



# Carbon Weekly Report

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## 16/01/2023

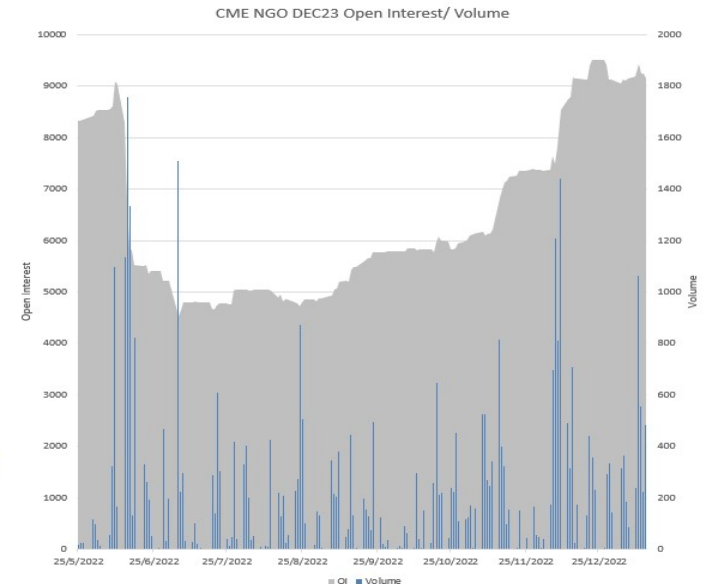
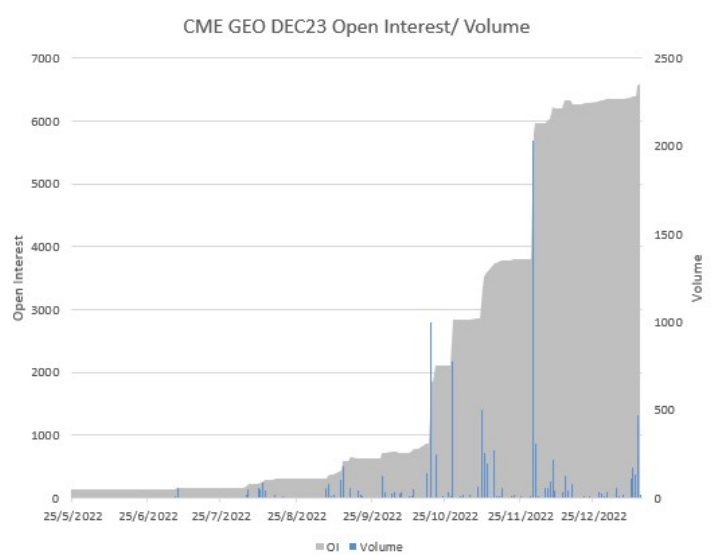
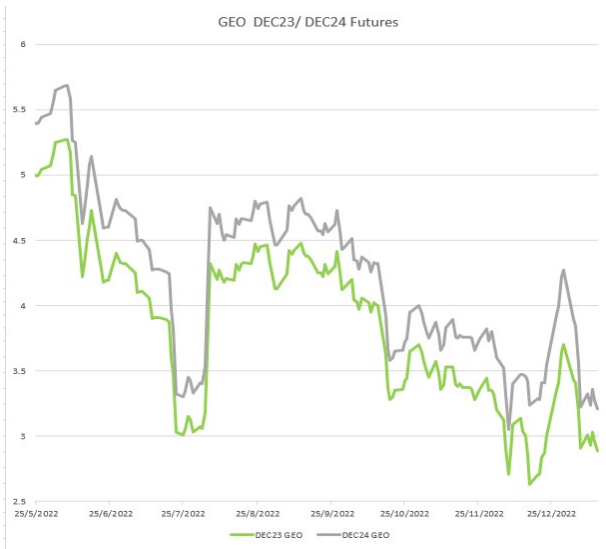
### Voluntary Markets

#### CME Futures

(12th January): CME overnight: NGO Dec23 contract on the 10th Jan traded in total 1061 lots. Open interest increased DoD by 261 lots. The balance would be closing positions. Overnight on the 11th 557 lots traded in total in the NGO Dec23 (currently Open interest change has not updated). NGO Dec 23 on the 10th Jan, 434 lots traded in total with marginal change to Open Interest DoD (3126 OI on the 10th). Overnight 499 lots traded in the NGO Dec 24 contract. Trade and volumes below. Technically both RSI's sit in oversold territory at 22% for the 23's and 19% for the 24's.

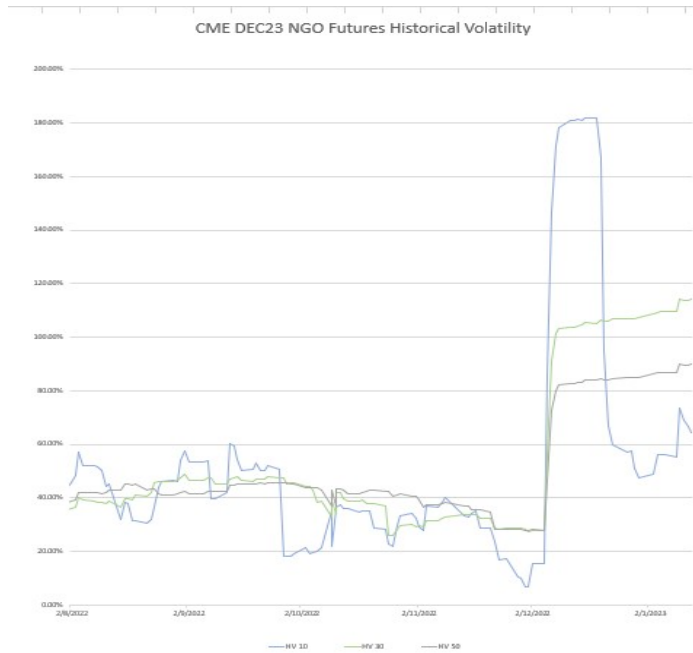
The N-GEO contract will stop reflecting nature-based credits vintage 2016 and 2017 from the 1st July 2023. From the 1st July 2023, the 2018 vintage will become the oldest vintage contract. Until then, the N-GEO monthly future contracts – for example, the Jan to June 2023 future contract still reflect the 2016-2017 vintages.

(13th January): 100kt of Jan23/Dec23 spread has gone thought at \$-1.50 in blocks essentially valuing the carry for Cal23, A further 49kt had cleared on screen. Dec-23 cleared in 2 trades for a total of 150kt at \$4.25,



## CME NGO Historical Volatility

10 day volatility has picked up slightly from 55.4% to end the week at 64.4% . 30 and 50 day volatility at similar levels the week prior at 114% and 90% respectively.



Source: Bloomberg

## Block Trades on CME (w/c 23th)

NGO DEC24 @ 6.85, 50kt	NGO Dec23/24, @, -1.25, 50kt (5.10/6.35)	CME NGO DEC 23, 4.95 50kt	NGO Dec24, 5.40, 25kt
GEO DEC23 @2.90, 25kt	NGO Dec23/24, @, -1.25, 50kt (5.10/6.35)	CME NGO DEC 23, 4.90 50kt	NGO Dec23, 4,25, 62kt + 88kt
NGO DEC23 @5.40, 25kt	NGO Dec23/24, @, -1.25, 50kt (5.10/6.35)	CME NGO DEC 23, 4.92 20kt	NGO Dec23, 4.50, 50kt
GEO DEC23 @3.05, 25kt	NGO Dec-23, @, 5.10, 25kt	CME NGO DEC 24, 5.90 100kt	NGO Dec24, 5.55, 25kt
NGO DEC23 @5.55, 25kt	NGO Dec-23, @, 5.20, 25kt	CME GEO DEC 23, 3.00 100kt	NGO Jan23/Dec23, -1.50, 50kt
NGO DEC24 @ 7.00, 50kt	NGO Dec-23, @, 5.20, 25kt	CME NGO DEC 24, 5.95 50kt	NGO Jan23/Dec23, -1.50, 25kt
GEO Dec-23, @, 2.95, 13kt	CME NGO DEC 23/24, -1.20 100kt (4.95/6.15)		NGO Jan23/Dec23, -1.50, 25kt
NGO Dec-23, @, 4.97, 379kt	CME NGO DEC 23/24, -1.25 100kt (4.90/6.15)		NGO Dec24, 5.7, 25kt
NGO Dec-23, @, 5.05, 25kt	CME NGO DEC 23/24, -1.25 25kt (4.90/6.15)		NGO Dec24, 5.75, 50kt
NGO Dec23/24, @, -1.25, 50kt (5.05/6.30)	CME NGO DEC 23/24, -1.25 50kt (4.90/6.15)		NGO Dec23, 4.55, 25kt
NGO Dec-23, @, 5.05, 25kt	CME NGO DEC 23/24, -1.25 50kt (4.90/6.15)		
NGO Dec-23, @, 5.05, 25kt	CME NGO DEC 23/24, -1.25 25kt (4.90/6.15)		

## Commitment of traders report

Total open interest has decreased by 2.987 million tons to 13.144 million tons. Commercial entities have decreased their long position with Open interest decreasing by 944kt to 5.049 million tons. Commercial Short Open Interest has decreased by 2.169 million tons to 8.872 million tons. Net Open interest has increased by 1.225 million tons to 3.823 million tons. Non-Commercial Entities have decreased their long position by 928kt to 6.271 million tons. Their short open interest increased by 265kt to 2.507 million tons. Spreading OI has decreased by 1.098 million tons to 1.691 million tons. Overall exposure on the Nature Based contract has fallen from a high of 15.5 million tons of open interest since the expiry of the Dec-22 contract at 2.567 million tons on 27 Dec 22. With Commercial entities decreasing exposure on both the long and short positions, and Non-Commercial entities decreasing long exposure – it is reflective of the risk off market with falling NGO futures prices

Source: CME Direct

## FIS Trades (w/c 6th)

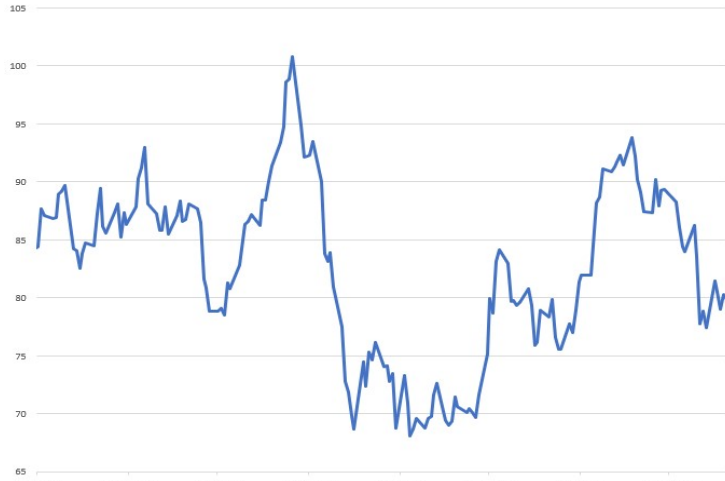
ACCUs Spot HIR @ 36.85, 10kt

# Compliance Markets

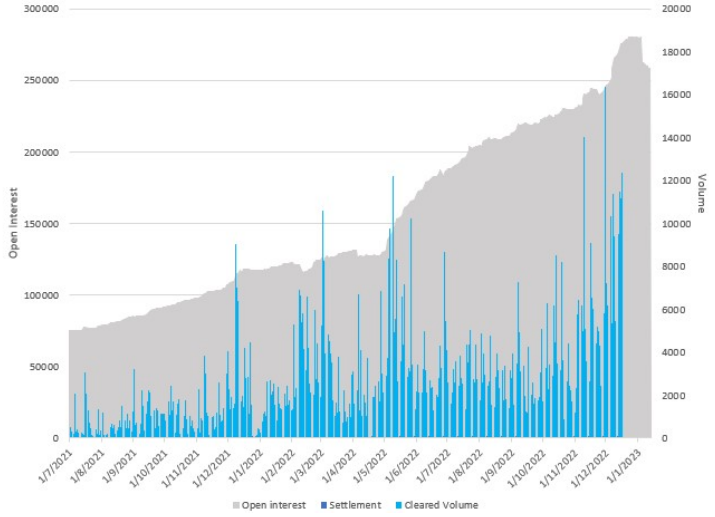
## EUAs

EUAs fell to a week-low on Friday before staging a late rally on short covering to end the week up 3.2% despite weaker energy markets, while carbon’s short term price correlation with natural gas rose to its highest level in a year. Dec-23 EUAs started the day on a bearish note, slipping from €80.50 to as low as €79.65, before rallying to the high of €80.56 after just two hours of trading. Prices then began to unwind the gains as the auction approached and selling activity increased. The sale cleared 26 cents under the spot market at 1000 GMT, triggering a steeper fall which culminated in the morning’s low of €78.22 within just 30 minutes of the auction deadline. The market traded between the day’s low of €78.20 and €78.99 for most of the afternoon, until prices broke above €79.00 in the run-up to the settlement window

ICE EUA DEC23 Futures



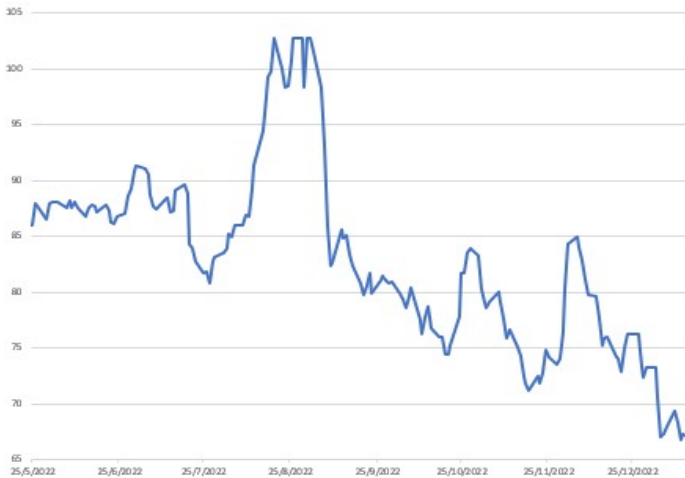
ICE EUA DEC22 Futures Open Interest/ Volume



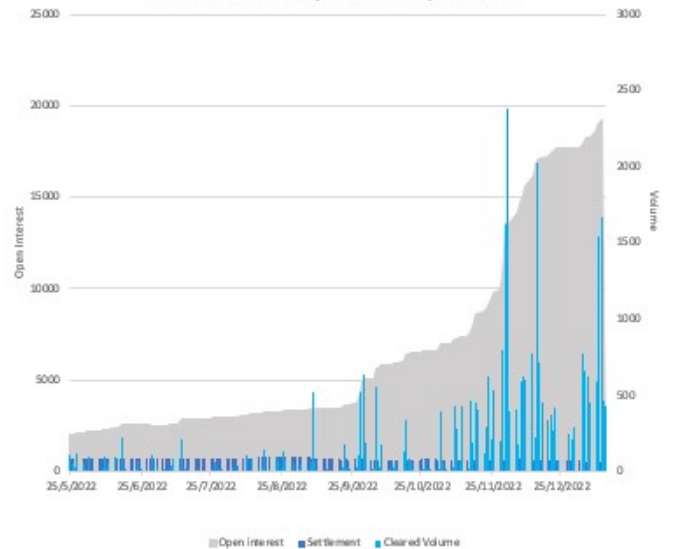
## UK ETS

UK allowance prices drifted to a lesser extent than EUAs in the morning and also recovered some of the losses later on. The Dec-23 contract ended the day down just 0.3% at £67.18 at midday, with 425 lots traded. The contract posted a 1.7% weekly loss, which widened the UKA-EUA UKA spread to -€4.09, the biggest discount since the start of the Christmas break

UKA DEC23 Futures



UKA 23 Futures Open Interest/ Volume

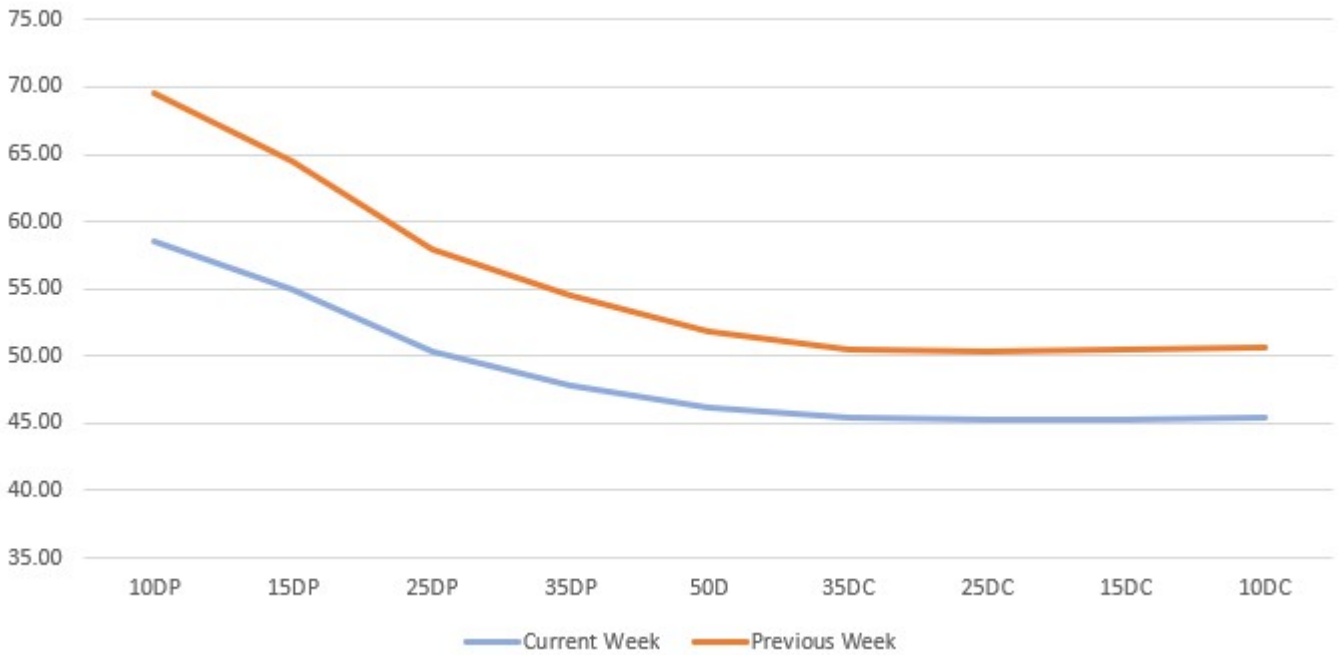


Source: Refinitiv

## EUA Options Market

Settlement at €79.86 for Dec23 for the week. Put Skew decreased 15.77% and Call Skew has decreased 10.34%. The benchmark contract settled 0.5% lower on the day at €79.86 on ICE, with volume totalling more than 17 million EUAs. The contract posted a 3.2% week-on-week increase.

### EUA Options Volatility



### EUA DEC23 Historical Volatility



Source: Bloomberg

## Correlated Markets

Carbon's correlation to natural gas price moves has turned sharply higher in recent days. The five-day rolling correlation between the two has averaged 0.9 this week, compared to 0.45 at the start of December and -0.6 at the end of last month. The current correlation is the highest five-day measure since Jan. 20 last year. EUA prices were highly correlated with gas until the end of 2021, when generating margins for the fuel began to decline and coal came to the fore. During 2022 the relationship was not driven by power economics, since gas was deeply unprofitable as a generating fuel. The renewed positive correlation suggests carbon traders are once again taking their lead from the moves in TTF prices, as the fuel has started to approach levels that would move it above coal in the merit order. Lower gas prices could lead to an increase in its use for power generation, replacing more carbon-intensive coal and depressing demand for EUAs.

EUA Dec23/TTF Futures



TTF Historical Volatility



Source: Refinitiv

## Market News

(CarbonPulse): The price for ACCUs ended trading up 2.8% Friday as the market continues to react positively to the Safeguard Mechanism reforms. The ACCU spot price finished trading at A\$35.50 on the Jarden platform Friday, up A\$1 compared to Thursday's price, and up 6.7% compared to this time last month. Meanwhile, the spot price for ACCUs from HIR projects closed at A\$36.75 Friday, up 1.3% compared to the A\$36.25 it was trading at in recent days. Friday also saw a large volume of ACCUs change hands in several deals on various platforms, with forward deals providing a clear indication of where the market thinks the price is heading. (Brisbane Times) - Federal tariffs may be imposed on emissions-intensive imports into Australia to ensure local businesses aren't disadvantaged if they spend more money on reducing their carbon

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