



Carbon Weekly Report

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14/10/2022

Voluntary Markets

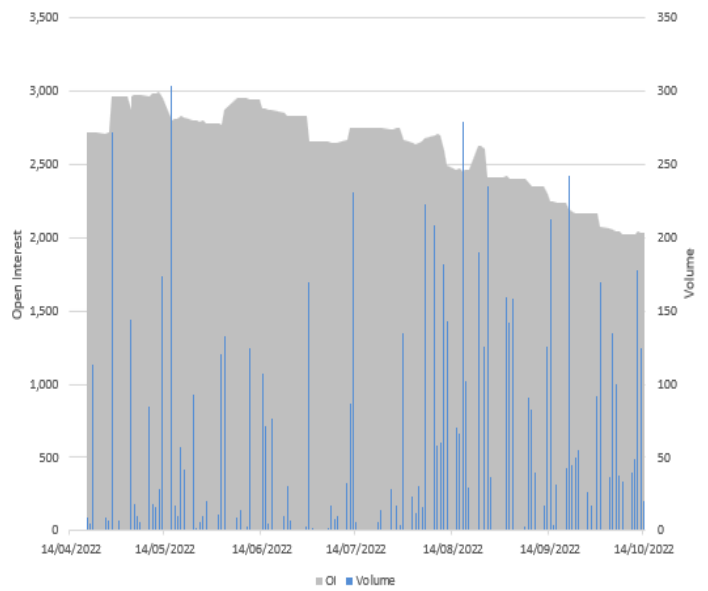
CME Futures

Last week saw prices decrease across both CME VCM contracts in a quieter trading week. Most noteworthy in terms of performance was the decrease seen in nature-based prices which gave up the previous week's gains and fell rather significantly. NGO Dec-22 lost $-\$0.56c$ to print at $\$7.87$ on Friday (-6.6%), while Dec-23 lost $-\$0.87c$ to $\$10.87$ (-6.9%). Spreads between these two contracts continues to be closely watched by market participants as Q4 expiry approaches. For technology credits, prices held up considerably better with GEO Dec-22 losing $-\$0.02c$ to $\$3.78$ (-0.5%), and Dec-23 also by $-\$0.02c$ to $\$4.00$ (-0.5%).

CME GEO DEC22/23 Futures



CME GEO DEC22 Open Interest/ Volume

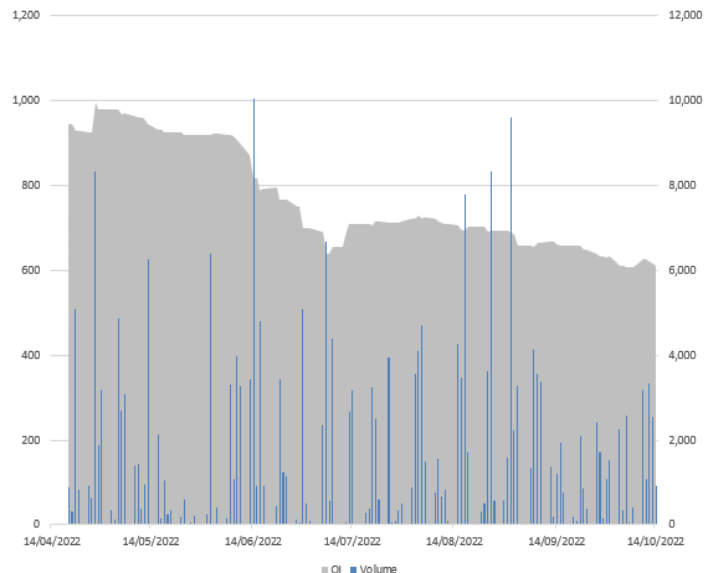


Source: Refinitiv

CME NGO DEC22/ DEC23 Futures



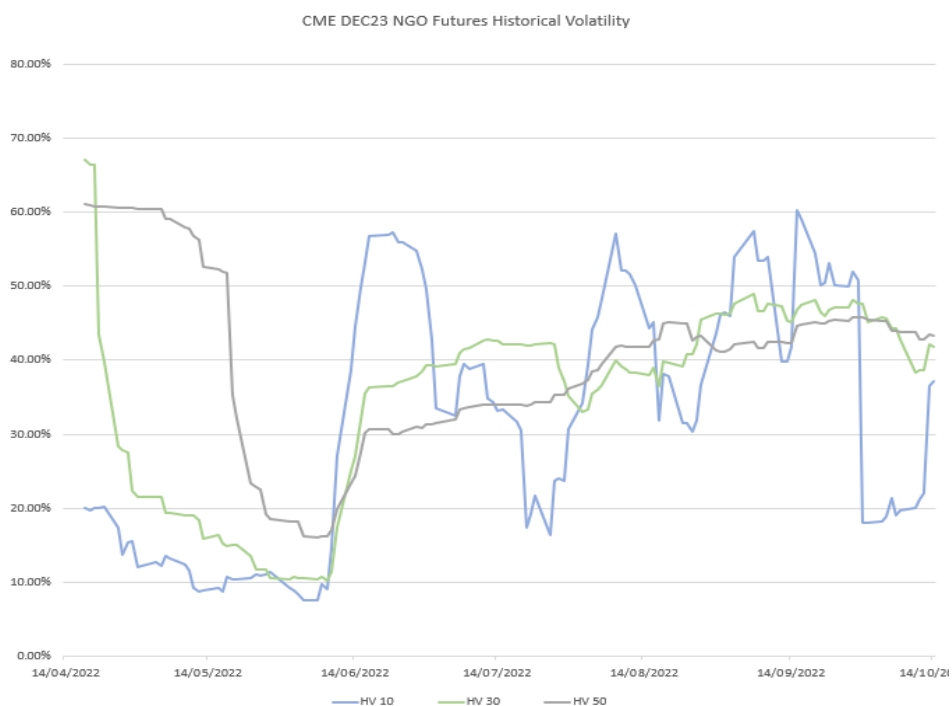
CME NGO DEC22 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

After the significant drop two weeks ago, ten day volatility has jumped again after the price decreases seen in the NGO market last week — it now sits around the 35-40% mark. Meanwhile, thirty and fifty days volatility remains elevated.



Source: Refinitiv

Block Trades on CME (w/c 10th)

A total of 430kt was traded on CME through nine blocks last week on the GEO (two blocks) and NGO contracts (seven blocks).

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
14/10/2022	B	NGO	Dec-23	10.75	100
12/10/2022	B	GEO	Dec-22	3.75	50
12/10/2022	B	NGO	Dec-22	8.05	50
12/10/2022	B	NGO	Dec-22	8	50
12/10/2022	B	NGO	Dec-22	8.1	50
11/10/2022	B	GEO	Dec-22	3.7	40
11/10/2022	B	NGO	Dec23/Dec25	-3.15	25
10/10/2022	B	NGO	Dec-22	8.5	25
10/10/2022	B	NGO	Dec-22	8.6	40

Source: CME Direct

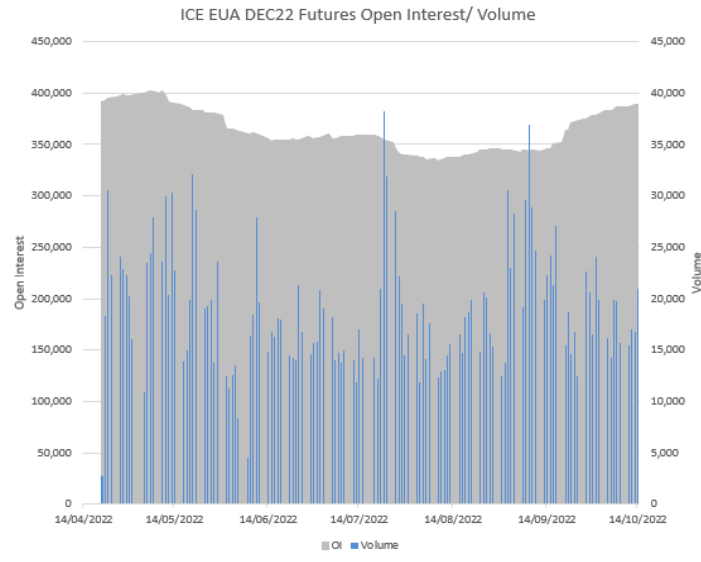
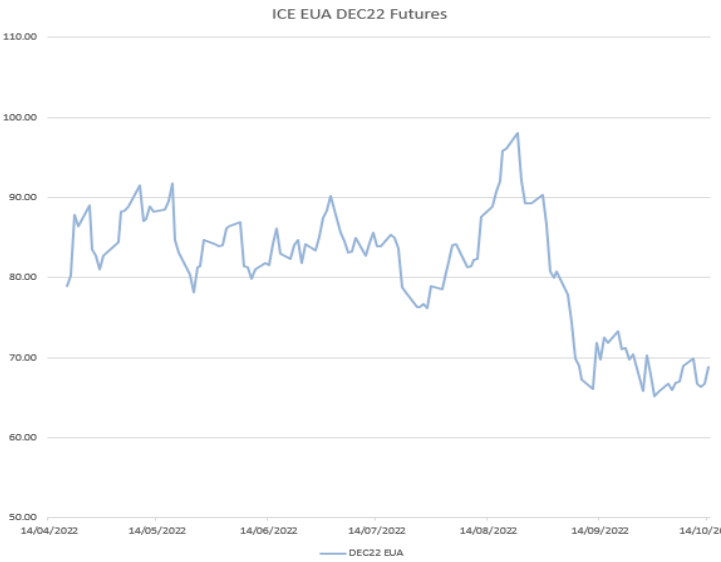
FIS Trades (w/c 10th)

CME NGO Dec-23/25 -3.15 in 25kt (legs 11.70 / 14.85).

Compliance Markets

EUAs

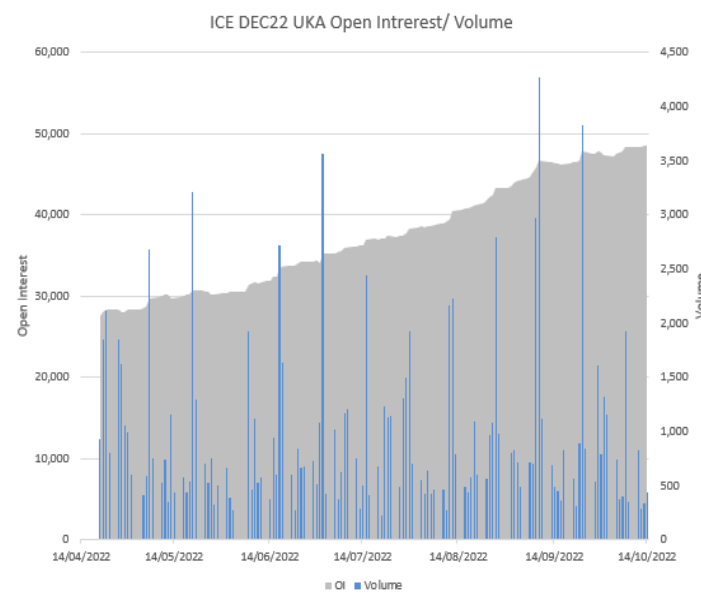
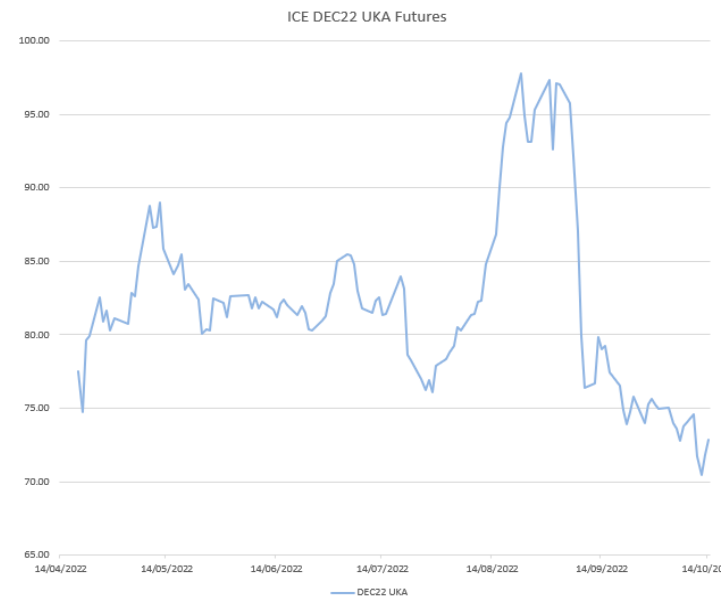
EUA Dec-22 lost -€1.83 in value last week after printing on Friday at €68.02 (-2.6%) - trading in a range between €66.30-€68.80. The market appeared to be in another period of consolidation with no clear directional bias. This was largely due to the number of political and policy interventions surrounding the scheme. Most notably continues to be the REPowerEU discussion, particularly after Peter Liese gave a talk at the Carbon Forward conference alluding to a €50.00 floor with the front-loading influence. In addition, the ETS 2 idea began debate last week with only one conclusion being drawn—the steel industry will continue to receive the same amount of free allowances.



Source: Refinitiv

UK ETS

In the UK ETS, the Dec-22 contract traded in a range between £70-£73 and settled on Friday at £71.01; losing -£3.05 (-4.1%). Noteworthy news updates last week surround the ETS was that companies will be allow big emitters to omit COVID-triggered drops in their 2020 activity levels that might have adverse effects on their future free UK ETS carbon permit allocations (Carbon Pulse).



Source: Refinitiv

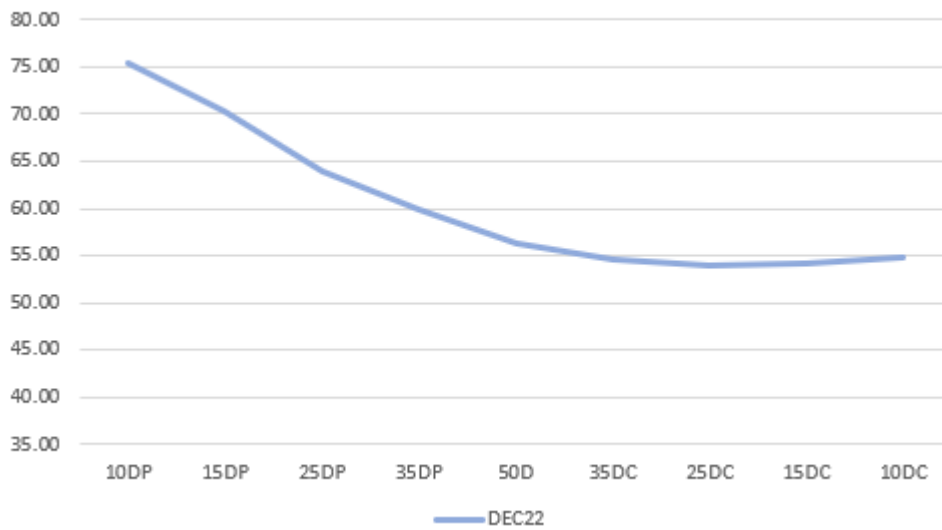
EUA Options Market

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 11.7m tonnes (11,722 lots), and €100.00 strike calls at 16.8m tonnes (16,820 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €30.00 strikes at 16.6m tonnes (16,625 lots), €40.00 strikes at 10.6m tonnes (10,653 lots), €50.00 strikes at 14.2m tonnes (14,265 lots), and €60.00 strikes at 18.8m tonnes (18,867 lots).

Volatility Surface: 10/10/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	75.32	70.33	63.93	59.90	56.30	54.49	54.06	54.25	54.74

EUA DEC22 Options Volatility



Source: Bloomberg

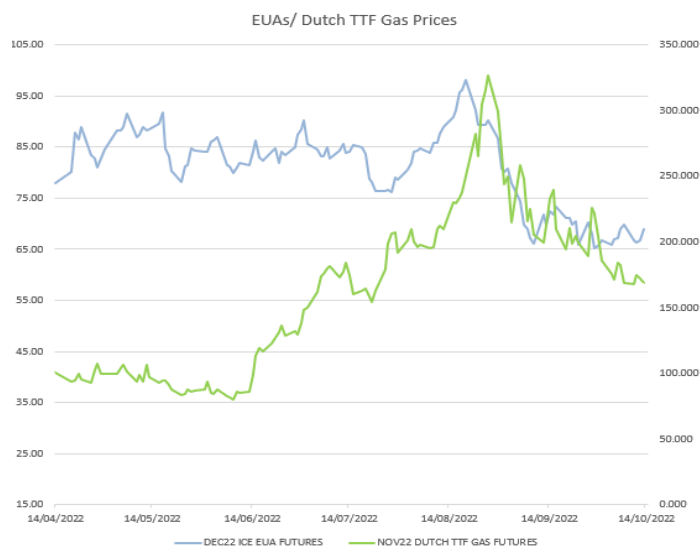
EUA DEC22 Historical Volatility



Source: Bloomberg

Correlated Markets

The EU Energy Commissioner suggested the Commission are to announce new measures to limit gas prices on the 18th of October. The Dutch TTF Gas Baseload Futures Nov-22 decreased in value by -€14.21 to settle at €141.997 on Friday (-9%); an early sign that EU intervention in the market is beginning to cool prices as this is the lowest level in three months. In power markets, the German Base Futures Cal-23 contract also saw a slight decrease after falling to €419.94/MWh on Friday; a decrease of -€7.56 (-1.7%).



Source: Refinitiv

Market News

Indian energy firms join hands to develop a carbon market to achieve transition goals. Prime Minister Narendra Modi wants India to become an industrial powerhouse while also cutting emissions by 60 million tonnes a year by 2030, highlighting the importance of a robust carbon trading market (Reuters).

The EU's frontloading plan will serve two purposes, revenue generation and carbon price reduction, according to a speech by Peter Liese heard at the Carbon Forward conference today (Carbon Pulse).

The London Stock Exchange has become the first major bourse to set listing rules for companies that finance carbon reduction projects, as part of efforts to grow the market and make it more transparent (Reuters).

The British government this year will legislate changes to allow big emitters to omit COVID-triggered drops in their 2020 activity levels that might have adverse effects on their future free UK ETS carbon permit allocations (Carbon Pulse).

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