



Carbon Weekly Report

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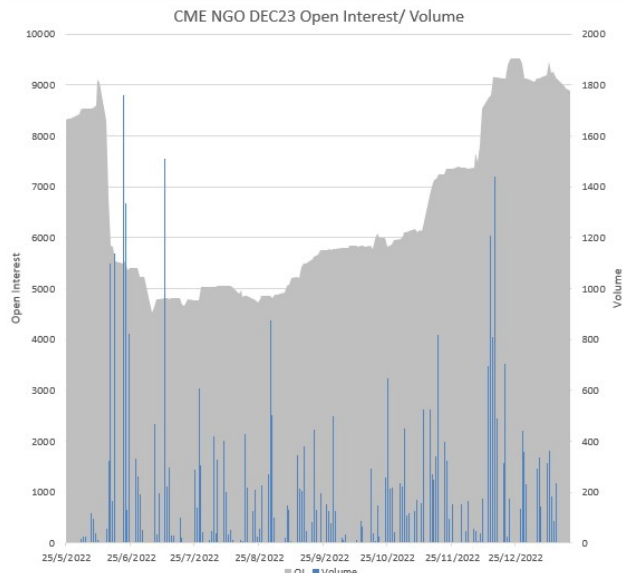
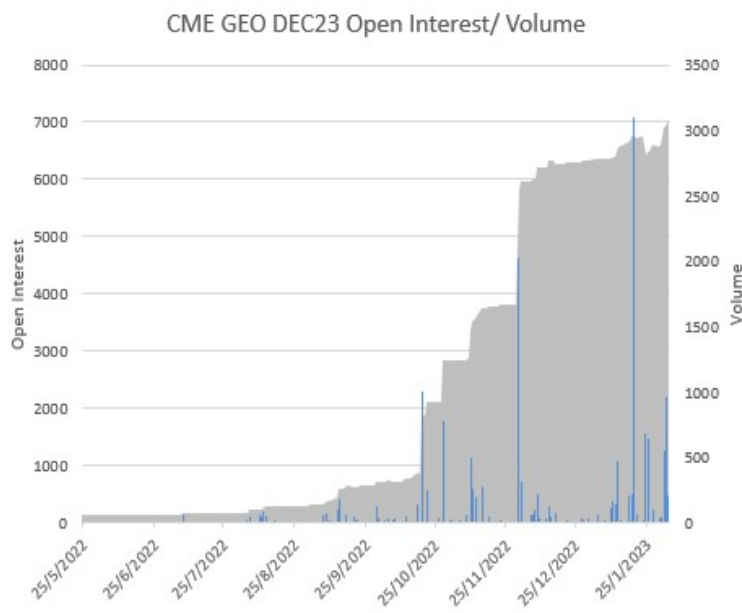
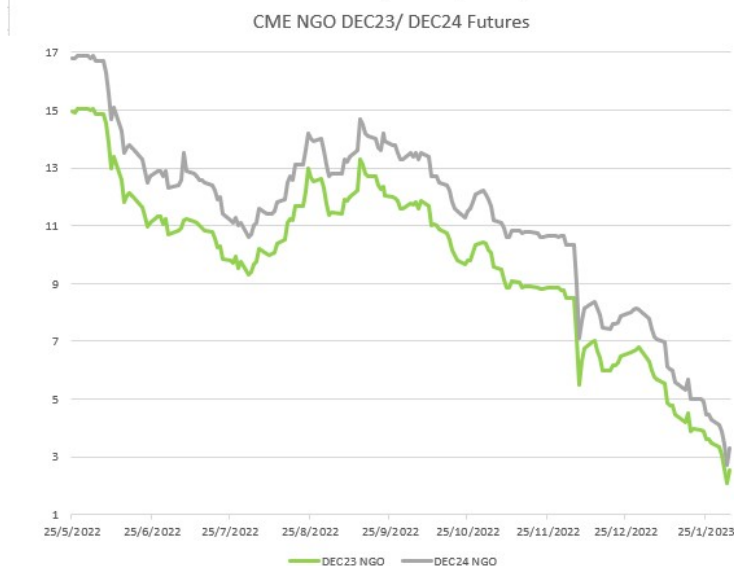
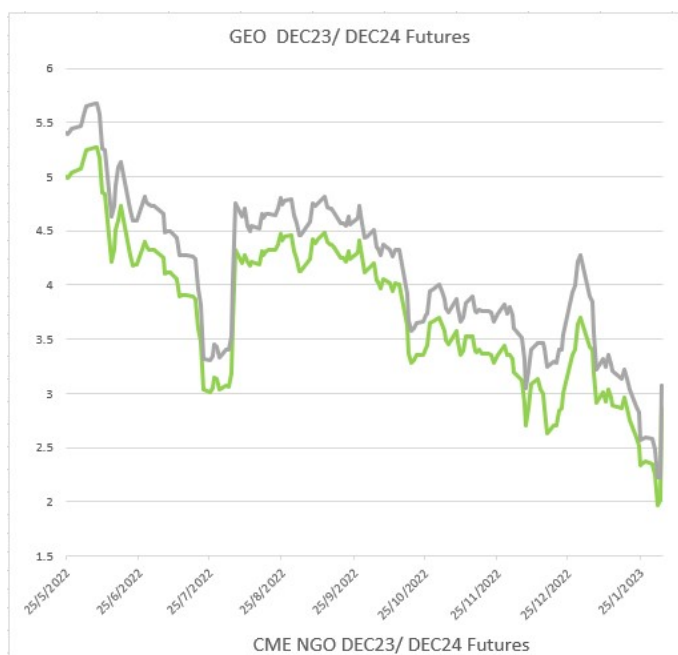
06/02/2023

Voluntary Markets

CME Futures

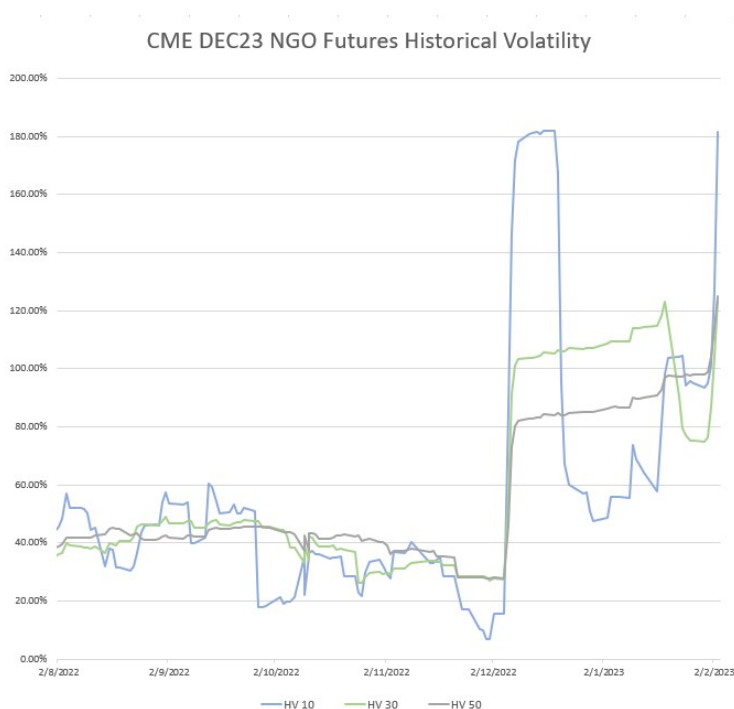
(FIS View): (Friday) DEAD CAT BOUNCE? See total volumes listed below. Dec23 traded at the start of Fridays session in Singapore at a low of 2.10 and finished in the USA session at 2.80. Dec23 contract 462 lots traded outright and 507 lots traded through spreads. Total 969 blocks trading Dec24 contract 285 lots traded outright and 382 lots traded through spreads. Total 667 blocks trading Dec25 contract zero lots traded outright and 175 lots traded through spreads. Total 175 blocks trading Dec23 Open Interest decreased 401kt to 8.13Mt. Dec24 Open Interest increased 80kt to 3.72Mt. Dec25 Open Interest increased 125kt to 1.4Mt.

(FIS View): (Thursday) There were no spread trades on the NGO Dec23/24 overnight. Firstly, NGO Dec23 traded at 50kt at \$2.35 at 1:42pm GMT. 2 hours later the focus shifted to NGO Dec23 with 225kt traded at an average of \$2.67. Our valuation of the spread is now Dec23/24 \$-0.35. At 5:47pm GMT the NGO/GEO Dec24 traded at \$0.50 in 25kt then again trading at 6:03pm GMT at \$0.40 in 25kt (FIS TRADED this trade at \$0.40). On the GEO Dec23/24 spread 600kt traded at an average of \$-0.21, all in an 8-minute window from 5.10pm to 5.18 pm UK time. On the NGO Dec23, a total of 406kt traded and on the Dec24 a total of 436kt traded. Although no spreads traded, checking against open interest points to a spread trading strategy that was executed via combination of screen and block trades.



CME NGO Historical Volatility

10 day volatility has almost double to 181.65% up from at 94.8% the week prior on whipsawing prices for the week with steep declines and a strong Friday recovery. 30 day volatility climbed around 50% to 123.44% While 50 day volatility added 25% to 124.85%



Source: Bloomberg

Block Trades on CME (w/c 23th)

NGO, Dec-23, 3.15, 25kt
 NGO, Dec23/Dec24, -0.80 (3.30/4.10) 25kt
 NGO, Dec23/Dec24, -0.80 (3.30, 4.10), 50kt
 NGO, Dec-23, 3.25, 50kt
 NGO, Dec23/Dec24, -0.75 (3.35/4.10), 50kt
 NGO, Dec23/Dec24, -0.75 (3.35/4.10), 58kt
 NGO, Dec23/Dec24, -0.75(3.35/4.10), 10kt
 NGO, Dec24, 2.60, 25kt
 NGO, Dec24, 2.60, 50kt
 NGO, Dec24, 3.40, 50kt
 GEO, Dec23/Dec24, -0.25 (2.00/2.25), 200kt
 NGO, Dec24/Dec25, -1.15 (3.50/4.65), 100kt
 NGO/GEO Dec-24, 0.40 (2.30/2.70), 25kt
 GEO, Dec-24, 2.20, 25kt
 NGO, Dec-24, 2.70, 25kt
 NGO/GEO, Dec-24, 0.50 (2.70/2.20), 25kt
 NGO, Dec-24, 2.70, 25kt
 GEO, Dec-24, 2.20, 25kt
 GEO, Dec23/Dec24, -0.19 (2.03/2.22), 50kt
 GEO, Dec23/Dec24, -0.20 (2.02/2.22), 100kt
 GEO, Dec23/Dec24, -0.20 (2.02/2.22), 150kt
 GEO, Dec23/Dec24, -0.21 (2.02/2.23), 100kt
 GEO, Dec23/Dec24, -0.21 (2.02/2.23), 100kt

NGO, Dec-24, 2.70, 25kt
 NGO, Dec-24, 2.70, 100kt
 NGO, Dec-24, 2.60, 25kt
 NGO, Dec-24, 2.60, 25kt
 GEO, Dec-24, 2.00, 25kt
 GEO, Dec-23, 1.65, 25kt
 NGO, Dec-23, 1.75, 25kt
 GEO, Dec-23, 1.65, 25kt
 GEO, Dec-23, 1.65, 25kt
 GEO, Dec-23, 1.65, 25kt
 NGO, Dec-23, 2.35, 25kt
 NGO, Dec-23, 2.35, 25kt
 GEO, Dec23/Dec24, -0.25 (1.65/1.90), 100kt
 NGO, Dec-23, 2.8, 33kt
 NGO, Dec-23, 2.8, 60kt
 NGO, NGO/GEO Dec24, 0.30 (3.00/2.70), 25kt
 NGO, Dec24/Dec25, -1.08 (2.85/2.93), 25kt
 NGO, Dec23/Dec24, -0.65 (2.25/2.90), 50kt

NGO, Dec-23, 2.1, 44kt
 NGO, Dec-23, 2.1, 25kt
 NGO, Dec23/Dec24, -0.65 (2.10/2.75), 107kt
 NGO, Dec-23, 2, 100kt
 NGO, Dec-24, 2.7, 85kt
 NGO, Dec-24, 2.7, 100kt
 NGO, Dec-24, 2.7, 50kt
 NGO, Dec23/Dec24, -0.65 (2.10/2.75), 50kt
 NGO, Dec23/Dec24, -0.65 (2.10/2.75), 50kt
NGO, Dec-24, 2.7, 25kt
NGO, Dec-24, 2.7, 25kt
 NGO, Dec-23, 2.1, 50kt
 NGO, Dec23/Dec25, -1.8 (2.10/3.90), 50kt
 NGO, Dec23/Dec25, -1.8 (2.10/3.90), 100kt
 NGO, Dec-23, 2.1, 25kt
NGO, Dec-23, 2.1, 25kt
 NGO, Dec-23, 2.1, 25kt
 NGO, Dec23/Dec24 (2.20/2.85), -0.65, 100kt
NGO, Dec-23, 2.1, 50kt
NGO, Dec-23, 2.1, 25kt

Source: CME Direct

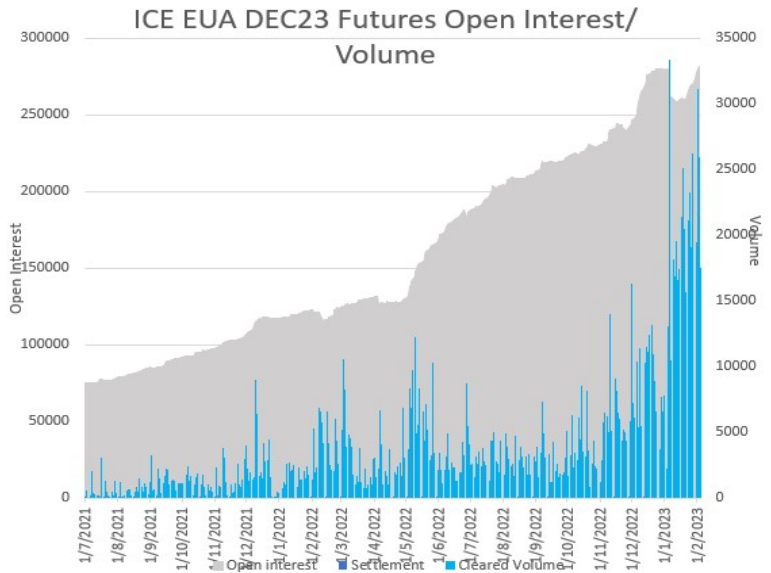
FIS Trades (w/c 3rd)

NGO/GEO Dec24 \$0.40, 25kt
 CME NGO Dec24 @ \$2.70, 25kt
 CME NGO Dec24 @ \$2.70, 25kt
 CME NGO DEC23 @ \$2.10, 25kt
 CME NGO DEC23 @ \$2.10, 50kt
 CME NGO DEC23 @ \$2.10, 25kt

Compliance Markets

EUAs

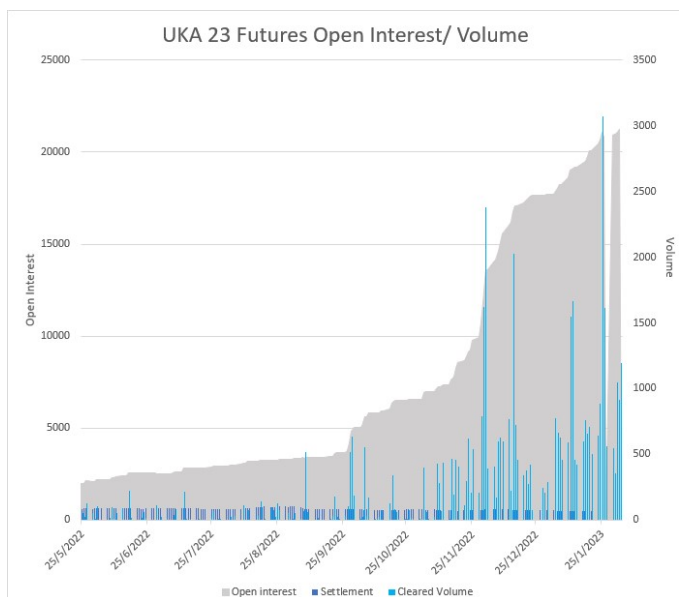
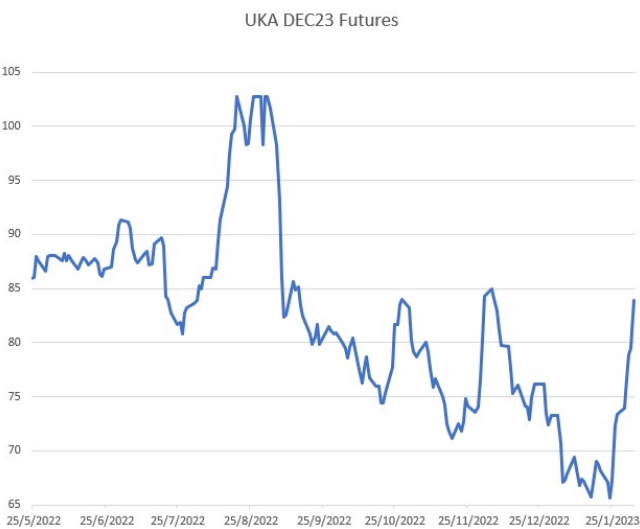
Dec-23 EUAs rose from the start of trading, opening with an early low at €93.05 before climbing to €95.25 within the first 90 minutes of the session and then slipping back ahead of the daily auction. Levels rose to a high of €96.20 amid a burst of activity that sources said was likely related to trading in March options. The high also corresponded to the upper Bollinger band. As the afternoon progressed however, EUAs retraced steadily lower with some brief bursts of selling that accentuated the downtrend. Prices dropped to an interim low of €93.20 ahead of the settlement window. The benchmark EUA contract settled at €93.29 for an 0.3% gain on the day and a 4.6% increase from last Friday, the fourth successive weekly increase. Trade in the benchmark totalled nearly 18 million EUAs, the lowest daily total in two weeks, while other contracts totalled 5.6 mln. KraneShares' KRBN fund added 139,000 EUAs to its portfolio on Thursday, bringing its EUA holdings to 4.1 mln EUAs.



Source: Refinitiv

UK ETS

UK allowance prices continued to outperform EUAs, with strong gains amid steady buying on Friday eliminating the UK allowance's discount to EUAs, and returning a premium of €0.26, the first positive differential since early December. The Dec-23 UKA contract on ICE settled 5.6% higher at £83.87, amid trades totalling 1.2 mln tonnes. The contract added more than 14% from the previous Friday's settlement, the biggest weekly gain since September 2021.

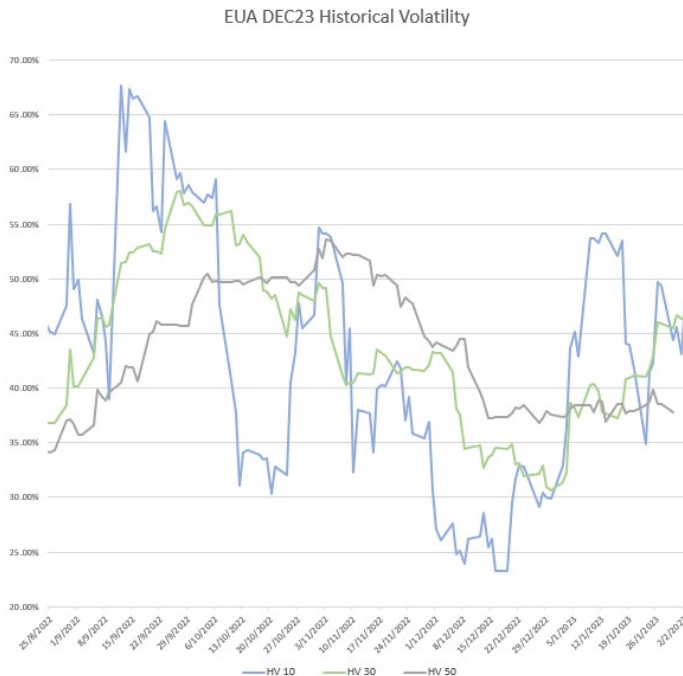
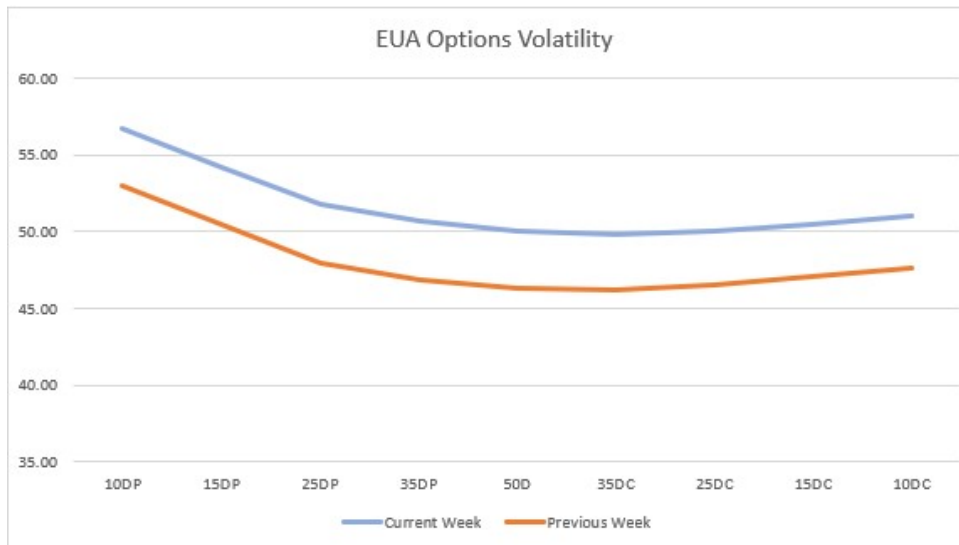


Source: Refinitiv

EUA Options Market

Settlement at €93.29 for Dec23 for the week. Put Skew increased 6.88% and Call Skew has increased 7.08%. Levels rose to a high of €96.20 amid a burst of activity that sources said was likely related to trading in March options.

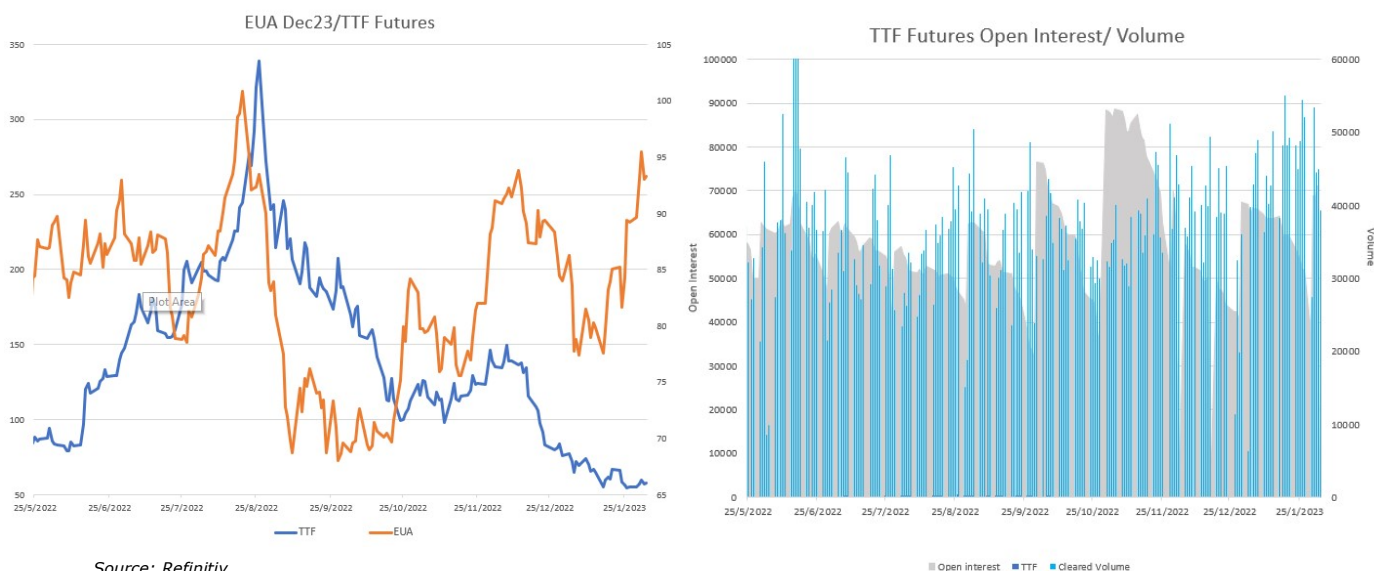
Volatility Surface: 06/02/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	56.68	54.20	51.74	50.64	50.03	49.80	50.02	50.51	51.00
WoW Change	3.65	3.71	3.83	3.82	3.74	3.60	3.54	3.44	3.37
Previous Week	53.03	50.49	47.91	46.82	46.29	46.20	46.48	47.07	47.63



Source: Bloomberg

Correlated Markets

Energy prices recovered modestly after Thursday's losses. March TTF natural gas added 1.5% to €57.889/MWh on ICE, while cal-24 German baseload power was 1.1% higher at €181.00/MWh on EEX.



Market News

(CarbonPulse): A report on Australia released by the International Monetary Fund Thursday has suggested the compliance cap on facilities covered by the Safeguard Mechanism is too generous to meet their proportional share of emissions cuts, and highlighted broader gaps in the government's climate policies. It highlighted that if covered facilities contribute a proportional share of achieving Australia's 2030 NDC, this would equate to a GHG reduction of around 46 MtCO₂e. The paper estimated that if about half of these reductions was achieved directly through the price signal, with the remaining half met through other regulation, offsets, and subsidised investment, a carbon price of around A\$98 would be needed to deliver the required abatement.

(CarbonPulse): Speculators in the New Zealand ETS added almost 12 million NZUs to their total holdings in Q3, according to government data, as the value of the permits rose over the period. New Zealand's Environmental Protection Agency has released its quarterly data on privately held NZUs, showing total holdings of NZUs in the national registry in the September quarter up 4% YoY, to 158 mln. Total NZU holdings were also up 5%, compared to the previous quarter's figure of 150 mln, mostly thanks to the NZUs that were sold at the previous auction.

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