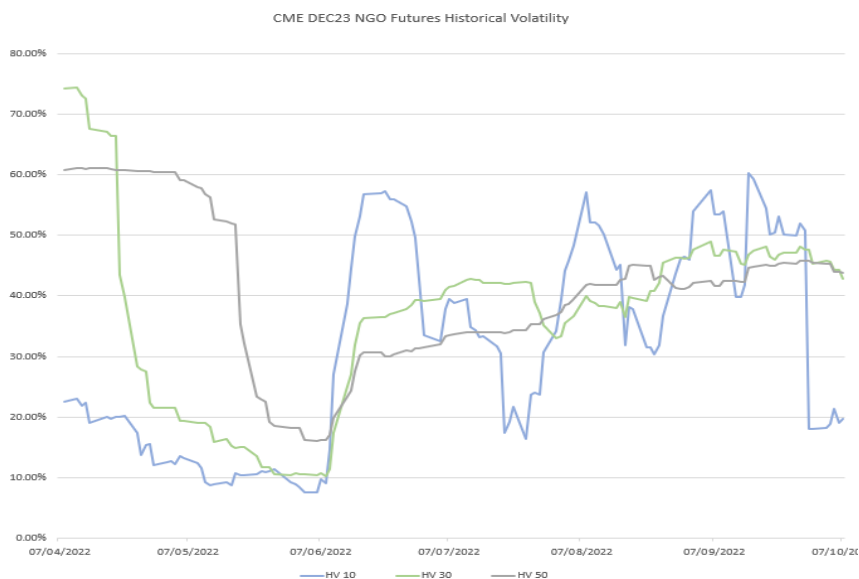
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

After the significant drop in volatility across the ten-day period for NGO Dec-23 two weeks ago, last week saw a slight jump although it remains around 20%. On thirty and fifty days, volatility has also decreased but remains elevated compared to historical levels.



Source: Refinitiv

Block Trades on CME (w/c 3rd)

A total of 525kt was traded on CME through seven blocks last week on the GEO (one block) and NGO contracts (six blocks).

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
07/10/2022	B	NGO	Dec-23	12	50
07/10/2022	B	NGO	Dec-22	8.3	215
06/10/2022	B	NGO	Dec-23	11.65	50
06/10/2022	B	NGO	Dec-23	11.8	10
04/10/2022	B	NGO	Dec-22	8.35	75
04/10/2022	B	NGO	Dec-22	8.35	100
03/10/2022	B	GEO	Dec-22	3.95	25

Source: CME Direct

FIS Trades (w/c 3rd)

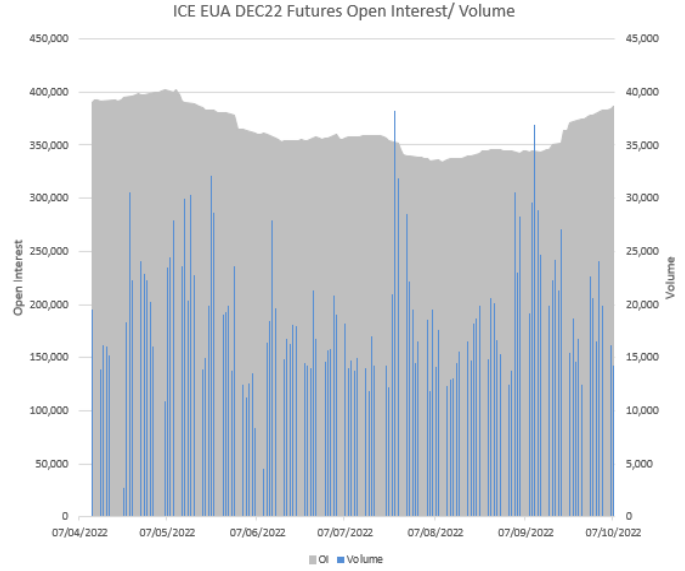
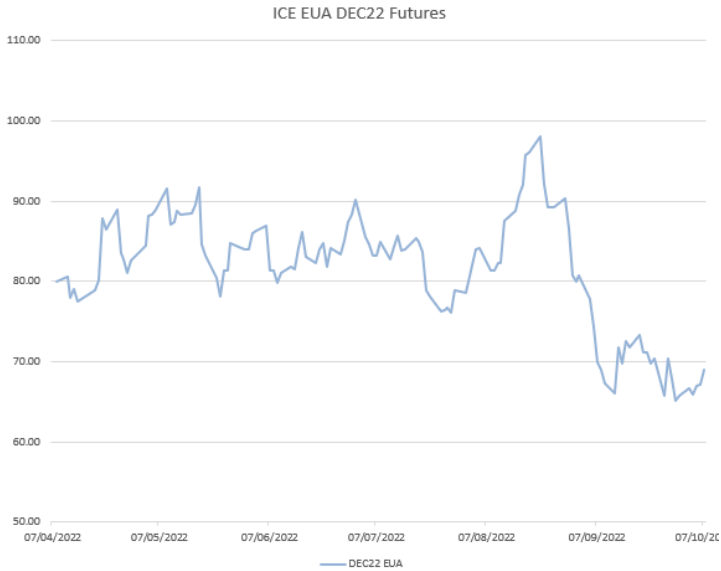
VCS 656 V18 @2.45 in 10kt.

CME NGO Dec-23/ VCU ID Undisclosed, at 1.30 in 10kt (futures vs physical).

Compliance Markets

EUAs

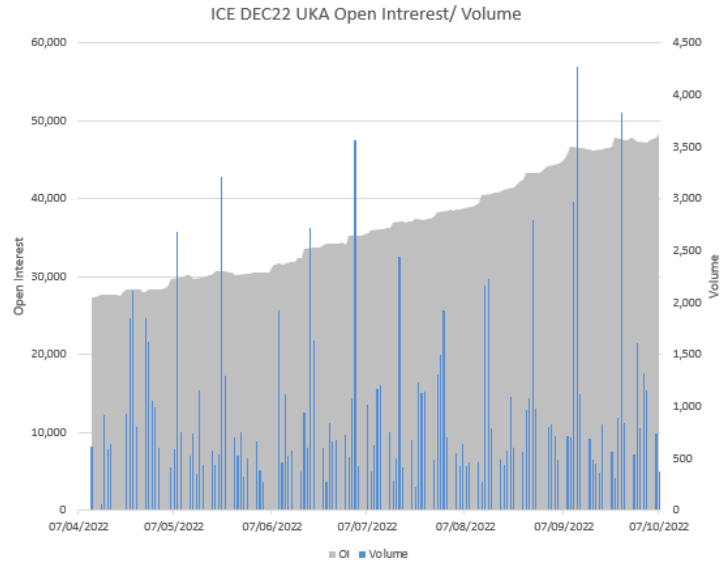
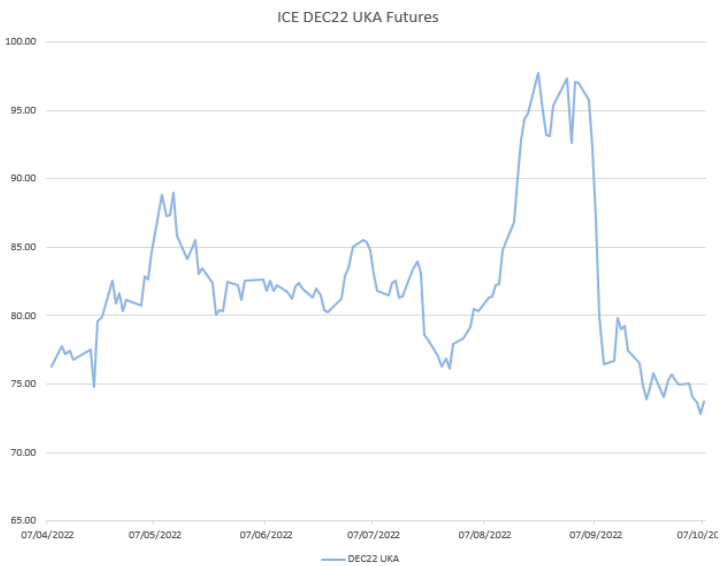
Last week finally saw some sort of decision made by the EU around its REPowerEU strategy and how they intend to add additional supply into the market; opting for frontloading of allowances rather than from the market stability reserve (MSR). Such news was initially met with positivity by the market, however, as the week progressed further comments made by Ursula von der Leyen reversed any gains as it was suggested more funds could be raised than initially outlined in the proposal. In summary, the EUA Dec-22 contract traded within the €65.9-€69.9 range and finished the week up +5.9% at €69.85, adding +€3.91 in value.



Source: Refinitiv

UK ETS

As the EUA market advanced, the UK equivalent ETS remained subdued—arguably held back from a weak pound and traders attention being diverted to the EU market. In terms of prices, the UKA Dec-22 contract saw a slight gain of +£0.57p to finish the week at £74.60 (+0.80%).



Source: Refinitiv

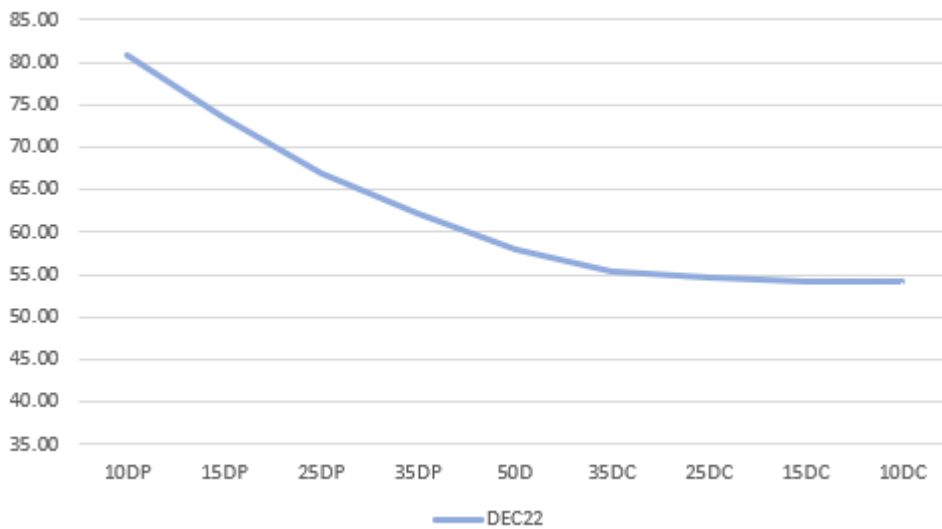
EUA Options Market

On the December 2022 expiry, open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 11.6m tonnes (11,652 lots), €90.00 strike calls at 11.6m tonnes (11,697 lots), and €100.00 strike calls at 16.8m tonnes (16,820 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €40.00 strikes at 10.8m tonnes (10,853 lots), €50.00 strikes at 13.9m tonnes (13,935 lots), and €60.00 strikes at 18.2m tonnes (18,259 lots).

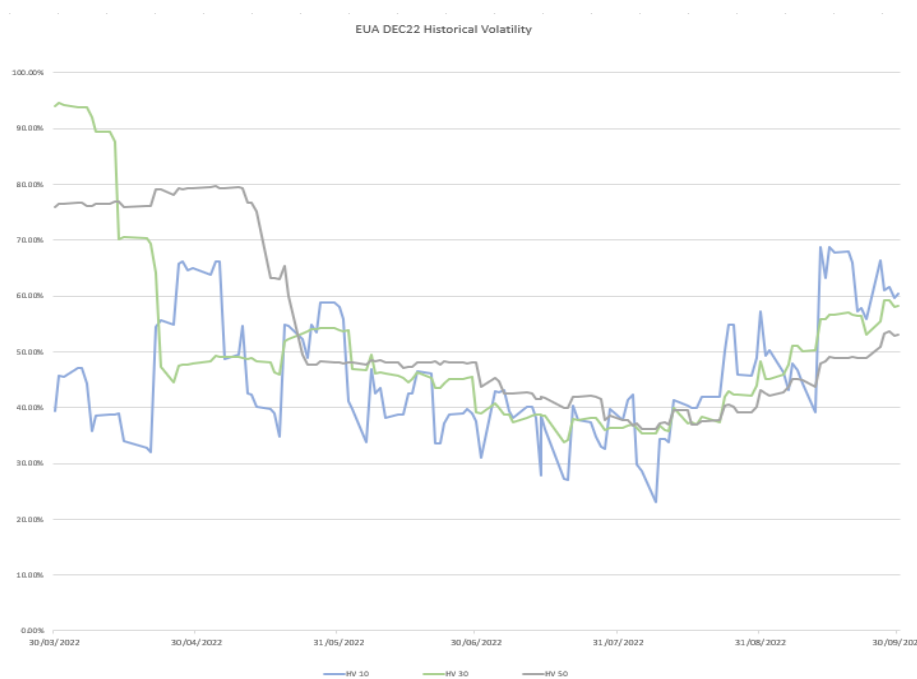
Volatility Surface: 03/10/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	80.76	73.62	66.84	62.26	57.95	55.46	54.53	54.10	54.17

EUA DEC22 Options Volatility



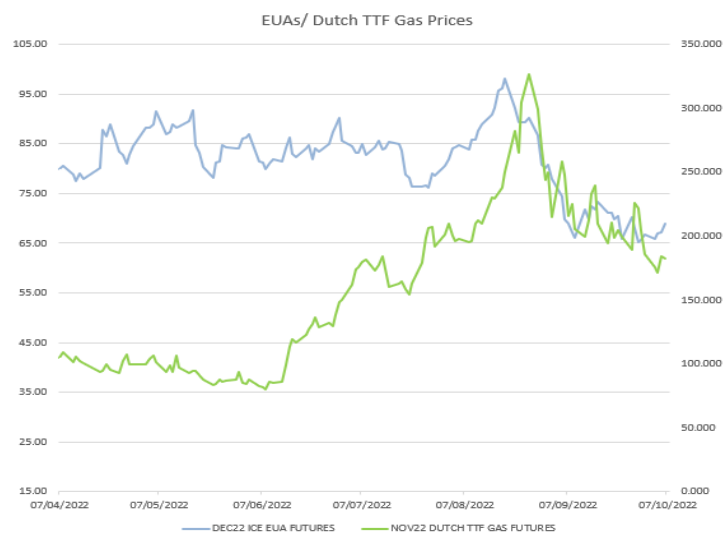
Source: Bloomberg



Source: Bloomberg

Correlated Markets

Continued dialogue around gas market reforms kept the Dutch TTF Gas market subdued last week. Notable announcements was that the EU sealed an emergency package regarding gas supplies (Bloomberg), and that Germany is also in talks to provide more state aid for gas imports (Reuters). Overall, Dutch TTF Gas Baseload Futures decreased by -8% last week to print at €156.207/MWh, losing -€13.71 in value. On the power front, Cal-23 German Power Baseload Futures decreased by -2.4% after closing the week at €427.5/MWh.



Source: Refinitiv

Market News

European Countries on Tuesday agreed an alternative to an EU plan to use a carbon market reserve to help finance their exit from Russian gas, after fears the original proposal would undermine the bloc's main climate change policy (Bloomberg).

Germany in talks to provide more state aid for gas imports (Reuters).

Consortium kicks off project to capture carbon emissions onboard oil tankers (Reuters).

Indian carbon credits to be sold both domestically and internationally. India is not looking to ban the sale of its carbon credits abroad but national needs will be prioritized to fulfill the country's climate commitments, India's Power and New and Renewable Energy Minister RK Singh said. The minister's statement marks a shift away from his stated position in August, when he said Indian carbon credit sales would be restricted to the domestic market (Platts).

ACR develops first avoided deforestation methodology (QCIntel).

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