



Carbon Weekly Report

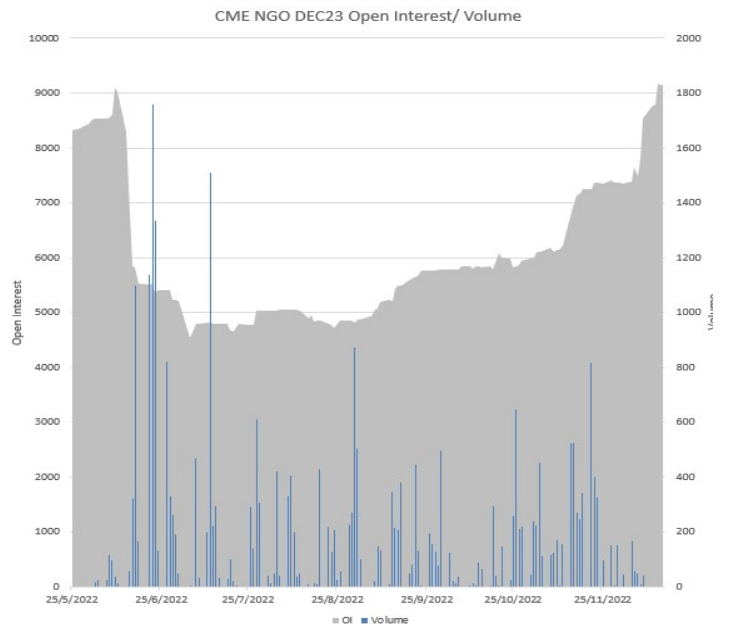
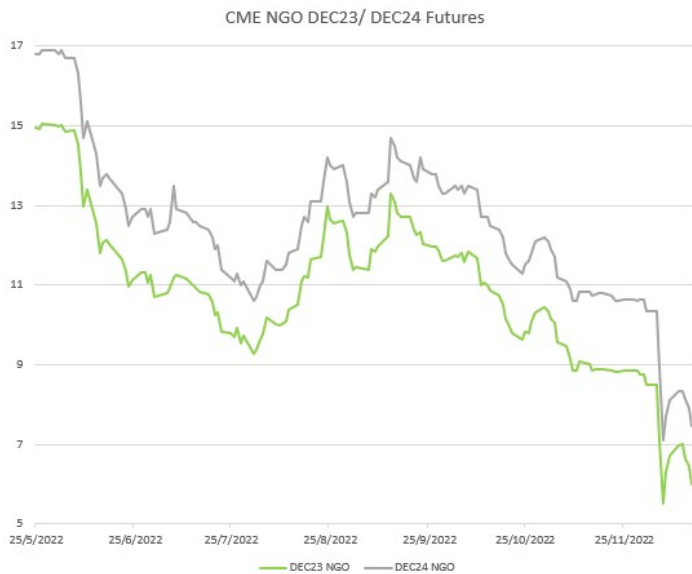
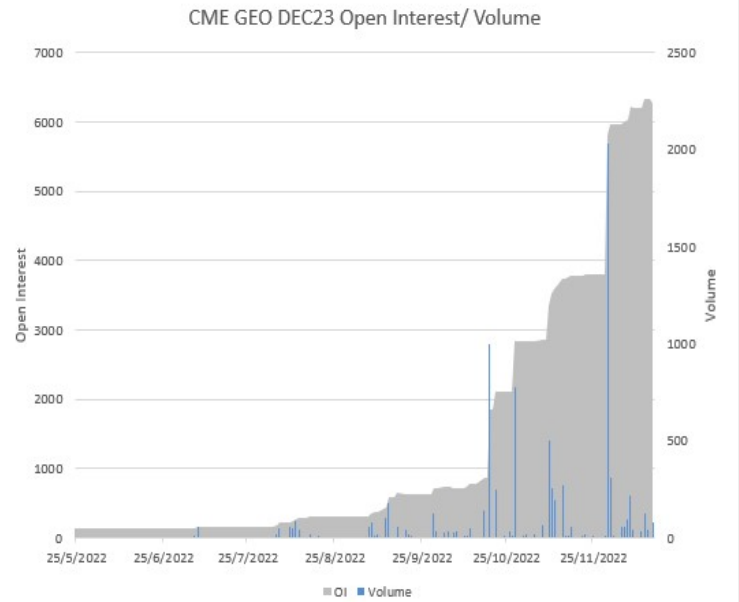
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16/12/2022

Voluntary Markets

CME Futures

Overall Open Interest (OI) on the NGO complex as at 16 Dec increased by 112kt to 15.68 million tons WoW. Non-Commercial OI remains flat with long at 7.191 million tons and short at 2.326 million tons (down 269kt). Commercial OI has increased with Long at 5.905 million tons (232kt increase) and short OI increases by 333kt to 10.778 million tons. Dec22 OI reduced tons to 2.718 million tons as Dec22 positions are getting closed out and rolled over to Dec23. Dec-23 OI has increased WoW by 616kt to 9.156 million tonnes. Also worth noting due to the volatility last week, 10 day historical volatility for NGO Dec23 is 181%. 30 day is 105% and 50 day is 84% (similar and a little higher for the Dec22 contract). 7 working days left until NGO Dec22 expiry on the 27th December 2022.



CME NGO Historical Volatility

10 day volatility remains high at to 181.93% following a high of 178.26 the week prior with 30 and 50 day volatility at similar levels the week prior at 105.61% and 84.26% respectively due to a fall in prices after the recovery from the midweek sell off the previous week.



Bloomberg

Source:

Block Trades on CME (w/c 12th)

A total of 660kt traded in blocks last week. One block trade of Jan-23 went through at \$4.15 which was good value, considering that Dec-22 was last traded at \$4.50 and market is in contango. The rest of the trades appeared to be a mix of outright and rolling of positions.

Contract	Total Volume	Average Price
Dec-22	164kt	3.96
Dec-23	400kt	6.09
Jan-23	25kt	4.15
Dec-24	50kt	8.35
Dec22/23	21kt	-2.7

Source: CME Direct

FIS Trades (w/c 28th)

CME NGO DEC23@6.75 50kt

CME NGO DEC23@6.00 in 25kt.

Compliance Markets

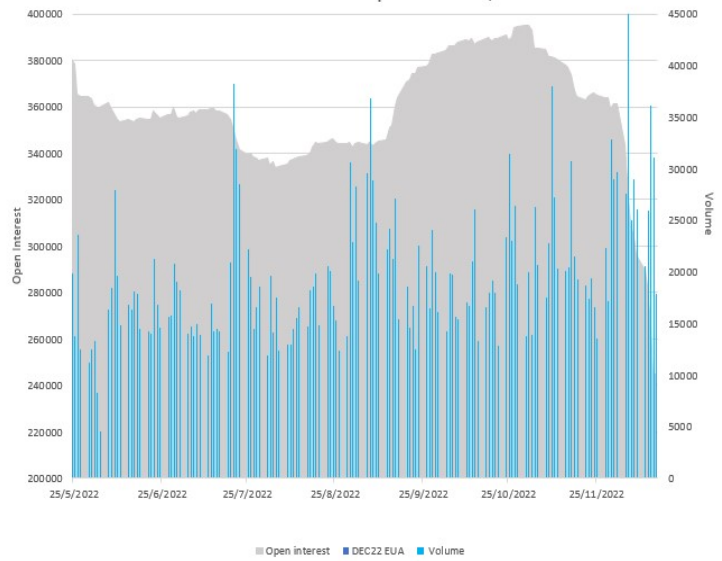
EUAs

EUAs posted their first weekly loss in a month as traders sold in advance of political negotiations over the ETS reform package and the expiry of the front-December futures contract on Monday, while energy prices were lower as forecasts for higher temperatures persisted. Dec-22 EUAs dropped steadily through the morning, reaching their lowest in two weeks as EU co-legislators knuckled down to negotiate compromise agreements on ETS-related elements of the Fit for 55 climate policy packages. The market dropped to a low of €83.33 on ICE shortly after the daily auction cleared at a 73 cent discount to the prevailing spot market at 1000 GMT. Prices recovered slowly even as trading became increasingly patchy and bid-offer spreads widened, and the market reached an intraday high of €86.33 in the early afternoon. However, as the settlement window approached the gains were unwound and the market found itself setting a new intraday low at €83.07 after the window closed. The Dec-22 contract settled its penultimate day at €83.82, a loss of 2% on the day and a 4.6% weekly decline. The final total was a little under 18 million EUAs, of which around 11 mln was done in time spreads. Trading in other contracts totalled nearly 22 mln EUAs. Open interest in the Dec-22 contract has plunged by a third since the start of December; open positions totalled 245 mln EUAs as of Thursday

ICE EUA DEC22 Futures



ICE EUA DEC22 Futures Open Interest/ Volume



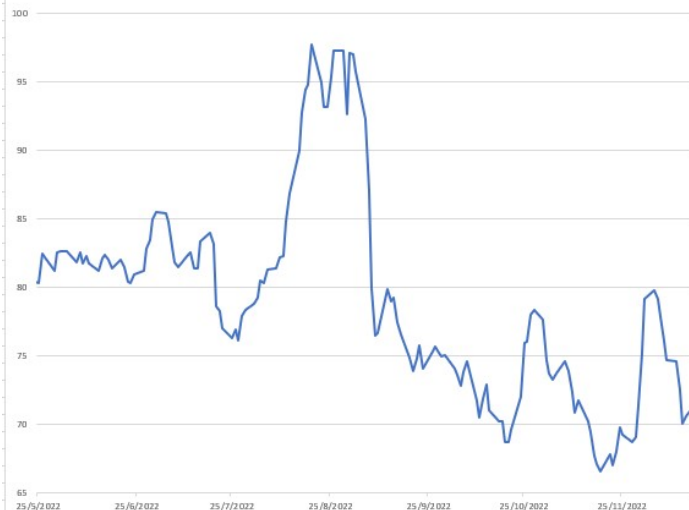
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Refinitiv

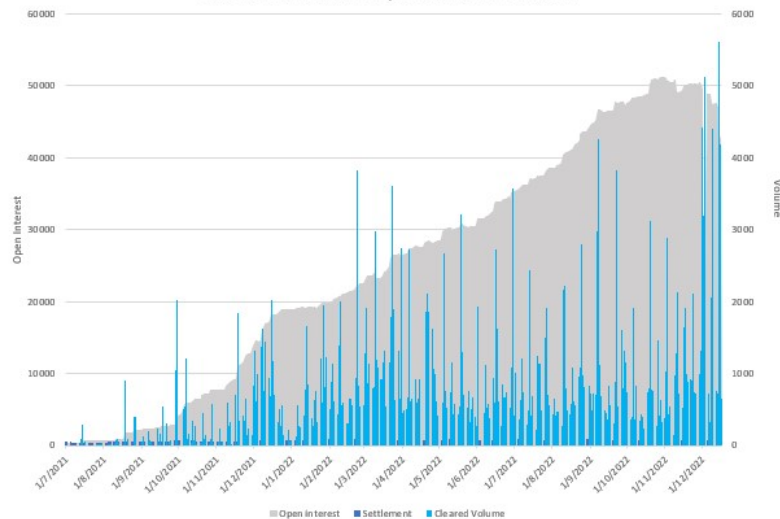
UK ETS

UK Allowance prices again narrowed their gap to EUA levels after the spread reached a record -€5.13 on Wednesday. The Dec-22 contract reversed early losses to settle 0.4% higher at £70.91 on ICE, with a moderate 640 lots changing hands. The UKA-EUA spread was estimated at -€2.50. UKA futures settlement prices on ICE out to Dec-23 all settled higher, while contracts dating from 2024 onwards were adjusted lower, with the Dec-24 contract, the furthest contract, losing 1.4% to £82.76.

UKA DEC22 Futures



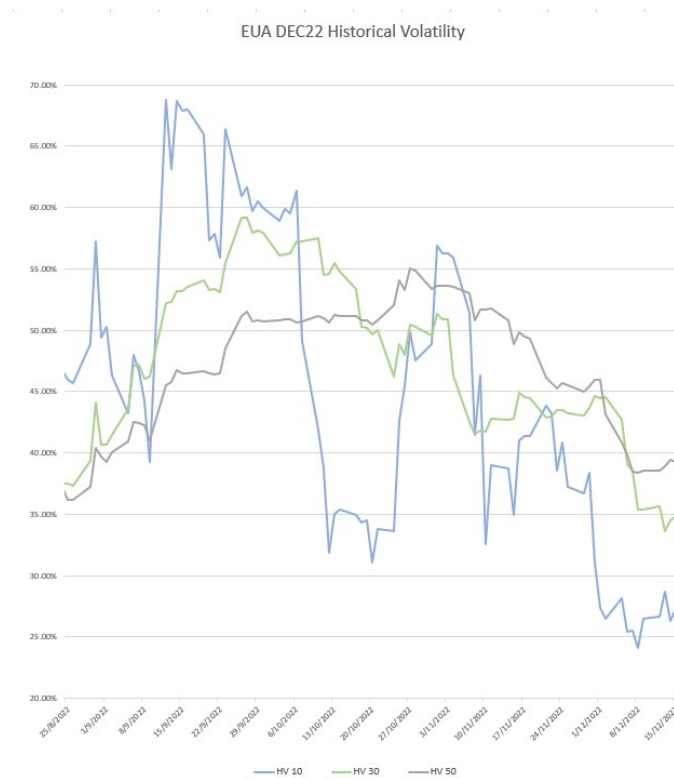
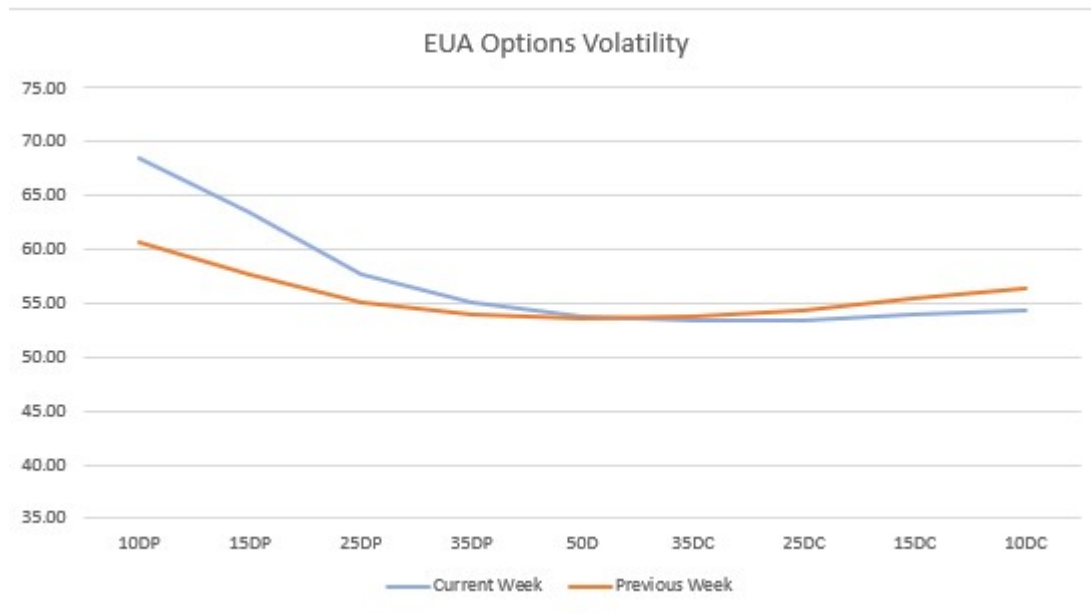
UKA DEC22 Futures Open Interest/ Volume



EUA Options Market

Settlement at €83.82 for Dec22 for the week. Put Skew increased 12.68% and Call Skew has decreased 3.55%, due to a decline in prices towards week end. Open interest in the Dec-22 contract has plunged by a third since the start of December; open positions totalled 245 mln EUAs as of Thursday.

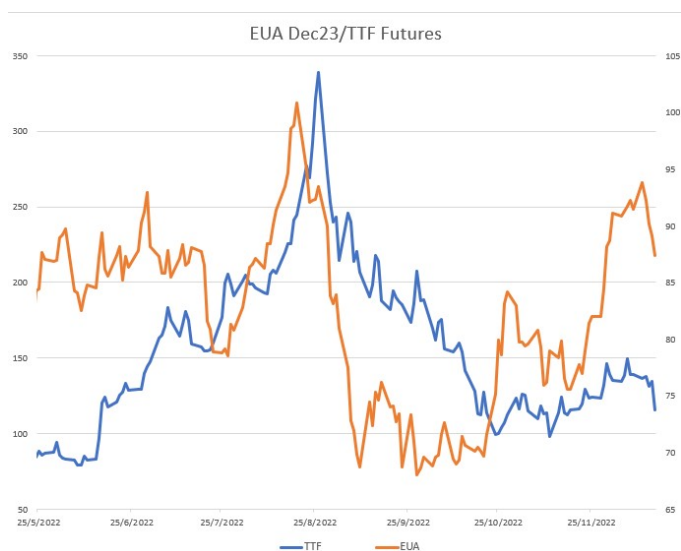
Volatility Surface: 19/12/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	68.44	63.49	57.70	55.12	53.72	53.34	53.47	53.89	54.33
WoW Change	7.70	5.83	2.62	1.08	0.19	-0.40	-0.81	-1.48	-2.00
Previous Week	60.74	57.66	55.08	54.04	53.53	53.74	54.28	55.37	56.33



Source: Bloomberg

Correlated Markets

In summary, the Dutch TTF Dec-22 contract lost +€23.66 from last week settlement to €115.45/MWh (-17.00%) on the news of less cold weather that has hit Europe.



Source: Refinitiv

Market News

(CarbonPulse): The New Zealand government on Thursday announced the country’s ETS price settings between 2023-27, keeping much of the existing architecture in place and making only a marginal increase to the CCR trigger price. NZU price rose 2.9% to NZ\$86 from NZ\$83.50 Wednesday in anticipation of the release of the settings. The price settings mark a considerable departure from the recommendations put forward by the independent Climate Change Commission, which urged the government to set the CCR price trigger to NZ\$171 next year, as part of a two tier system. Instead, the trigger price next year will be NZ\$80.64, rising to NZ\$91.61, NZ\$103.24, NZ\$115.84, and NZ\$129.9 through 2024-27.

(CarbonPulse): EU legislators struck a provisional deal on the remaining EU ETS-related bills under the bloc’s overarching Fit for 55 climate policy package early Sunday, agreeing to backload efforts until later in the decade but securing a slightly higher 2030 emissions reduction target than originally proposed.

(Reuters): The EU struck a political deal on Tuesday to impose a carbon dioxide emissions tariff on imports of polluting goods such as steel and cement, a world-first scheme aiming to support European industries as they decarbonize. Countries could be exempted if they have equivalent climate change policies to the EU, and the United States could dodge the levy on this basis.

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