



Carbon Weekly Report

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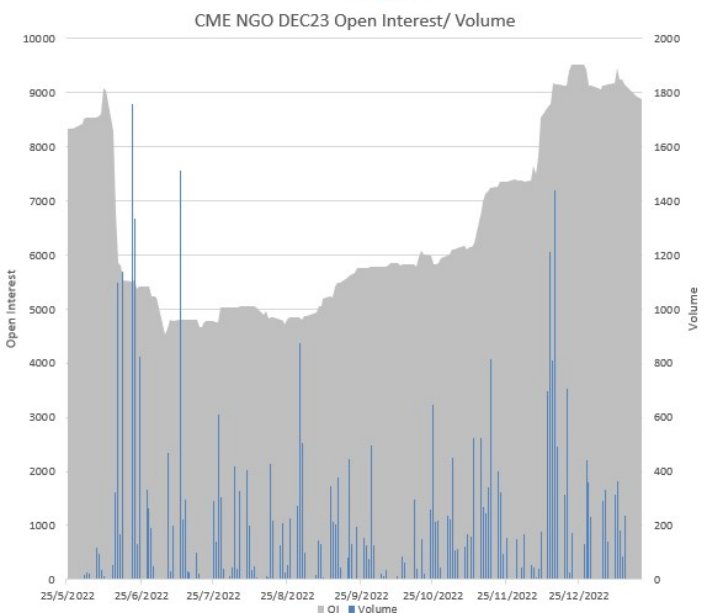
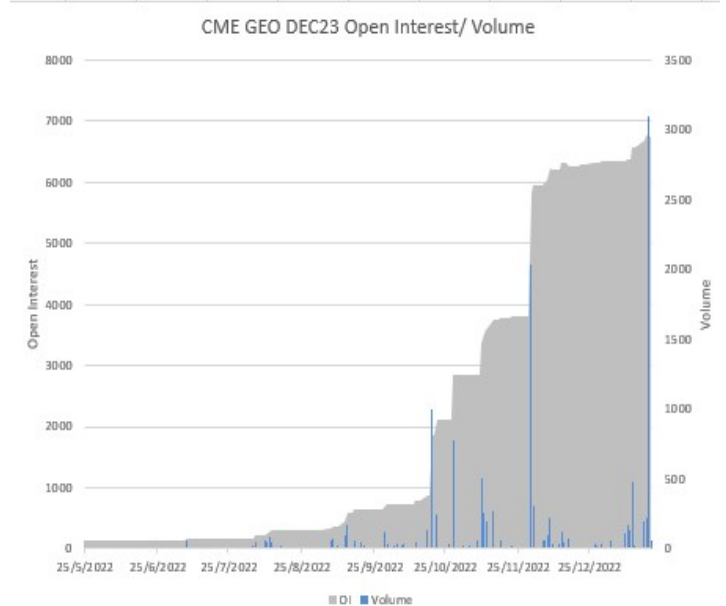
30/01/2023

Voluntary Markets

CME Futures

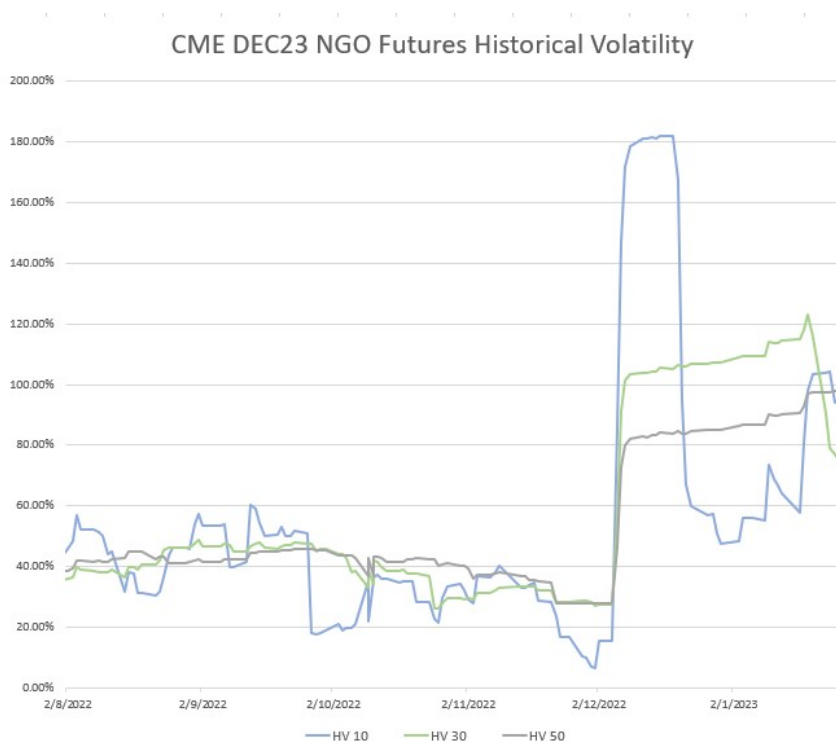
(FIS View): The Dec23/24 spread has narrowed from a high of -1.65 in the past month to settle at $-\$0.85$ as of Friday. The Dec23 & 24 contracts has shown a divergence from the Dec25 & 26 contracts with the Dec23 & 24 contract losing between $\$0.14$ and $\$0.21$ and the Dec25 and Dec26 contract gaining $\$0.11$ even though nothing was traded on the Dec25 & 26 contract. Open Interest on the Dec 25 increased by 100kt. Dec 24 Open interest increased by 230kt. And Dec 23 Open interest reduced by 159kt. Shorts positions the Dec23 contracts will be harder to exit with the spread closing, losing value on the Dec24's will support the v19 OTC projects even less.

(FIS View/Thursday 26 Jan): Non-Commercial Short interest has increased significantly over the last few weeks as compared to Commercial Long interest which has remained relatively flat and even ticked down a little. This increase in the Non-Commercial short interest poses the question of when the entities will begin to close off their short position. 30 Dec 2022 saw the settlement of the Dec22 contract hence the large shifts in Open Interest on that date could be short position rolls to further dated contracts. In any case Non-Commercial entities are Short around 2.94 million tons while Commercial entities are Short 9.01 million tons on the NGO futures as at 10 Jan 2023 when COT was last updated.



CME NGO Historical Volatility

10 day volatility has trickled lower from 103.6% to end the week at 94.8% Due to a slow gradual decline in NGO prices for the week. 30 day volatility fell from 115.9% to 75.2% While 50 day volatility remained flat at 97.8%



Source: Bloomberg

Block Trades on CME (w/c 23th)

NGO, Dec-23, 3.95, 25kt	NGO, Dec23/Dec24, -0.87 (3.55/4.42), 40kt	NGO Dec24/Dec25, -1.20 (4.50/5.70), 50kt
NGO, Dec-23, 4.00, 50kt	NGO, Dec-23, 3.45, 50kt	GEO, Dec32/24, -0.25, 100kt (2.35/2.60)
GEO, Dec23/24, -0.27 (2.55/2.82), 500kt	NGO, Dec-23, 3.75, 96kt	NGO, Dec24, 4.25, 25kt
NGO, Dec-23, 3.90, 50kt	NGO, Dec-24, 4.8, 50kt	NGO, Dec24, 4.25, 75kt
NGO, Dec-23, 3.95, 50kt	NGO, Dec23/Dec24, -0.95 (3.85/4.80), 15kt	NGO, Dec24, 4.25, 100kt
NGO, Dec23/Dec24, -1.00 (4.00/5.00), 50kt	NGO, Dec23/Dec24, -0.95 (3.85/4.80), 85kt	
GEO, Dec-24, 3.02, 50kt	NGO, Dec23/Dec24, -0.95 (3.85/4.80), 25kt	
GEO, Dec23/Dec24, -0.25 (2.30/2.55), 25kt	NGO, Dec24/Dec25, -1.3 (4.90/6.20), 50kt	
GEO, Dec23/Dec24, -0.26 (2.30/2.56), 395kt		
NGO, Dec-23, 3.5, 50kt		

Source: CME Direct

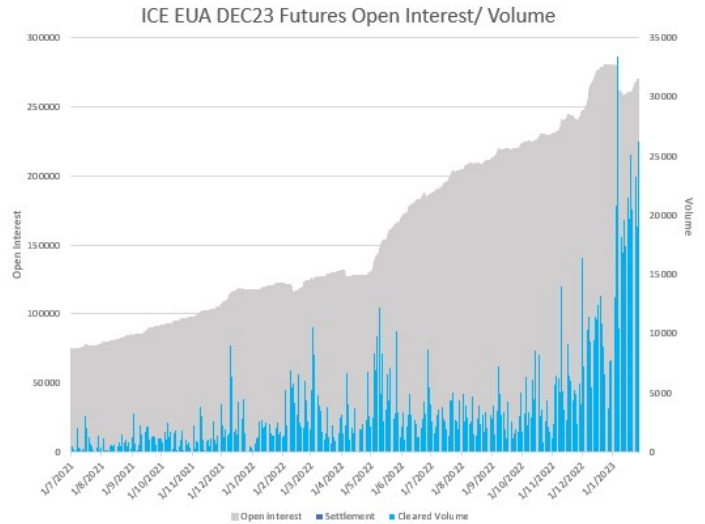
FIS Trades (w/c 27th)

VCS 1382 Envira Amazonia, v16, USD 4.00, 100kt
 VCS 2252 Rio Anapu-Pacaja REDD, v16, USD 4.00, 100kt
 VCS 934 Mai Ndombe REDD+, v19, USD 10.50, 150kt

Compliance Markets

EUAs

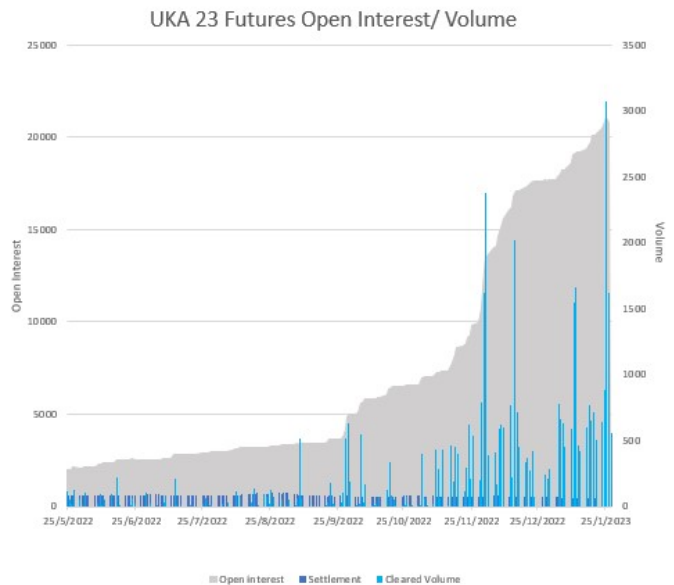
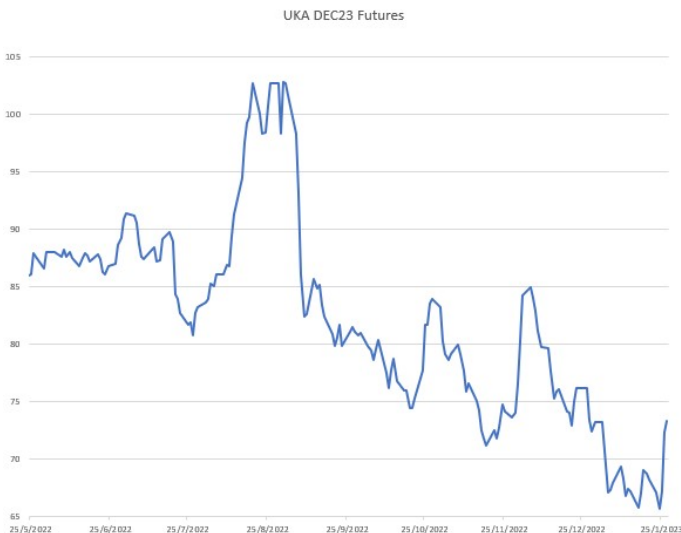
European carbon extended recent gains to reach its highest in a month on Friday, before slipping back to post a loss on the day – but a 4.9% weekly rise – as the recent short covering-driven rally came to an end and traders positioned themselves for the market’s next move. Dec-23 EUAs advanced from early in the session, with prices reaching successive highs of €89.77 and €89.89 as the market approached the auction deadline. The sale cleared 30 cents above the spot market at 1000 GMT, the first premium for an EUA sale in more than a week. EUA prices dipped momentarily before resuming their climb. The front-December contract settled 0.2% lower on the day at €89.23, but endured a whiplash final hour in which prices reached extremes of €90.20 and €89.10 before closing at €89.55. Front-December trade totalled nearly 22 million EUAs on ICE giving the five-day volume of 111 mln that represents the biggest weekly total since Dec. 12-16. Other futures added a further 7.8 mln in trade volume.



Source: Refinitiv

UK ETS

UK allowances saw modest trade, with just 558 lots changing hands in the front-Dec contract. Prices were 1.4% higher at £73.34, the highest settlement since Dec. 28 and a weekly gain of 7.6%. The UKA-EUA spread narrowed by more than €1 to €5.63 at settlement.

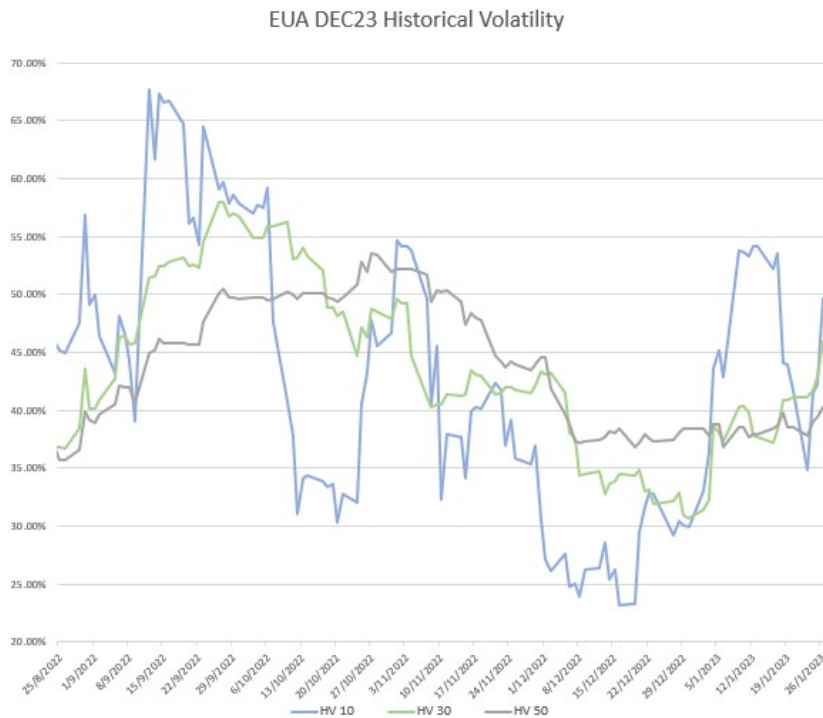
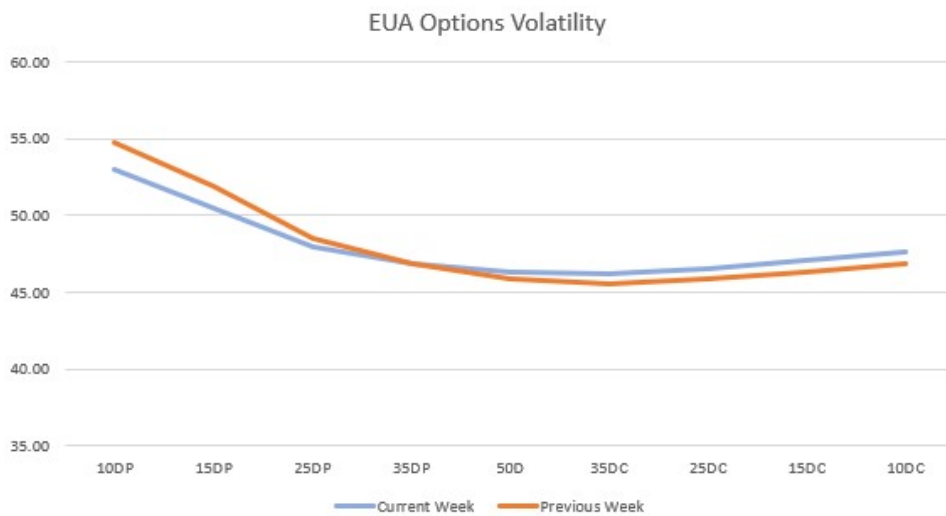


Source: Refinitiv

EUA Options Market

Settlement at €85.08 for Dec23 for the week. Put Skew decreased 3.09% and Call Skew has increased 1.77%. The front-December contract settled 0.2% lower on the day at €89.23, but endured a whiplash final hour in which prices reached extremes of €90.20 and €89.10 before closing at €89.55. Commitment of Traders data released by ICE and EEX showed investment funds added 3.5 million EUAs to their aggregate net short position in the week ending Jan. 20

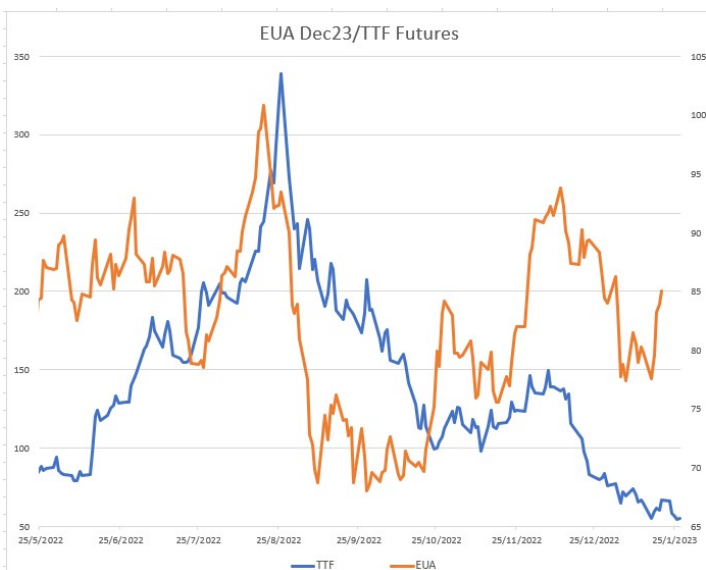
Volatility Surface: 30/01/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	53.03	50.49	47.91	46.82	46.29	46.20	46.48	47.07	47.63
WoW Change	-1.69	-1.36	-0.59	-0.05	0.42	0.61	0.61	0.78	0.83
Previous Week	54.72	51.85	48.50	46.87	45.87	45.59	45.87	46.29	46.80



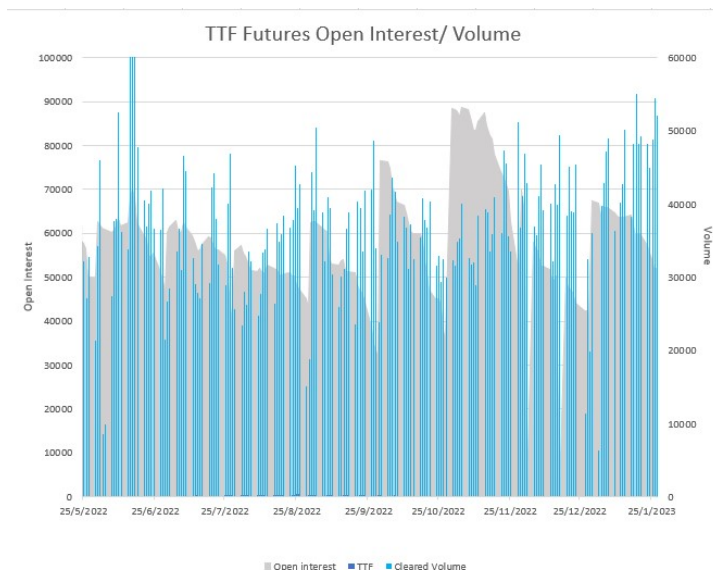
Source: Bloomberg

Correlated Markets

February TTF natural gas settled 1.1% higher at €55.425/MWh on ICE, while cal-24 German baseload power added 0.9% to €166.00/MWh on EEX. Carbon's five-day correlation to calendar gas prices was 0.71. Energy prices were mixed, as both gas and power opened lower ahead of an expected revival in European wind generation but rallied robustly through the day. The ICE spot-Dec time spread widened by 5.1% to -€3.09 at the close of business, the largest daily increase in two months.



Source: Refinitiv



Market News

(AFR): A record 1.6 million carbon credits were traded last week with companies and speculators diving into Australia's carbon markets. More than 2.63 million units had been traded in January – a record monthly high with another week to finish the month – surpassing the previous record of 1.24 million units transacted in December last year.

(Reuters): The voluntary carbon offset market, which was worth about \$2 billion in 2021, will grow to \$10-40 billion in value by 2030, transacting 0.5-1.5 billion tonnes of carbon dioxide equivalent, compared with 500 million tonnes currently, Shell said in the report co-authored by the Boston Consulting Group. Where previous projections had shown demand for credits starting to outstrip supply in 2024, data from 2021 shows this may happen even earlier for some classes of credits

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