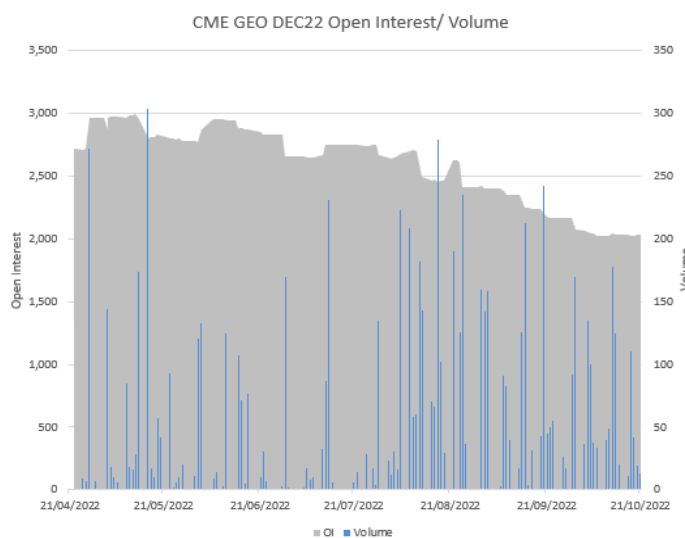
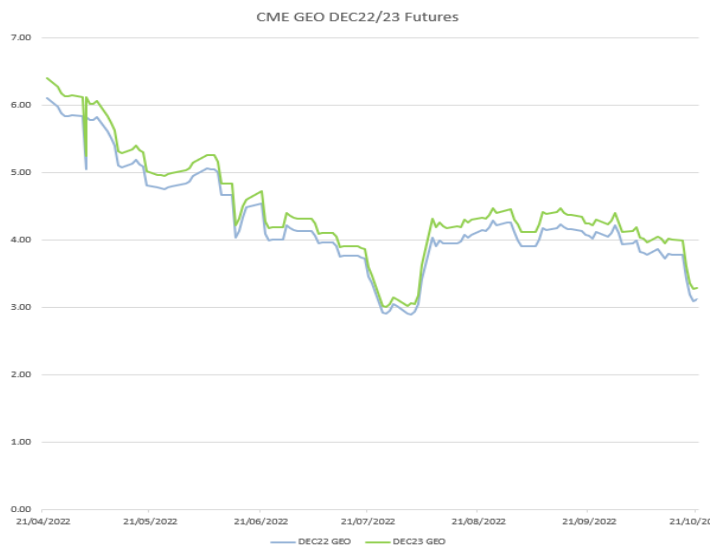


21/10/2022

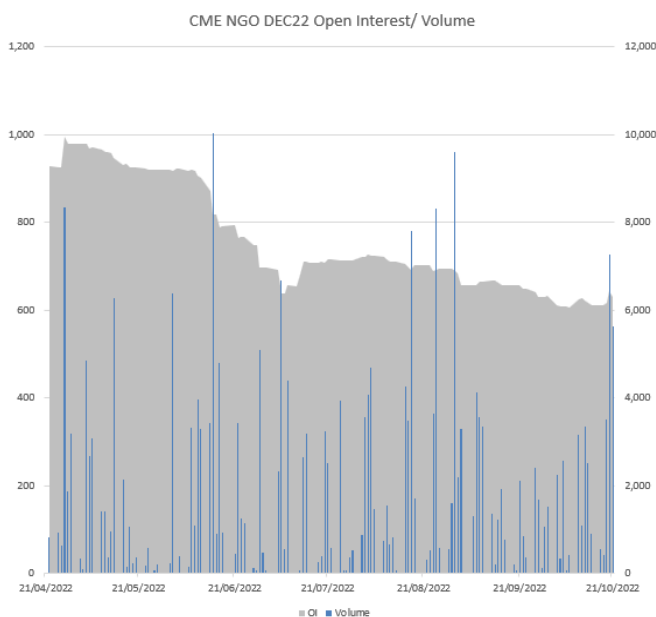
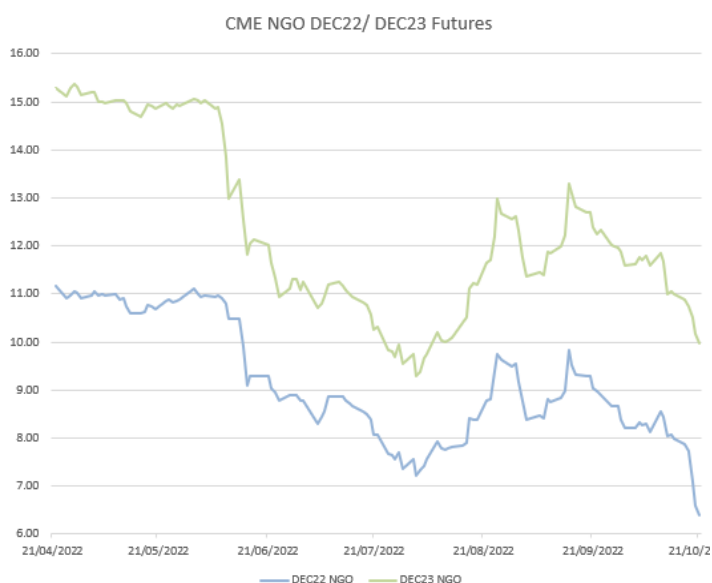
Voluntary Markets

CME Futures

Following the onslaught of most global markets, voluntary carbon prices fell drastically last week - dropping to new lows previously not seen since August this year. The most notable decline was seen in NGO Dec-22 with prices falling -18% in the week to print at \$6.31 at the end of trading on Friday (21st); shedding -\$1.41 in value. The Q4 expiry of the contract, and arguably physical delivery risk, could be dampening this expiry. However, open interest suggests interest in the contract remains apparent. The later dated NGO Dec-23 also saw declines after printing at \$9.80; a decrease of -8.8% (-\$0.95c). On the GEO contract, prices didn't quite fall to below their previous low set in August but both Dec-22 and Dec-23 still saw decreases. In summary, GEO Dec-22 fell -\$0.26c to \$3.18 (-7.5%), while Dec-23 lost -\$0.27c to \$3.35 (-7.4%).



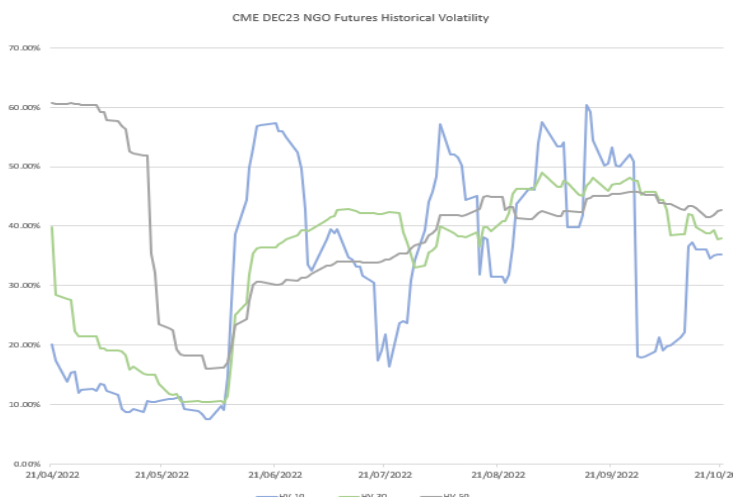
Source: Refinitiv



Source: Refinitiv

CME NGO Historical Volatility

Ten day volatility continues to rebound from the drop-off earlier in the month and now sits around 35-40%. Meanwhile, thirty and fifty days volatility have begun to diverge.



Source: Refinitiv

Block Trades on CME (w/c 17th)

A total of 3.1m tonnes was traded on CME through blocks last week on the GEO (3 blocks) and NGO contracts (35 blocks).

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
21/10/22	B	NGO	Dec-22	6.25	50
21/10/22	B	NGO	Dec-22	6.17	51
21/10/22	B	NGO	Dec-22	6.2	35
21/10/22	B	NGO	Dec-22	6.25	35
21/10/22	B	GEO	Dec23/Dec24	-0.41	250
21/10/22	B	NGO	Dec-22	6.2	115
21/10/22	B	NGO	Dec-22	6.3	15
21/10/22	B	NGO	Dec-22	6.3	100
21/10/22	B	NGO	Dec-23	9.8	100
21/10/22	B	NGO	Dec-23	9.8	50
21/10/22	B	NGO	Dec-23	9.85	50
20/10/22	B	NGO	Dec-22	6.5	75
20/10/22	B	NGO	Dec-22	6.4	50
20/10/22	B	NGO	Dec-23	9.95	50
20/10/22	B	NGO	Dec-22	6.35	50
20/10/22	B	NGO	Dec-22	6.45	50
20/10/22	B	NGO	Dec-22	6.35	50
20/10/22	B	NGO	Dec-22	6.45	50
20/10/22	B	NGO	Dec-23	10	25
20/10/22	B	NGO	Dec-23	10	25
20/10/22	B	NGO	Dec-22	6.4	25
20/10/22	B	NGO	Dec-23	10	40
20/10/22	B	NGO	Dec-23	10	25
20/10/22	B	NGO	Dec-23	10	25
20/10/22	B	NGO	Dec-22	6.45	50
20/10/22	B	NGO	Dec-22	6.35	50
19/10/22	B	NGO	Dec-22	6.2	50
19/10/22	B	NGO	Dec-22	6.3	50
19/10/22	B	NGO	Dec22/Dec23	-3.6	108
19/10/22	B	NGO	Dec22/Dec23	-3.6	92
19/10/22	B	NGO	Dec-23	10	30
19/10/22	B	NGO	Dec-22	6.25	100
19/10/22	B	NGO	Dec-23	10	55
19/10/22	B	NGO	Dec-23	10	20
19/10/22	B	NGO	Dec-23	10	30
19/10/22	B	GEO	Dec23/Dec24	-0.47	1,000
18/10/22	B	NGO	Dec-23	10.5	50
17/10/22	B	GEO	Dec-23	3.6	100

FIS Trades (w/c 17th)

VCS 934 V16 in 200kt.

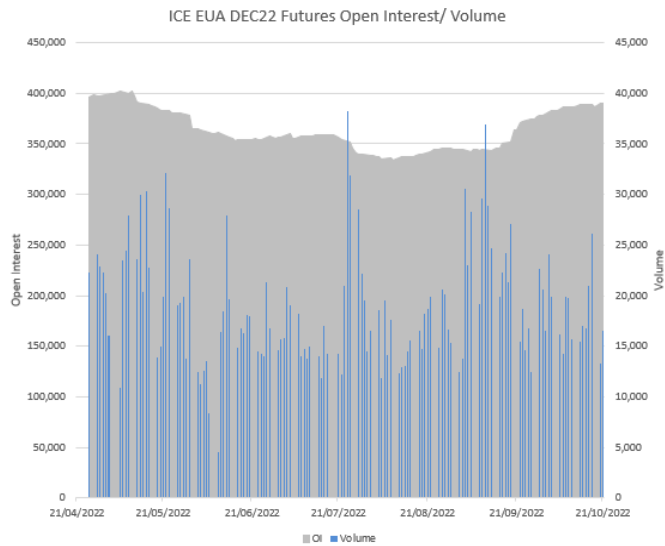
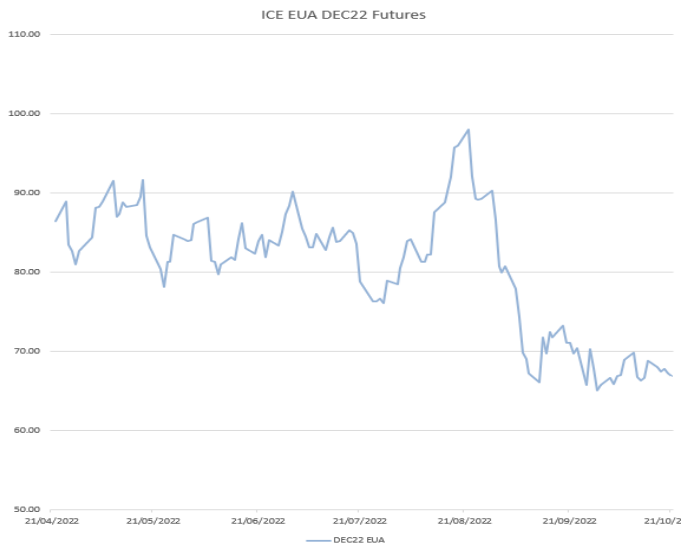
VCS 1748 V18 in 200kt.

NGO Dec-22 at 6.45 in 50kt.

Compliance Markets

EUAs

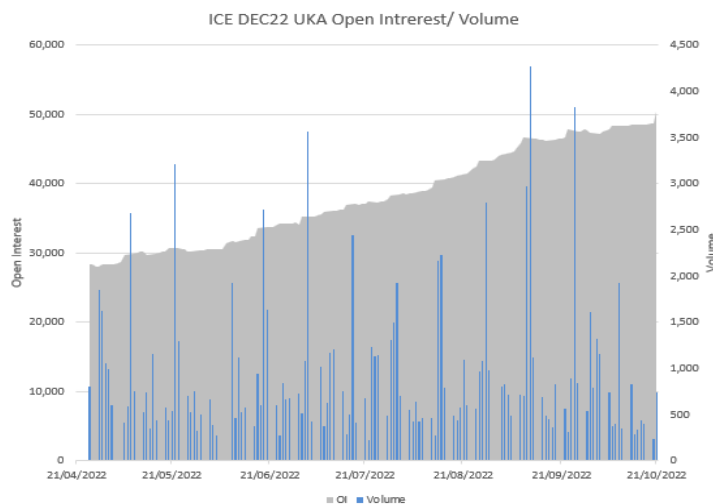
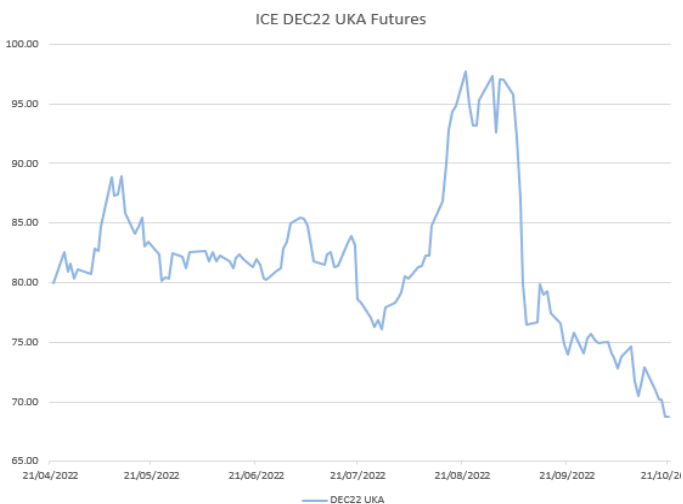
Last week the EUA Dec-22 contract continued trading within the range of €66.9-€68.7, failing to show any clear directional bias as a number of different variables hang over the scheme. Arguably the biggest decision was around energy reform with the Commission agreeing to implement a price cap to prevent excessive gas prices. Due to these gas talks, the REPowerEU initiative took a backseat and is yet to reach any concrete decision. In terms of prices, the EUA Dec-22 contract gained +€1.21 in value; a +1.8% increase.



Source: Refinitiv

UK ETS

On the UK ETS side, the Dec-22 contract traded in a range between £68.70-£70.20. While it was another week of political headlines in the UK as the newly appointed Prime Minister Liz Truss resigned, this did little to influence prices for the allowances. The appointment of a new PM, and a new energy & environmental policy, could create a shift for the market. In summary, UKAs Dec-22 decreased by -£0.63c to print at £69.57 on Friday; a -0.9% decrease.



Source: Refinitiv

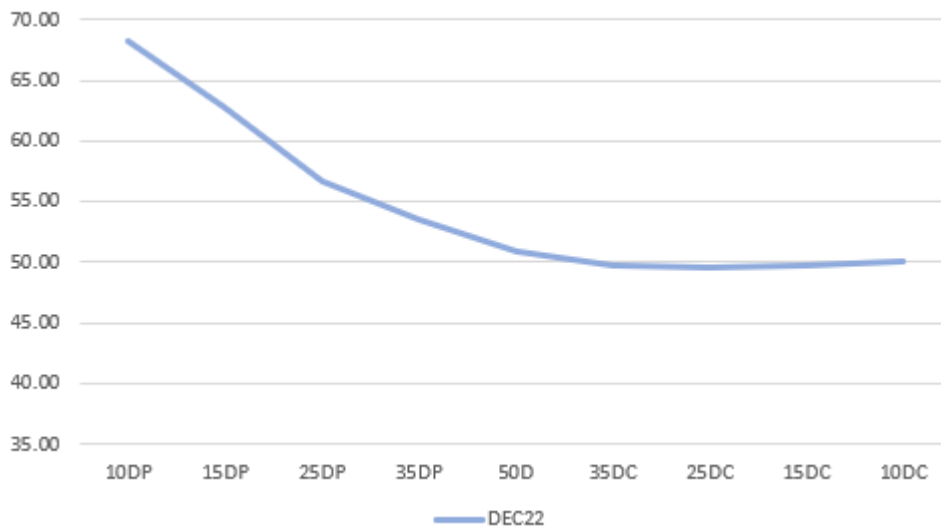
EUA Options Market

On the December 2022 expiry, open interest remains largest on the following Dec-22 calls: €80.00 strike calls at 11.8m tonnes (11,802 lots), €90.00 strike calls at 11.9m tonnes (11,925 lots), and €100.00 strike calls at 15.4m tonnes (15,495 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 14.3m tonnes (14,365 lots), and €60.00 strikes at 19m tonnes (19,067 lots).

Volatility Surface: 17/10/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	68.33	62.81	56.72	53.51	50.95	49.80	49.58	49.80	50.04

EUA DEC22 Options Volatility



Source: Bloomberg

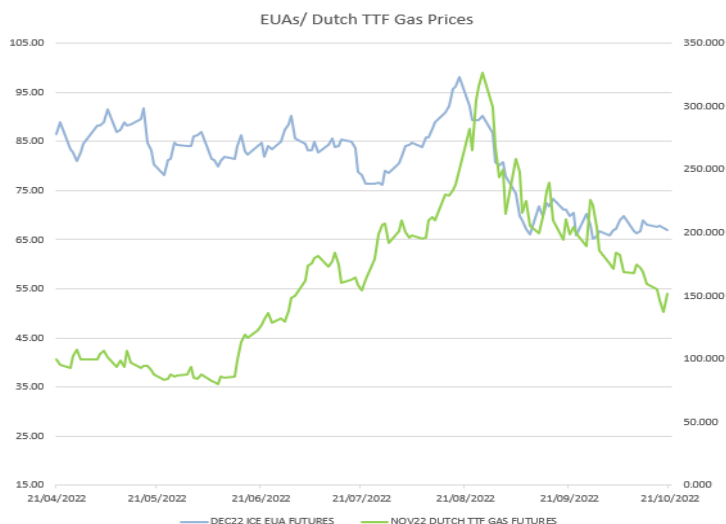
EUA DEC22 Historical Volatility



Source: Bloomberg

Correlated Markets

As mentioned above, last week saw significant focus on the EU gas market as policy makers grapple to bring prices down before winter. Prices caps have now been agreed, along with storage purchase requirements among member states whereby at least 15% is required (Financial Times). Final decisions are expected on the 25th of October. In summary, the front-month Dutch TTF Gas contract decreased by -11.3% last week (-€14.402 in monetary terms). In power markets, German Power Bas Futures Cal-23 decreased by -7.2% to €380.16/MWh on Friday.



Source: Refinitiv

Market News

A ship's greenhouse gas footprint may shrink, although only on paper, with one step: figuring out what its emissions truly are. Technology companies that measure or calculate emissions with more precision have found that vessels' actual carbon output is often smaller than the estimates traditionally used to report their carbon footprint to European Union and international regulators (TradeWinds).

Global carbon dioxide emissions from burning fossil fuels are expected to rise by just under 1% this year, as the expansion of renewables and electric vehicles outweighed coal demand, the International Energy Agency (IEA) said.

EU Parliaments boosts FuelEU Maritime emissions reductions, laying out the path to lower greenhouse gas emissions from maritime transport while maintaining competitiveness (Seatrade Maritime).

Carbon credit provider Gold Standard backs new market integrity code. The rules are the latest attempt at introducing consistency and high-quality global requirements to address perceived reliability issues which have plagued offset providers (Responsible Investor).

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