



Carbon Weekly Report

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9/12/2022

Voluntary Markets

CME Futures

The Dec23 contract saw a significant sell-off midweek with around 2 million tons traded on Wednesday and Thursday. The aggressive sell off on the Dec23 was heard to be a financial entity in Europe liquidating its position due to the falling price of the NGO contracts and having hit its risk limits. This is in line with the flat open interest over 2 days in the Dec-23 contracts (+49kt) while 2 million tons traded. Rebound was likely due to short sellers taking profit and value buying at \$6.00 on the Dec23 contract. There was 300kt of Dec22/23 rolls traded at -\$2.25 which contributed to the closing out of Dec22 positions. On Friday, Open Interest on the Dec22 contract has decreased by 761kt to 3082kt. On the Dec23 contract, Open interest is up 734kt to 8540kt. The similar volume change on both the Dec22 and Dec23 Open interest indicates that the rolls seen on Friday was the closing of Dec22 positions and opening of Dec23 positions.

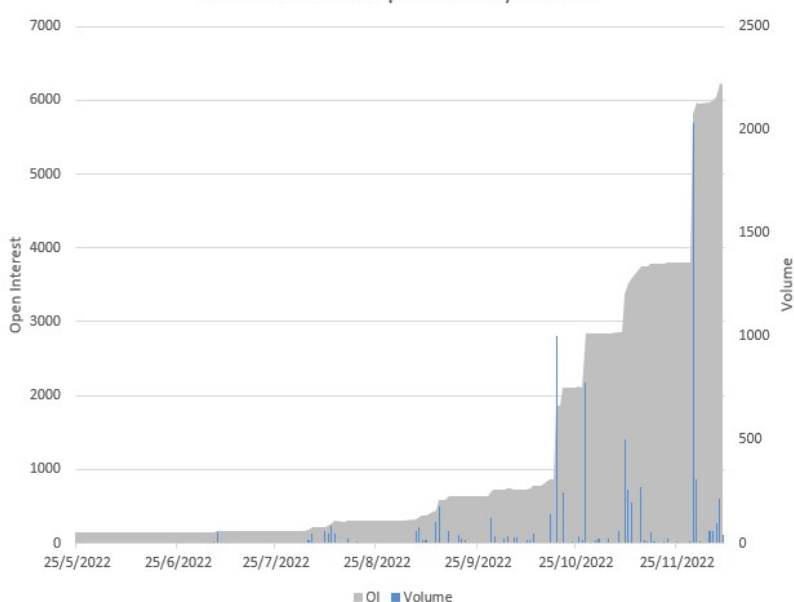
GEO DEC22/ DEC23/ DEC24 Futures



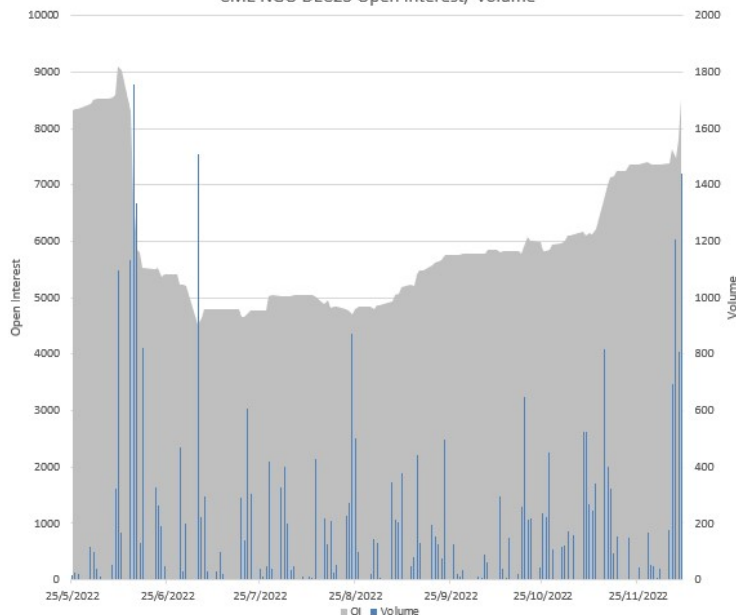
CME NGO DEC23/ DEC24 Futures



CME GEO DEC23 Open Interest/ Volume

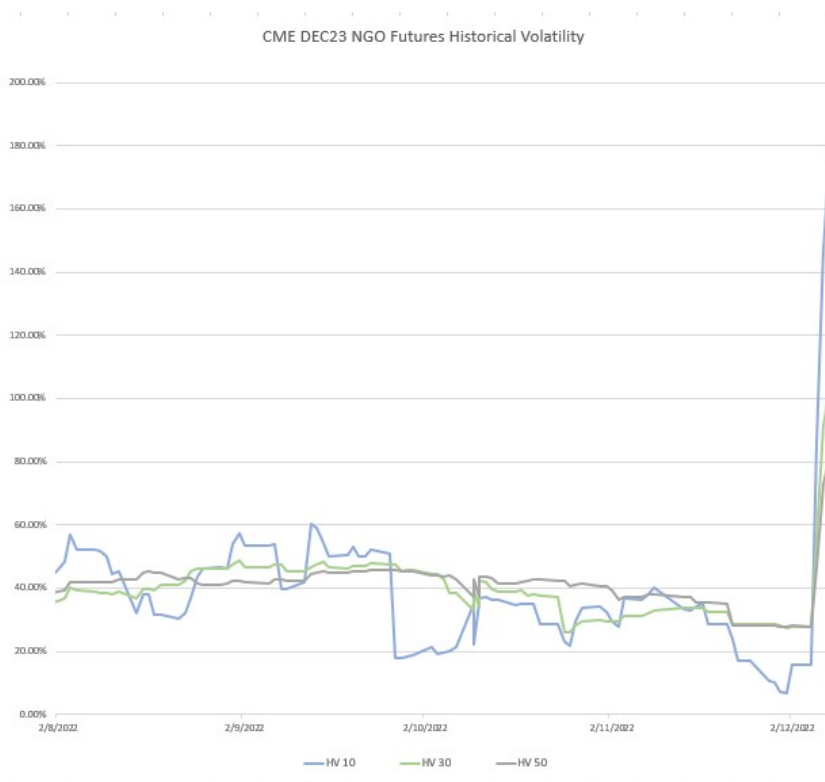


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility skyrocketed on Friday to 178.26% following a high of 15.6% the week prior with 30 and 50 day volatility moving up in tandem to 103.25% and 82.09% respectively due to the big midweek selloff and just as quick recovery from the midweek lows.



Bloomberg

Source:

Block Trades on CME (w/c 21st)

A total of 236kt was traded on Dec22. A total of 1131kt was traded on Dec23. A total of 150kt was traded on Dec24. A total of 1714kt was traded on the Dec22/23 Spread. A total of 250kt was traded on Dec23/24 spread.

Source: CME Direct

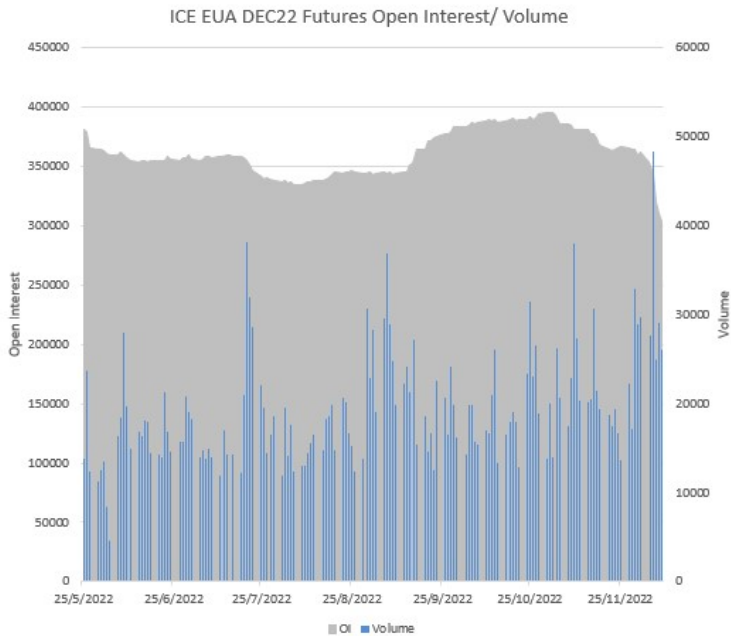
FIS Trades (w/c 28th)

Nil

Compliance Markets

EUAs

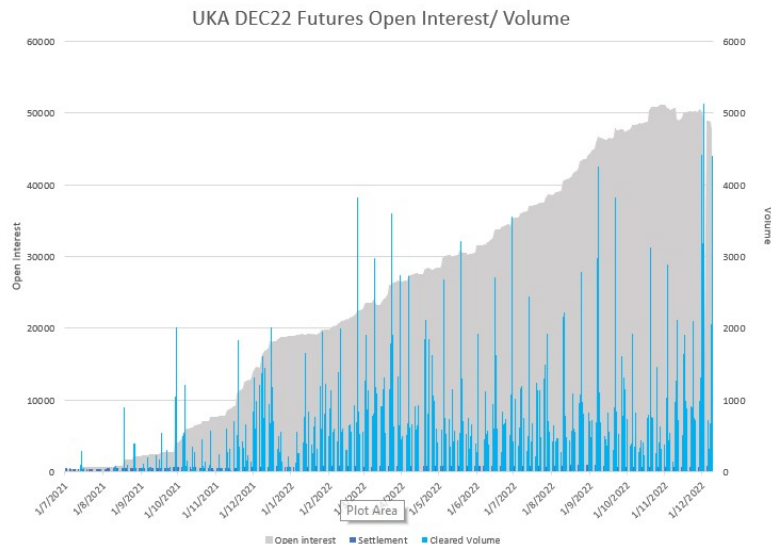
EUA prices dipped on Friday but still managed a weekly gain, as a supportive energy complex and options-related positioning eclipsed warnings that the recent rally to a three-month high is overdone. The Dec-22 EUA contract on ICE Endex lifted to as high as €89.19 in early trade, shy of Thursday's top of €89.54, which was the highest level since Aug. 29. Prices then tumbled to an intraday low of €86.70 in a half-hour sell-off shortly after midday, before eventually settling at €87.84, down 83 cents or 0.9% on Thursday's settlement. That represents a 3.1% week-on-week increase and a massive 22% increase since Nov. 17, as a milder-than-normal autumn quickly switched to a frosty cold spell. In terms of prices, the EUA Dec-22 contract increased for the week by +€0.53 to print on Friday at €87.84 (+0.61%).



Source: Refinitiv

UK ETS

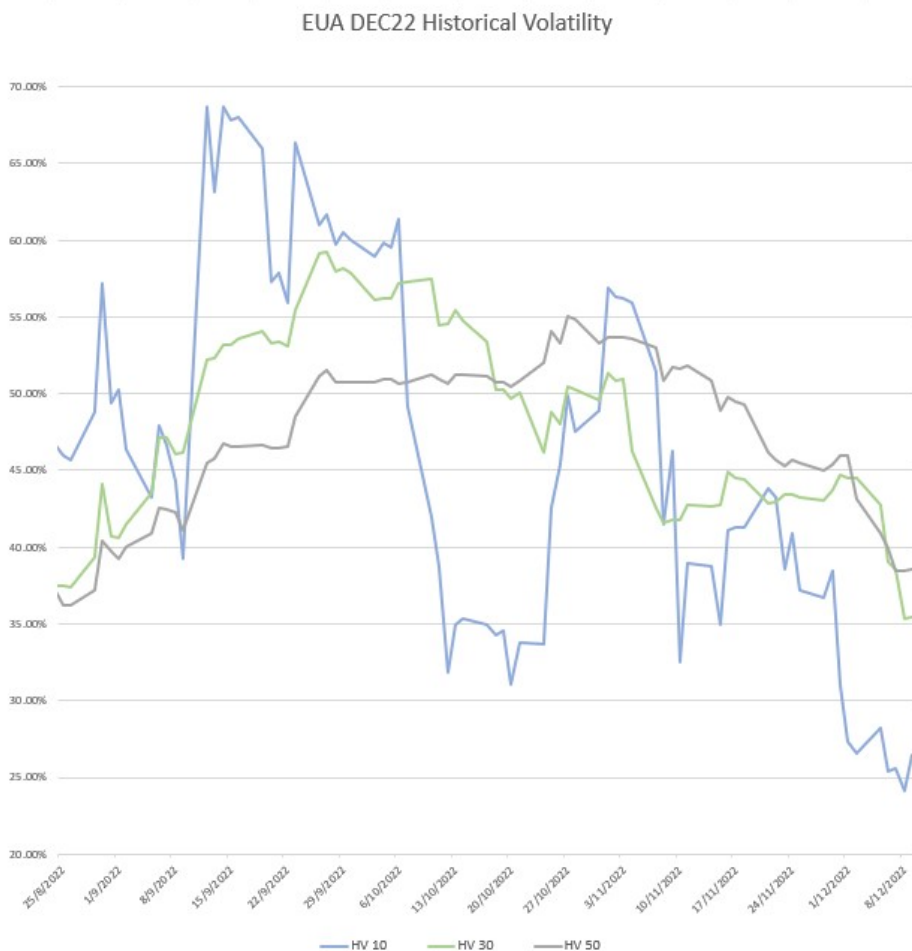
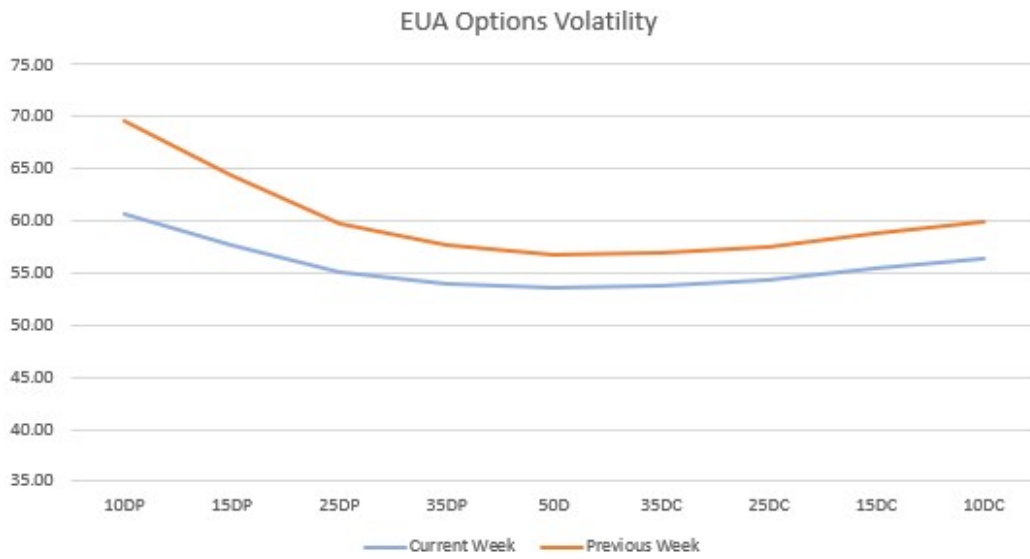
On the UK ETS side, the Dec-22 contract shed some gains, trading between £74.72-£79.82 and settled on Friday (25th) at £74.72; a WoW loss of +£5.10 (-6.39%). 4.4 mln Dec-22 UKAs changed hands, though all but 600,000 of those were blocks, while 600,000 traded on the Dec-23s in total.



EUA Options Market

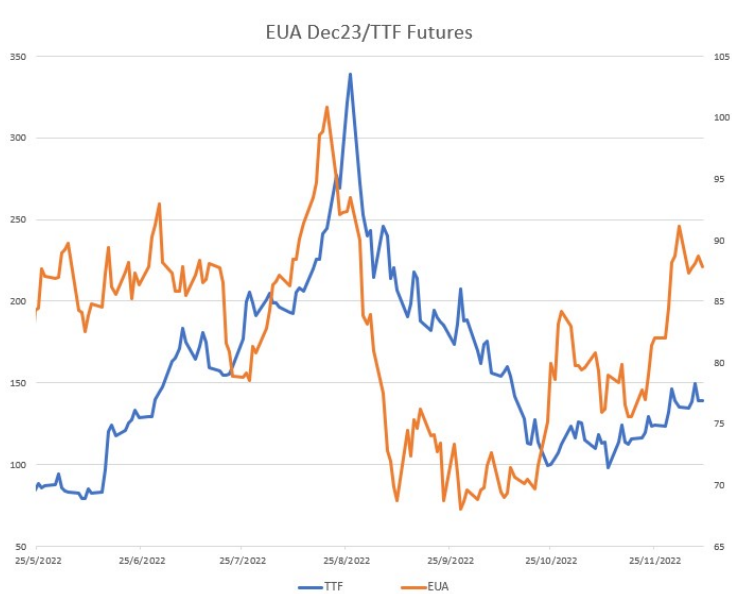
Settlement at €87.84 for Dec22 for the week. Put Skew decreased 12.8% and Call Skew has decreased 5.9%, due to a relatively flat trading week.

Volatility Surface: 12/12/2022									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	60.74	57.66	55.08	54.04	53.53	53.74	54.28	55.37	56.33
WoW Change	-8.89	-6.69	-4.56	-3.73	-3.22	-3.13	-3.21	-3.35	-3.54
Previous Week	69.63	64.35	59.64	57.77	56.75	56.87	57.49	58.72	59.87



Correlated Markets

Russia's Gazprom pipeline natural gas to Europe is now flowing at its highest rate in nearly three months, along the Europe-bound section of the TurkStream pipeline. Flows have risen close to the 43mcm/day capacity, up from its recent range of 30-35mcm/day on buyer demand. In summary, the Dutch TTF Dec-22 contract gained +€4.41 to €139.11/MWh (+3.27%).



Source: Refinitiv

Market News

(Bursa Malaysia): Bursa Malaysia officially launched its voluntary carbon market (VCM) exchange on Friday, to be known as BCX. However, while there will be no restrictions for international participants, the traded credits will not be correspondingly adjusted in accordance with the Paris Agreement and other countries will not be able to use BCX as a vehicle to meet their own nationally determined emissions reduction goals.

(Consiglio) The Council and the European Parliament reached a provisional political agreement on the revision of the EU emissions trading system (EU ETS) rules applying to the aviation sector. The agreement ensures that aviation contributes to the EU's emission reduction objectives under the Paris Agreement.

(Straits Times): Anchored in Singapore the Climate Action Data Trust, will create a decentralised record of data from major carbon credit registries. Registries can be operated by governments, non-profit organizations or private companies. Six registries -- including major ones such as Verra, Gold Standard, American Carbon Registry Council -- will be added to the platform by Q123.

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