



# Carbon Weekly Report

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## 11/11/2022

### Voluntary Markets

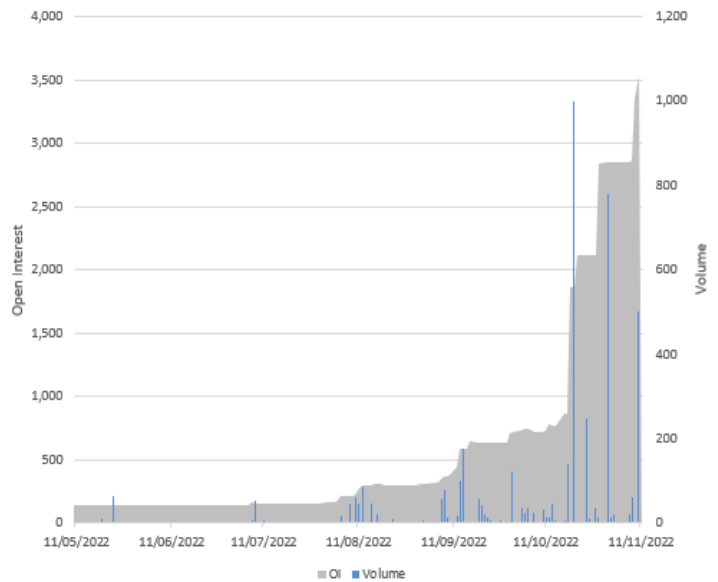
#### CME Futures

In the shadow of the United Nations' COP27 conference, the voluntary carbon market came under both political debate and price pressure last week. On the international stage, the use of the VCM as a way to achieve climate goals has been bolstered; most notably with the US climate envoy, John Kerry, announcing the creation of a carbon offset plan meant to help developing countries speed their transition away from fossil fuels (Reuters). Outside of COP and in terms of price action, the performance of the CME VCM futures contracts last week was mixed. As expiry approaches on CME N-GEO Dec-22, prices continue to freefall. Over the week, N-GEO Dec-22 fell -7.9% to print on Friday (11th) at \$5.43 (losing -\$0.47c), N-GEO Dec-23 fell -4% to \$9.09 (losing -\$0.38c), and Dec-24 by -2% to \$10.85 (losing -\$0.23c). Within the technology-based CME GEO futures contract, attention continues to shift further down the curve with open interest increasing considerably on the Dec-23 and Dec-24 expiries. Prices on GEO Dec-22 shed -\$0.01c last week after printing on Friday at \$3.31 (-0.3%), while Dec-23 fell -1.1% to \$3.53 (-\$0.04c), and Dec-24 by -1% (-\$0.04c).

GEO DEC22/ DEC23/ DEC24 Futures



CME GEO DEC23 Open Interest/ Volume

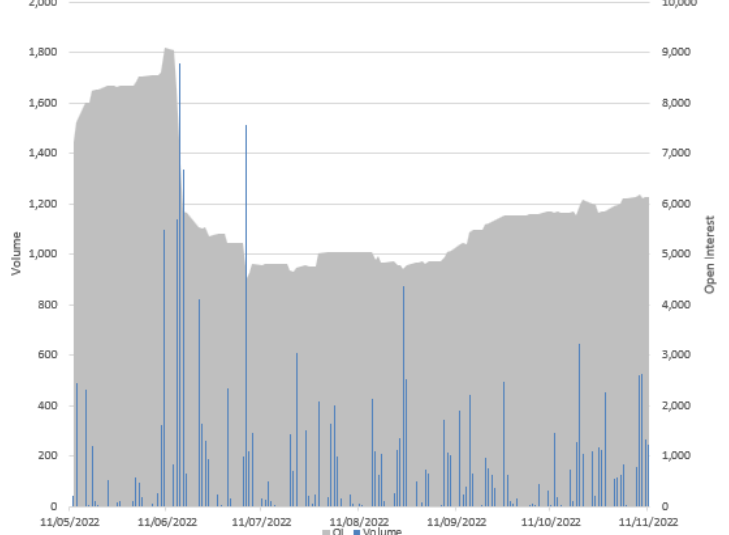


Source: Refinitiv

CME NGO DEC22/ DEC23/ DEC24 Futures



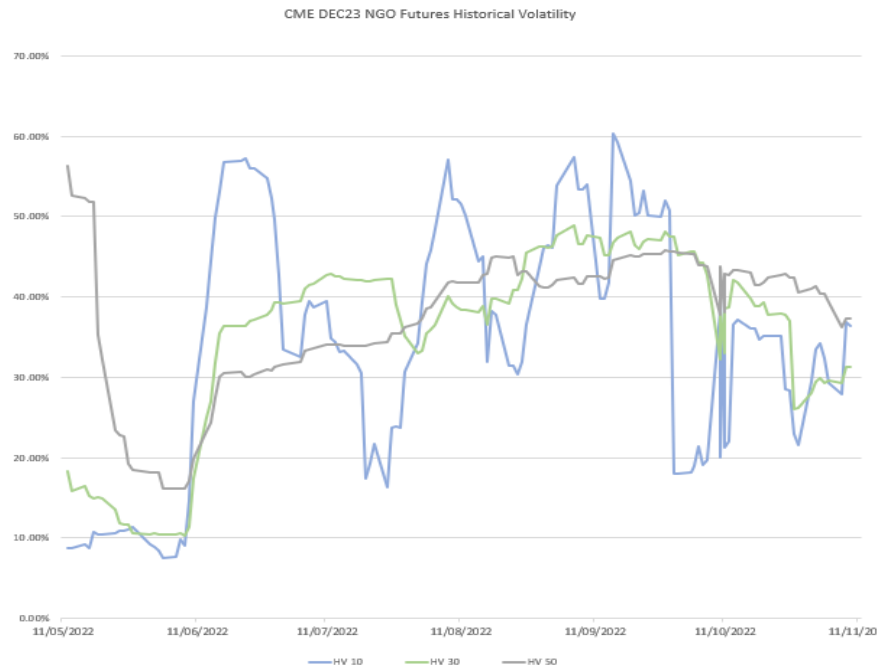
CME NGO DEC23 Open Interest/ Volume



Source: Refinitiv

## CME NGO Historical Volatility

Ten day volatility jumped considerably last week amid active trading on the Dec-23 expiry, further highlighting the 22/23 roll is well underway.



Source: Refinitiv

## Block Trades on CME (w/c 7th)

A total of 2.66m tonnes was traded on CME through 57 blocks last week on the GEO (5 blocks) and NGO contracts (52 blocks). A breakdown of these block trades are shown in Appendix 1 at the end of this report.

## FIS Trades (w/c 7th)

CME NGO DEC24 @ 11.00, 25kt.

CME NGO DEC23 @ 9.40, 25kt.

CME NGO DEC22/23 @ -3.85, 25kt (5.45 / 9.30).

CME NGO DEC22/23 @ -3.65 in 26kt (5.20 / 8.85).

VCS 1477 Katingan (Indonesia), v19, 13.40, 50kt.

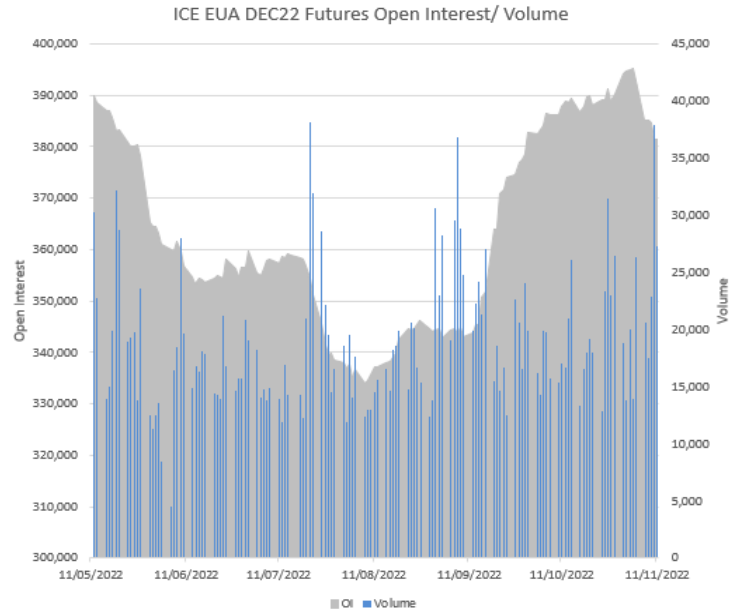
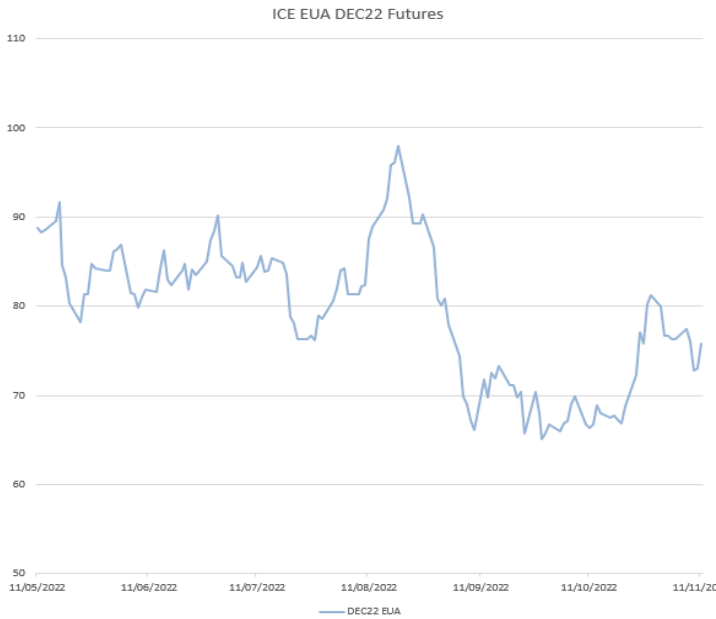
VCS 2250, Delta Blue Carbon - 1 (Pakistan), v17, @ 30.00, 25kt.

VCS 2250, Delta Blue Carbon - 1 (Pakistan), v20, @ 34.25, 25kt.

# Compliance Markets

## EUAs

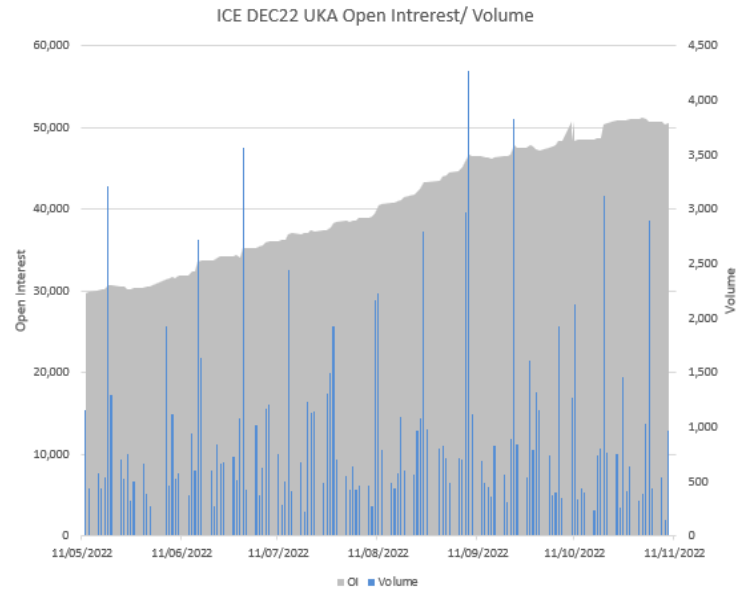
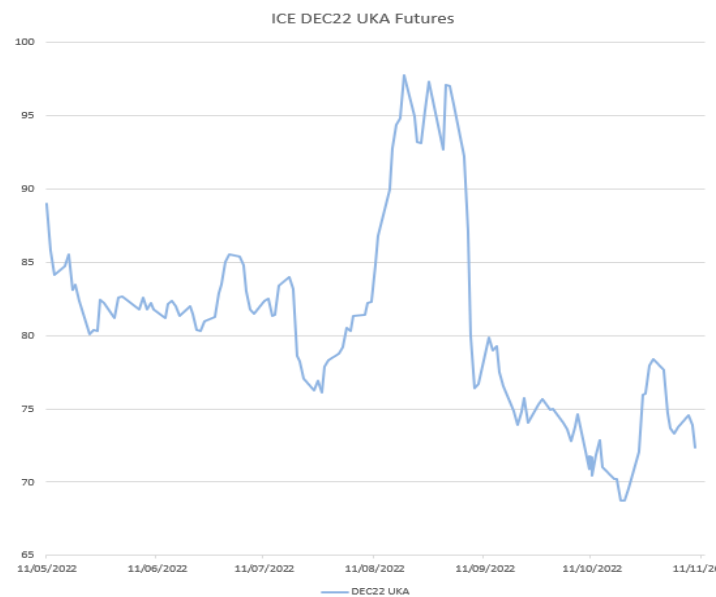
Last week the EUA market traded in a range between €72.55-€77.50 on the Dec-22 contract and registered a rather divergent trading week. The beginning half was focused on the REPowerEU vote and the market appeared to be waiting on some political judgement to provide direction. It was eventually agreed by Parliament to sign-off REPowerEU changes, seeking to frontload ETS auction revenue entirely from government supply (Carbon Pulse). However, the most bullish news was announced on Friday (11th) as plans to limit access to the ETS to only compliant entities was scrapped (Reuters). In terms of prices, ICE EUA Dec-22 decreased by -0.69% to print on Friday at €75.84 (losing -€0.52c).



Source: Refinitiv

## UK ETS

Prices within the UK ETS under the UKA Dec-22 contract fell throughout the week, largely driven by a milder weather forecast and the continued macro situation in the country. The PM, Rishi Sunak, also reversed his foreign policy stance in regards to climate policy after backtracking on his decision to attend COP27. In summary, the UKA Dec-22 contract decreased by -3.8% to £71.71 (-£2.88).



Source: Refinitiv

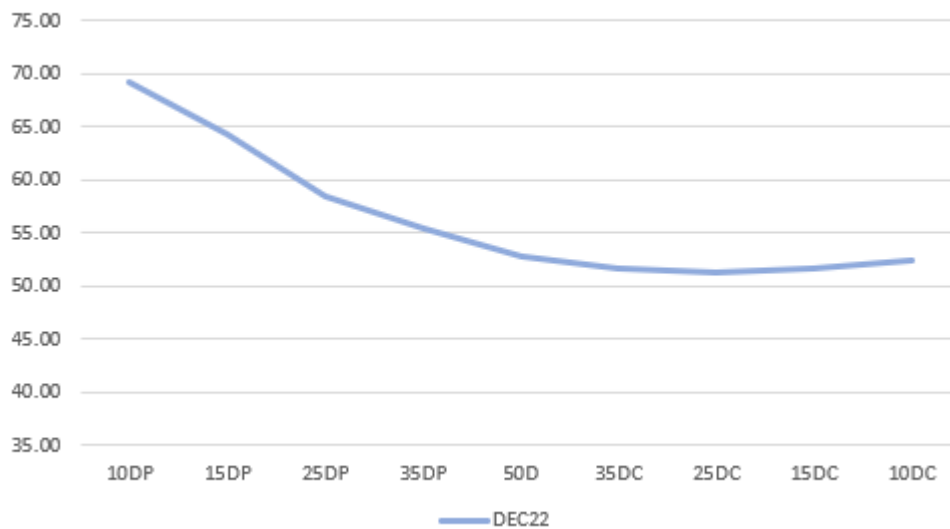
## EUA Options Market

On the December 2022 expiry, open interest remains largest on the following Dec-22 calls: €90 strike calls at 12.7m tonnes (12,702 lots), €100.00 strike calls at 13.8m tonnes (13,820 lots), and €110.00 strike calls at 16m tonnes (16,017 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 15.2m tonnes (15,200 lots), €60.00 strikes at 17m tonnes (17,067 lots).

**Volatility Surface: 07/11/2022**

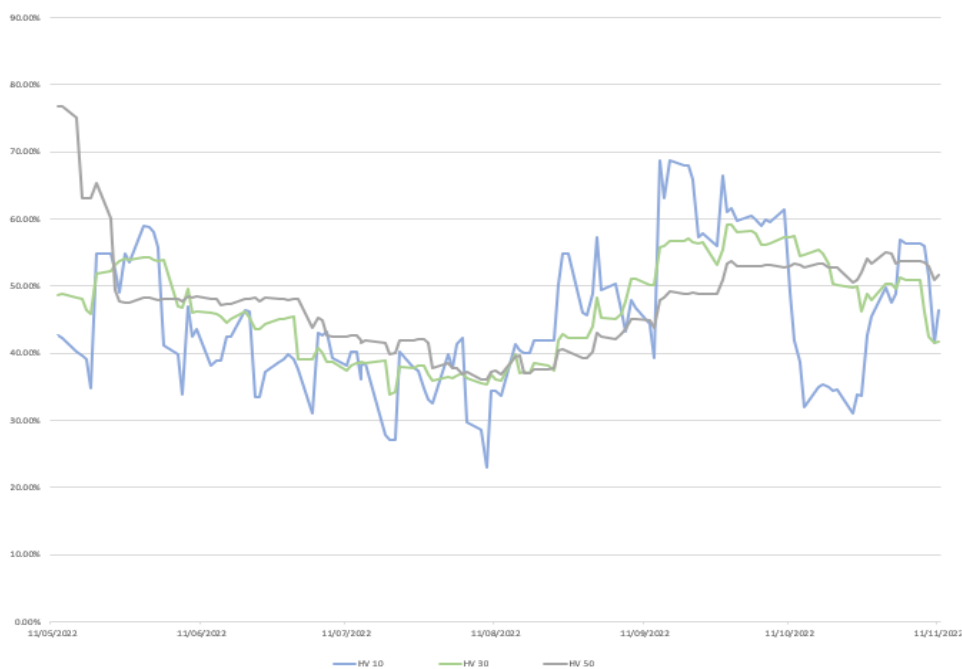
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
DEC22	69.31	64.30	58.53	55.39	52.82	51.62	51.35	51.68	52.35

**EUA DEC22 Options Volatility**



Source: Refinitiv

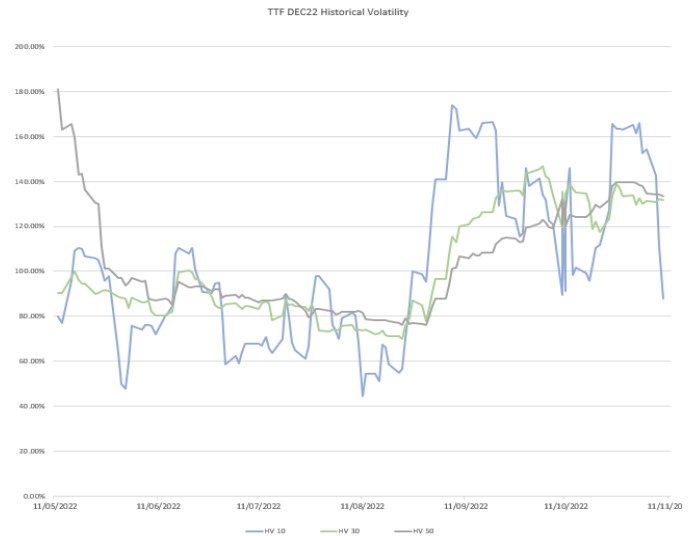
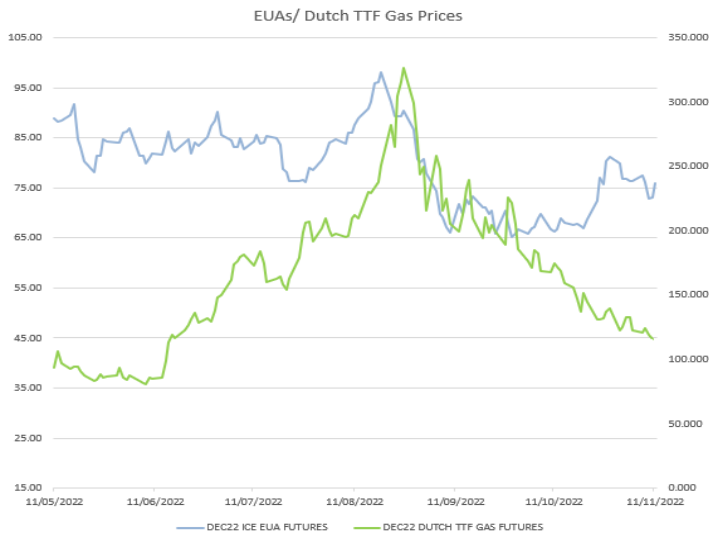
**EUA DEC22 Historical Volatility**



Source: Refinitiv

## Correlated Markets

The energy market continues to dominate headlines as energy scarcity is of paramount importance for most countries given the current geopolitical context. The Dutch TTF Gas market remained below the key €120/MWh threshold last week and continued decreasing due to milder weather across the EU and continued political measures around gas storage. To summarise, the front-month TTF Gas contract fell -10.7% to €97.853 on Friday (11th); losing -€11.83 in value.



Source: Refinitiv

## Market News

UN climate talks began in Egypt last Sunday (6th) with a deal to discuss how rich countries can help pay for the damages caused by global warming elsewhere. Also, discussions on a global carbon market under the Paris Agreement will be addressed, negotiators at COP27 will need to establish strict guidelines to ensure the credits used in the global carbon market represent real emissions reductions (Bloomberg).

US climate envoy John Kerry on Wednesday announced plans to enable companies to buy carbon credits to support countries across the world accelerate their phaseout of coal power (Reuters).

As part of its effort to marshal US forests in the fight against climate change, the Biden administration released its Nature-Based Solutions Roadmap during the UN Climate Change Conference that pledges \$25 billion to maximize the carbon absorption potential of natural resources (SPG Global).

All large companies in the EU will need to disclose data on the impact of their activities on people and the planet and any sustainability risks they are exposed to (Bloomberg).

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## Appendix 1:

Date	Direction	Contract	Expiry	Price (\$)	Qty/tns ('000)
11/11/2022	B	GEO	Dec-23	3.5	50
11/11/2022	B	NGO	Dec-24	10.85	25
11/11/2022	B	NGO	Dec-23	9.1	25
11/11/2022	B	NGO	Dec23/Dec24	-1.77	150
11/11/2022	B	NGO	Dec-24	10.85	50
11/11/2022	B	NGO	Dec23/Dec24	-1.77	100
11/11/2022	B	NGO	Dec-24	10.75	50
10/11/2022	B	GEO	Dec23/Dec24	-0.4	100
10/11/2022	B	NGO	Dec23/Dec24	-1.75	50
10/11/2022	B	NGO	Dec23/Dec24	-1.75	50
10/11/2022	B	NGO	Dec-24	10.45	40
10/11/2022	B	NGO	Nov-22	5.2	25
10/11/2022	B	GEO	Dec22/Dec23	-0.2	25
10/11/2022	B	NGO	Dec22/Dec23	-3.65	26
10/11/2022	B	NGO	Dec-24	10.5	10
10/11/2022	B	NGO	Dec-23	8.8	10
10/11/2022	B	NGO	Dec-22	5.2	10
10/11/2022	B	NGO	Dec-23	9	20
10/11/2022	B	NGO	Dec23/Dec24	-1.7	25
10/11/2022	B	NGO	Dec-24	10.5	50
09/11/2022	B	GEO	Dec23/Dec24	-0.39	500
09/11/2022	B	NGO	Dec22/Dec23	-3.85	25
09/11/2022	B	NGO	Dec-23	9.1	25
09/11/2022	B	NGO	Dec-23	9.1	50
09/11/2022	B	NGO	Dec22/Dec23	-3.9	25
08/11/2022	B	NGO	Dec-24	10.8	25
08/11/2022	B	NGO	Nov-22	5.6	25
08/11/2022	B	NGO	Dec-22	5.5	25
08/11/2022	B	NGO	Dec-23	9.25	25
08/11/2022	B	NGO	Dec22/Dec23	-3.75	125
08/11/2022	B	NGO	Dec22/Dec23	-3.75	25
08/11/2022	B	NGO	Dec22/Dec23	-3.75	50
08/11/2022	B	NGO	Dec-24	10.85	25
08/11/2022	B	NGO	Dec-24	10.85	25
08/11/2022	B	NGO	Dec-23	9.15	50
08/11/2022	B	NGO	Dec-23	9.2	25
08/11/2022	B	NGO	Dec-23	9.15	50
08/11/2022	B	NGO	Dec-23	9.4	25
08/11/2022	B	NGO	Dec-24	11	25
08/11/2022	B	NGO	Dec-24	11	25
08/11/2022	B	NGO	Dec-24	11.1	50
07/11/2022	B	NGO	Dec-23	9.45	25
07/11/2022	B	NGO	Dec-23	9.4	50
07/11/2022	B	NGO	Dec-24	11	50
07/11/2022	B	NGO	Dec-23	9.5	25
07/11/2022	B	NGO	Dec-24	11.1	25
07/11/2022	B	GEO	Dec-23	3.55	50
07/11/2022	B	NGO	Dec-23	9.5	50
07/11/2022	B	NGO	Dec-23	9.5	25
07/11/2022	B	NGO	Dec-24	11.1	25
07/11/2022	B	NGO	Dec-24	11.1	25
07/11/2022	B	NGO	Dec-24	11.1	50
07/11/2022	B	NGO	Dec-23	9.5	50
07/11/2022	B	NGO	Dec-23	9.5	25
07/11/2022	B	NGO	Dec-23	9.7	25
07/11/2022	B	NGO	Dec-23	9.8	25
07/11/2022	B	NGO	Dec-23	9.7	25

Source: CME Direct