

18/11/2022

Voluntary Markets

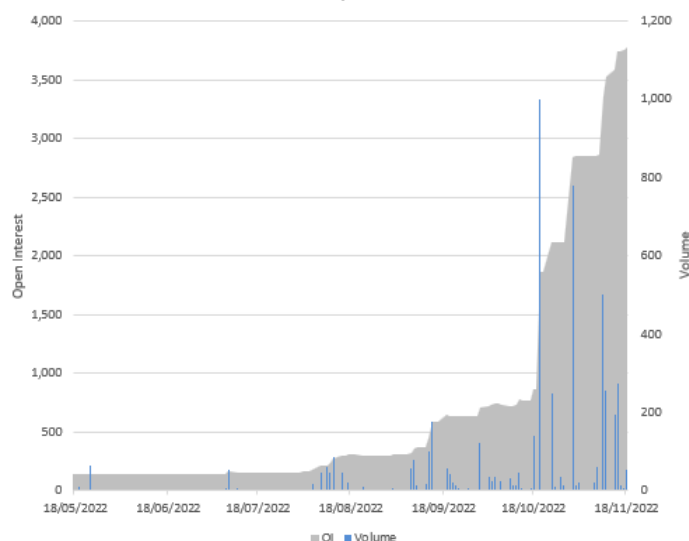
CME Futures

The second and final week of COP27 concluded with little structural changes to the VCM, and as the conference came to a close, the CME VCM futures contracts also did little in terms of development; other than the front NGO Dec-22 contract which was the only expiry to see a gain last week. In summary, NGO Dec-22 gained +\$0.10c (+1.8%) to print at \$5.47 on Friday (18th). Meanwhile, NGO Dec-23 and Dec-24 decreased in value. NGO Dec-23 fell -\$0.12c (-1.3%) to \$8.90, and NGO Dec-24 shed -\$0.03c (-0.2%) to \$10.79. On the GEO contracts, price decreases were more apparent. GEO Dec-22 fell -\$0.13c (-3.9%) to \$3.16, Dec-23 decreased by -\$0.16c (-4.5%) to \$3.37, and Dec-24 by -\$0.13c (-3.3%) to \$3.76.

GEO DEC22/ DEC23/ DEC24 Futures



CME GEO DEC23 Open Interest/ Volume

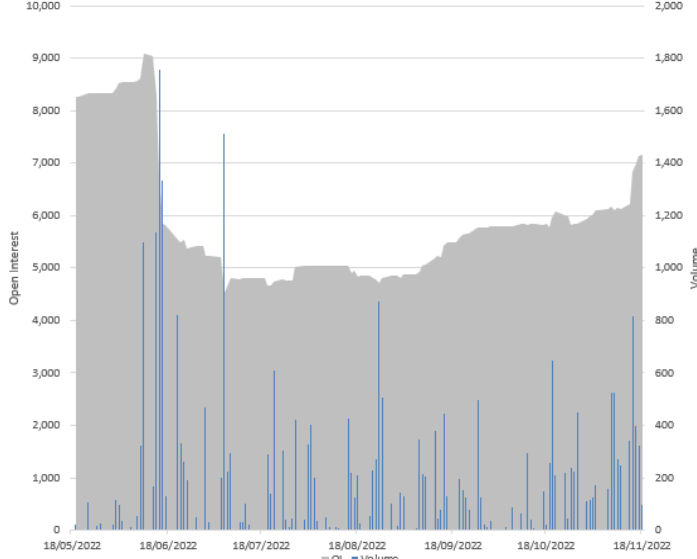


Source: Refinitiv

CME NGO DEC22/ DEC23/ DEC24 Futures



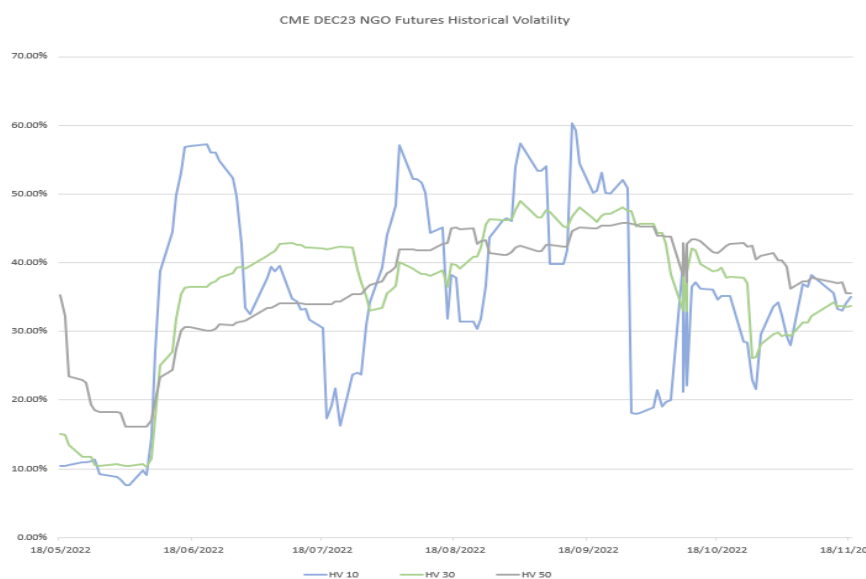
CME NGO DEC23 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

10 day volatility continues to tick upwards on the NGO Dec-23 contract. In addition, convergence can now be seen across 10, 30, and 50 day volatility.



Source: Refinitiv

Block Trades on CME (w/c 14th)

A total of 2.92m tonnes was traded on the CME VCM futures last week across the GEO contract (four blocks) and N-GEO (30 blocks). A breakdown of these block trades are shown in Appendix 1 at the end of this report.

FIS Trades (w/c 14th)

Futures

CME NGO DEC23 @ 8.90, 40kt.

CME NGO DEC23 @ 8.85, 40kt.

CME NGO DEC23 @ 8.85, 20kt.

CME NGO DEC22 @ 5.10, 10kt.

CME NGO DEC23 @ 9.00, 40kt.

OTC Physical

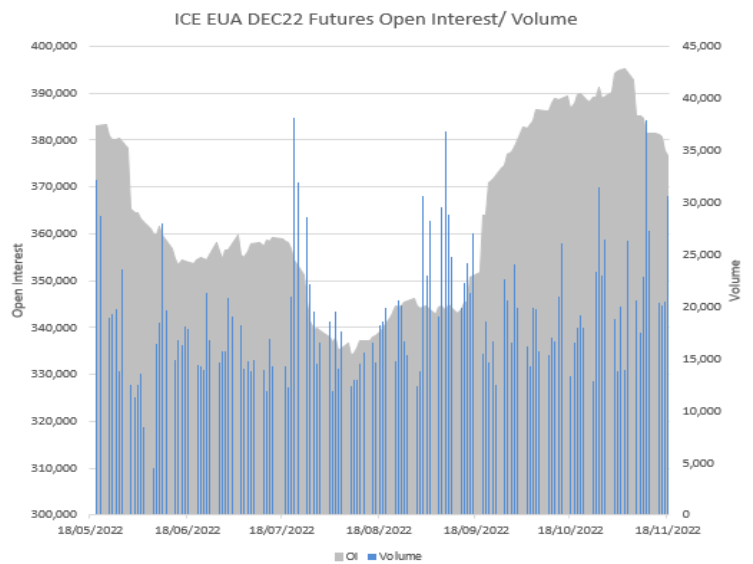
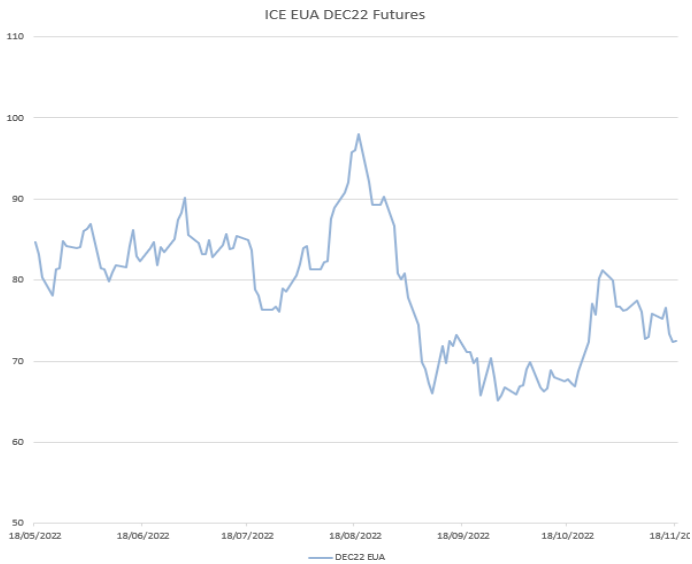
VCS 1950 Longyuan Mulilo De Aar 2 North Wind Energy Facility (South Africa), V21 @ 4.30, 10kt.

GS 11189 Improved Cookstove & Safe Water Programme (Kenya) V21 @ 10.10, 60kt.

Compliance Markets

EUAs

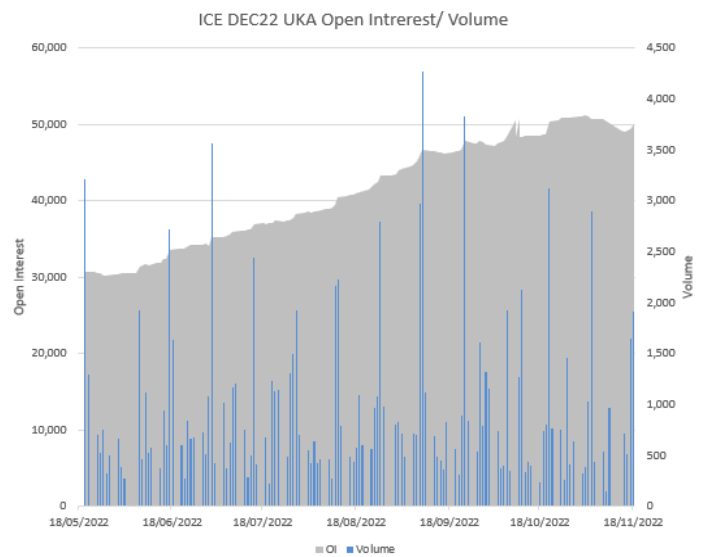
As the EU saw a quieter week in terms of regulatory meetings and voting on amendments to the ETS last week, the EUA market traded down to negative territory. The Dec-22 expiry traded within a range of €71.89-€77.41 throughout the week and appeared to lack any clear directional signal. Key events surrounding the ETS which could influence prices over the coming weeks is the resumption of Fir for 55 discussions on 22/11/22, followed by 16-17 December when the proposal is set to be finalised. The Dec-22 options expiry on 14/12/2022 should also be closely monitored. To summarise price action of the past week, EUA Dec-22 decreased by -€2.76 (-3.6%) to print on Friday at €72.47.



Source: Refinitiv

UK ETS

On the UK ETS side, the UKA Dec-22 contract was trading in the range of £65.40-£72.35 and settled at £66.55 (-7.2%) on Friday. Most notable in the UK ETS from last week was allowances falling below £70.00 for the first time in a month.



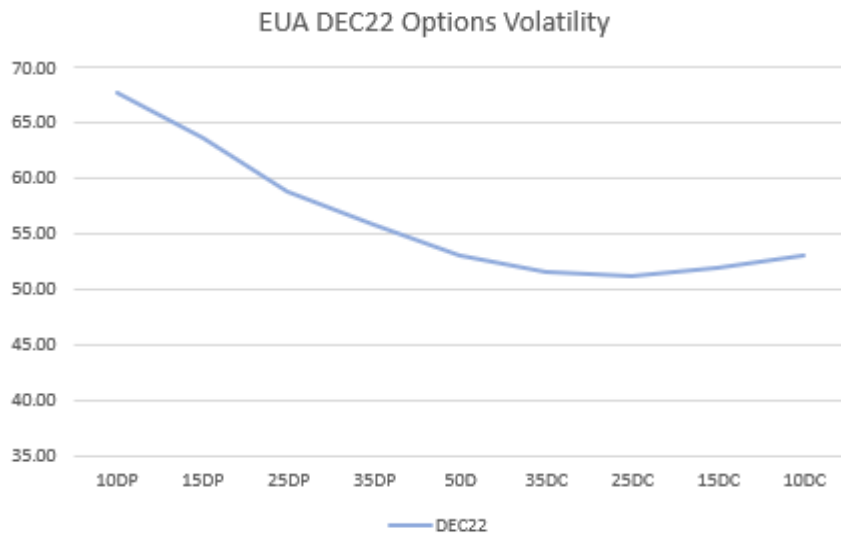
Source: Refinitiv

EUA Options Market

On the December 2022 expiry, open interest remains largest on the following Dec-22 calls: €90 strike calls at 12m tonnes (12,022 lots), €100.00 strike calls at 14.6m tonnes (14,631 lots), and €110.00 strike calls at 15m tonnes (15,042 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €30.00 strikes at 17.1m tonnes (17,125 lots), €45.00 strikes at 16.1m tonnes (16,175 lots), €60.00 strikes at 14.9m tonnes (14,917 lots).

Volatility Surface: 14/11/2022

| TERM | 10DP | 15DP | 25DP | 35DP | 50D | 35DC | 25DC | 15DC | 10DC |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| DEC22 | 67.78 | 63.66 | 58.77 | 55.81 | 53.08 | 51.61 | 51.30 | 51.95 | 53.12 |



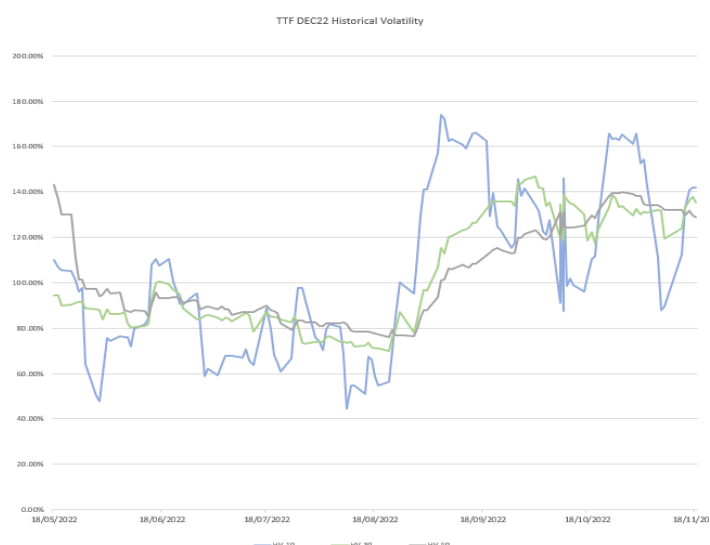
Source: Bloomberg



Source: Bloomberg

Correlated Markets

Milder temperatures across the EU kept Dutch TTF Gas prices subdued last week. In addition, a commission document detailed further plans for the gas price cap across the EU, which are expected to run until January 2024 and will likely only impact front-month TTF prices. In summary, Dutch TTF Dec-22 prices saw a slight decrease of -€1.80 (-1.5%) WoW to print on Friday at €115.509/MWh.



Source: Refinitiv

Market News

Talks to establish carbon offset markets to allow countries to buy credits to partly achieve their climate pledges are set to drag on beyond the COP27 summit and into next year, according to observers and a negotiator in the U.N. talks (Reuters).

Brazilian states have expressed an intention to issue more than 1 billion carbon credits for their efforts to reduce deforestation (Quantum Commodity Intelligence).

US President Joe Biden and Indonesian President Joko Widodo announced a climate finance deal providing \$20 billion to help Indonesia pivot away from coal power (Bloomberg).

The United Arab Emirates will soon start its first carbon-credit exchange and is taking a tougher stance on ESG disclosure, as the country looks to achieve carbon neutrality by 2050 (Bloomberg).

Europe, China and US could decarbonise 84% of global shipping emissions and bypass the "ineffective" International Maritime Organization (IMO), a new study published by green group Transport and Environment (T&E) shows (Offshore Energy).

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| Date | Direction | Contract | Expiry | Price (\$) | Qty/tns ('000) |
|------------|-----------|----------|-------------|------------|----------------|
| 18/11/2022 | B | NGO | Dec24/Dec25 | -1.51 | 40 |
| 18/11/2022 | B | NGO | Dec-24 | 10.66 | 40 |
| 18/11/2022 | B | NGO | Dec-23 | 8.88 | 40 |
| 18/11/2022 | B | NGO | Dec23/Dec24 | -1.79 | 50 |
| 18/11/2022 | B | NGO | Dec-23 | 8.90 | 40 |
| 17/11/2022 | B | NGO | Dec-23 | 8.85 | 40 |
| 17/11/2022 | B | NGO | Dec-23 | 8.85 | 20 |
| 16/11/2022 | B | NGO | Dec-23 | 8.70 | 50 |
| 16/11/2022 | B | NGO | Dec-23 | 8.85 | 25 |
| 16/11/2022 | B | NGO | Dec22/Dec23 | -3.50 | 50 |
| 16/11/2022 | B | NGO | Dec22/Dec23 | -3.50 | 50 |
| 16/11/2022 | B | NGO | Dec-23 | 8.85 | 50 |
| 16/11/2022 | B | NGO | Dec-23 | 8.85 | 40 |
| 15/11/2022 | B | NGO | Dec-23 | 8.80 | 20 |
| 15/11/2022 | B | NGO | Dec-23 | 8.80 | 25 |
| 15/11/2022 | B | NGO | Dec-23 | 8.75 | 50 |
| 15/11/2022 | B | NGO | Dec-22 | 5.1 | 10 |
| 15/11/2022 | B | NGO | Dec23/Dec24 | -1.77 | 50 |
| 15/11/2022 | B | NGO | Dec23/Dec24 | -1.77 | 50 |
| 15/11/2022 | B | NGO | Dec23/Dec24 | -1.85 | 50 |
| 15/11/2022 | B | NGO | Dec-23 | 8.75 | 20 |
| 15/11/2022 | B | NGO | Dec-23 | 9 | 40 |
| 14/11/2022 | B | NGO | Dec-23 | 9.03 | 505 |
| 14/11/2022 | B | GEO | Dec-23 | 3.49 | 146 |
| 14/11/2022 | B | GEO | Dec-22 | 3.22 | 237 |
| 14/11/2022 | B | NGO | Dec-22 | 5.32 | 791 |
| 14/11/2022 | B | GEO | Dec22/Dec23 | -0.25 | 75 |
| 14/11/2022 | B | GEO | Dec22/Dec23 | -0.25 | 20 |
| 14/11/2022 | B | NGO | Dec22/Dec23 | -3.6 | 20 |
| 14/11/2022 | B | NGO | Dec22/Dec23 | -3.6 | 50 |
| 14/11/2022 | B | NGO | Dec-23 | 9.05 | 50 |
| 14/11/2022 | B | NGO | Dec-23 | 9.05 | 40 |
| 14/11/2022 | B | GEO | Dec-23 | 9.05 | 40 |
| 14/11/2022 | B | NGO | Dec-23 | 9.05 | 50 |
| 14/11/2022 | B | NGO | Dec23/Dec24 | -1.77 | 50 |

Source: CME Direct