



Carbon Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

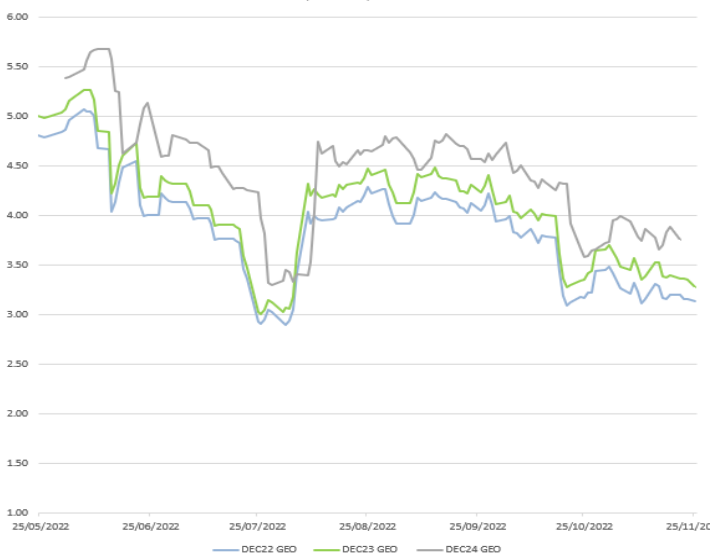
25/11/2022

Voluntary Markets

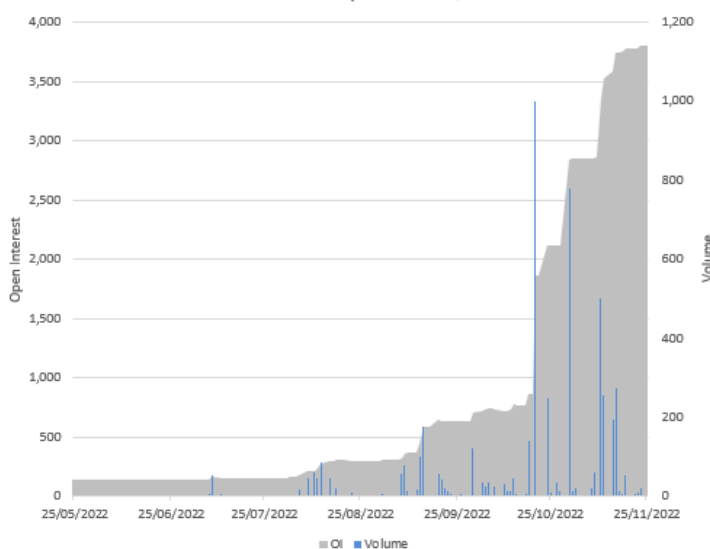
CME Futures

The VCM futures market saw a noteworthy drop in activity last week, arguably due to a public holiday in the US and fast-approaching December expiry of the 2022 contracts. This week also sees the S&P Global Markets Conference in Barcelona. In terms of price action for the CME VCM futures, things were largely unchanged from the week prior. Seeing the largest gain was the N-GEO Dec-22, increasing by +\$0.09c to print at \$5.47 on Friday (+1.6%). N-GEO expiries further down the curve dispersed with Dec-23 slightly increasing by +\$0.03c to \$8.88 (+0.3%), while Dec-24 fell by -\$0.07c to \$10.67 (-0.65%). On the technology contract, GEO, Dec-22 fell by -\$0.02c to \$3.14 (-0.6%), and Dec-23 by \$0.01c to \$3.36 (-0.3%).

GEO DEC22/ DEC23/ DEC24 Futures



CME GEO DEC23 Open Interest/ Volume

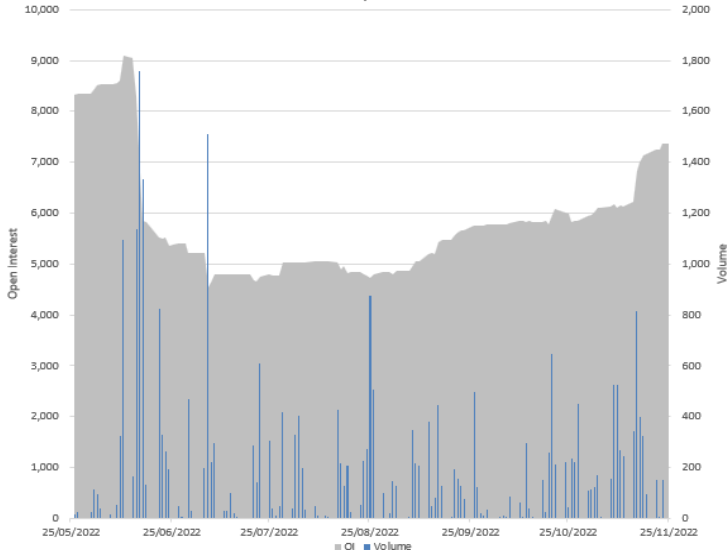


Source: Refinitiv

CME NGO DEC22/ DEC23/ DEC24 Futures



CME NGO DEC23 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

After a lacklustre week for the VCM, volatility across 10 days, 30 days, and 50 days dropped significantly for the N-GEO Dec-23 contract.



Source: Bloomberg

Block Trades on CME (w/c 21st)

A total of 171kt was traded on the CME VCM futures last week across the GEO contract (one block) and N-GEO (four blocks).

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
24/11/2022	B	NGO	Dec-23	8.85	25
24/11/2022	B	NGO	Dec-23	8.85	15
22/11/2022	B	NGO	Dec-23	8.81	11
22/11/2022	B	NGO	Dec23/Dec24	-1.77	100
22/11/2022	B	GEO	Dec22/Dec23	-0.25	20

Source: CME Direct

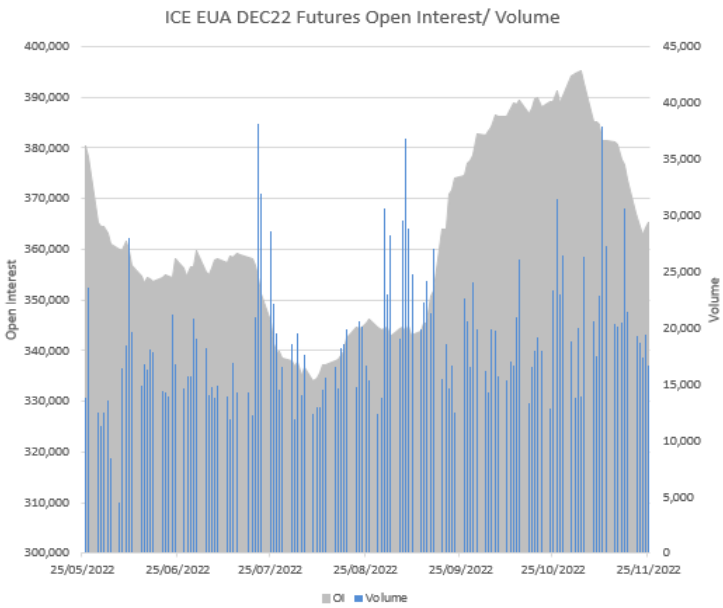
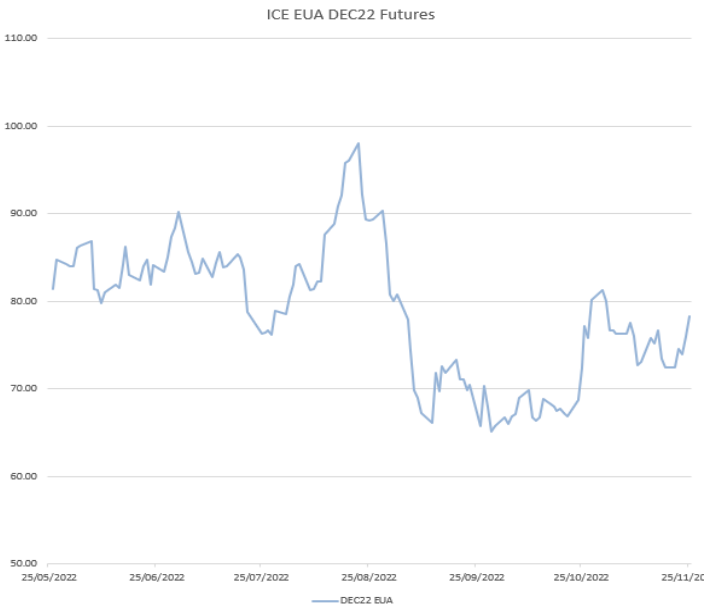
FIS Trades (w/c 21st)

GS 11294 Improved Cookstove and Safe Water Programme (Kenya), V2021, @ \$10.10 in 20kt.

Compliance Markets

EUAs

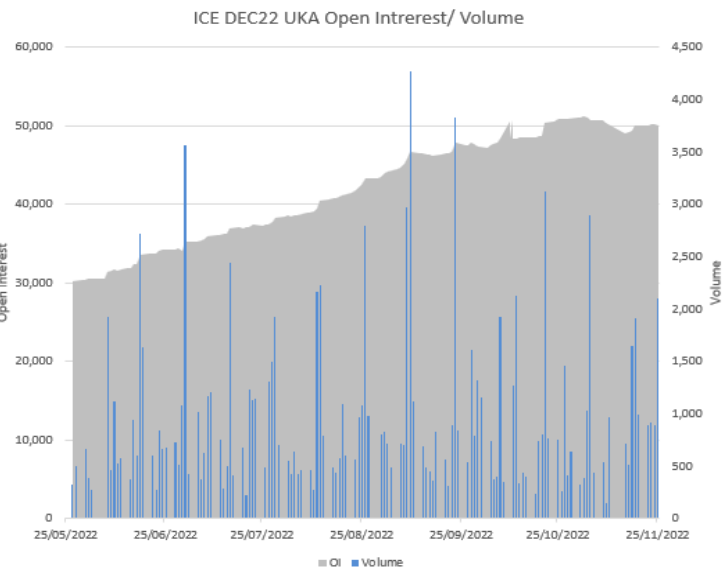
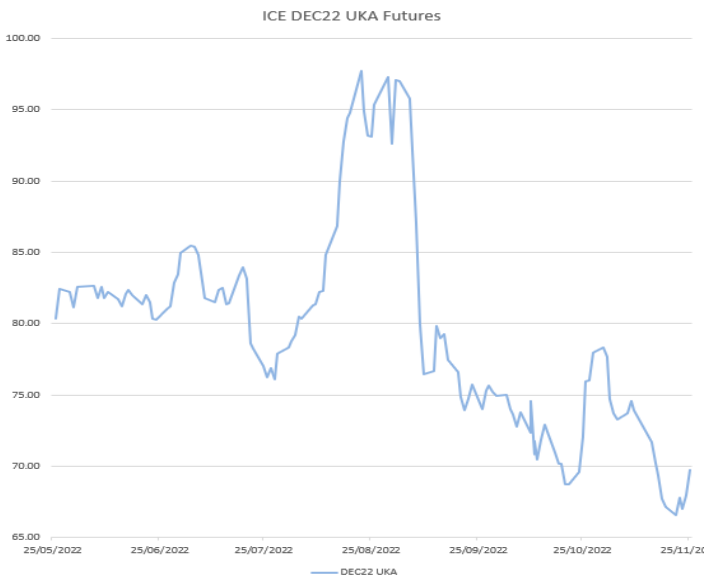
After a subdued start to the week, the EUA market kicked into action from Wednesday following a break through key technical thresholds, lack of US traders due to Thanksgiving, and upcoming contract expiries; most notably on the EUA Dec-22 options on 14/12/2022 and end of the auction calendar for the year on 19/12/2022. On the regulatory side, last week saw continued discussions on the REPowerEU debacle, as well as shipping's inclusion in the ETS coming back into discussions. Now, the Commission are again proposing a gradual phased-in approach from 2024-2026. Another factor influencing prices is the long-awaited gas price cap, with the EU Commission proposing a gas price cap for a year from 01/01/2023 which is still awaiting approval. In terms of prices, the EUA Dec-22 contract increased by +€6.39 to print on Friday at €78.66 (+8.8%); the highest settlement price seen throughout November.



Source: Refinitiv

UK ETS

On the UK ETS side, the Dec-22 contract traded in a range between £66.50-£70.90 and settled on Friday (25th) at £69.27; a WoW gain of +£2.72 (+4.1%). Next week sees the return of the fortnightly auction (30th), and it should be noted that only two fortnightly auctions remain for the Dec-22 contract.



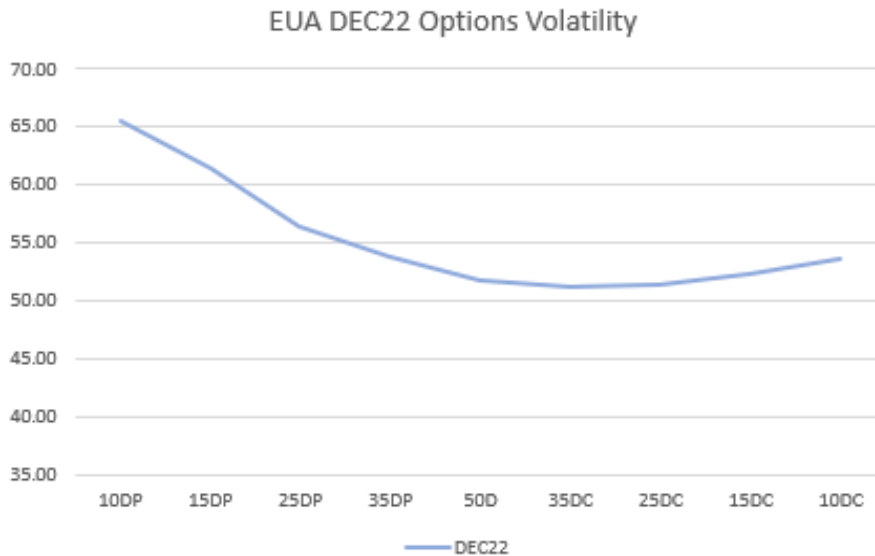
Source: Refinitiv

EUA Options Market

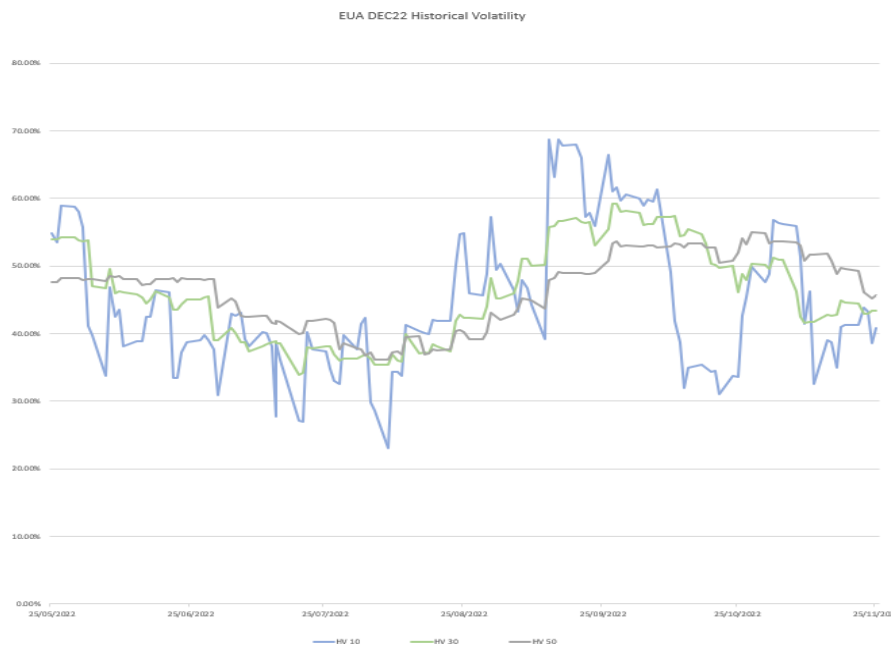
On the December 2022 expiry, open interest remains largest on the following Dec-22 calls: €90 strike calls at 12.1m tonnes (12,172 lots), €100.00 strike calls at 14.1m tonnes (14,181 lots), and €110.00 strike calls at 14.6m tonnes (14,617 lots). Meanwhile, open interest is largest on the following Dec-22 puts: €30.00 strikes at 17.1m tonnes (17,125 lots), €45.00 strikes at 16.2m tonnes (16,205 lots), €60.00 strikes at 14.7m tonnes (14,792 lots).

Volatility Surface: 21/11/2022

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	65.60	61.40	56.34	53.73	51.81	51.20	51.41	52.40	53.56



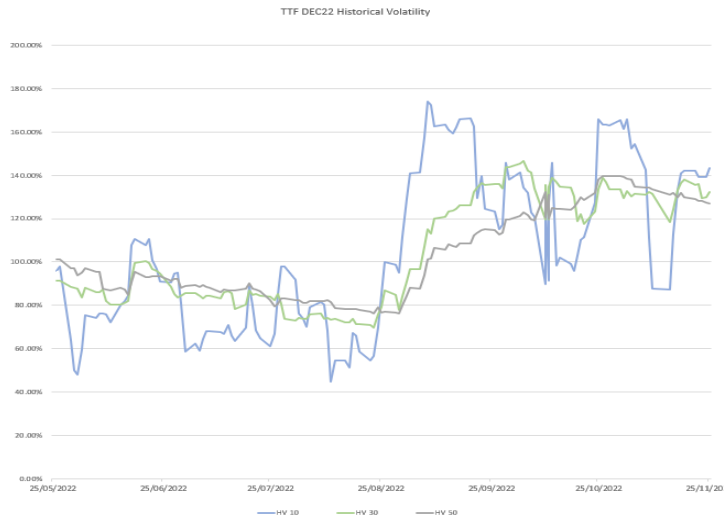
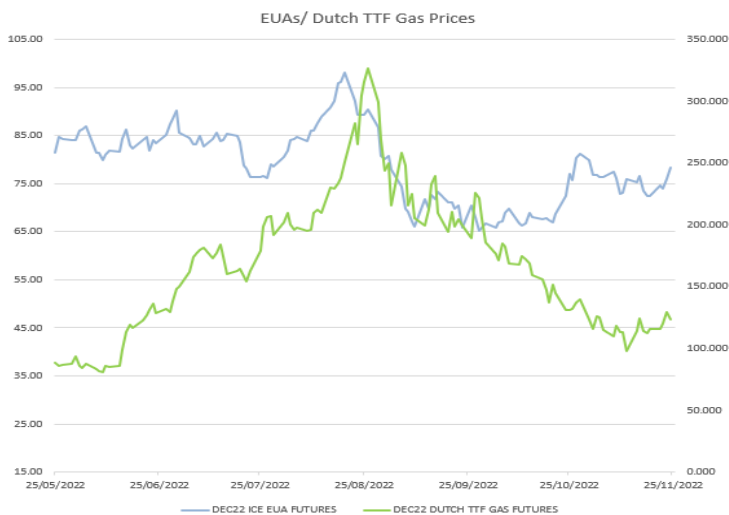
Source: Bloomberg



Source: Bloomberg

Correlated Markets

The European gas market remains of paramount importance, especially as the Dutch TTF front-month contract remains below €130.00/MWh while industrial demand remains in a stable state. As mentioned earlier in the report, the EU Commission are still debating a gas price cap (at €275.00/MWh, further influencing prices. In summary, the Dutch TTF Dec-22 contract gained +€8.86 to €124.37/MWh (+7.6%). In German power markets, Cal-23 gained +€18.52 Wow to print at €364.1/MWh (+5.3%).



Source: Refinitiv

Market News

The United Nations climate summit concluded with landmark agreements on compensation for poorer countries affected by global warming and plans to mitigate the effects of climate change. Beyond COP27, priorities include continuing to press for all major economies to align their 2030 targets with 1.5 degrees, delivering finance for climate action at scale and work closely with the United Arab Emirates, which will host COP28, according to Kerry (Bloomberg).

Shipping companies could exploit loopholes in upcoming UN regulations targeting carbon emissions, industry insiders have warned, potentially limiting environmental progress in one of the world's most polluting sectors (Financial Times).

The Hong Kong stock exchange has carried out the first batch of carbon credit trades on its new voluntary carbon market, joining a handful of Asian exchanges in tapping opportunities resulting from governments' push to achieve climate goals (Reuters).

The European Commission is set to propose a scheme to certify removals of carbon dioxide from the atmosphere as part of a push to reach net-zero emissions by mid-century (EURACTIV).

Contact

Kieran Batterbury

KieranB@freightinvestor.com

+44 (0) 207 090 1120

Theodore Goulios

TheoG@freightinvestor.com

+65 6535 5189

Josh Weinstein

JoshW@freightinvestor.com

+44 (0) 207 090 1120

Anand Ravindran

AnandR@freightinvestor.com

+65 9782 2445

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com