



Carbon Weekly Report

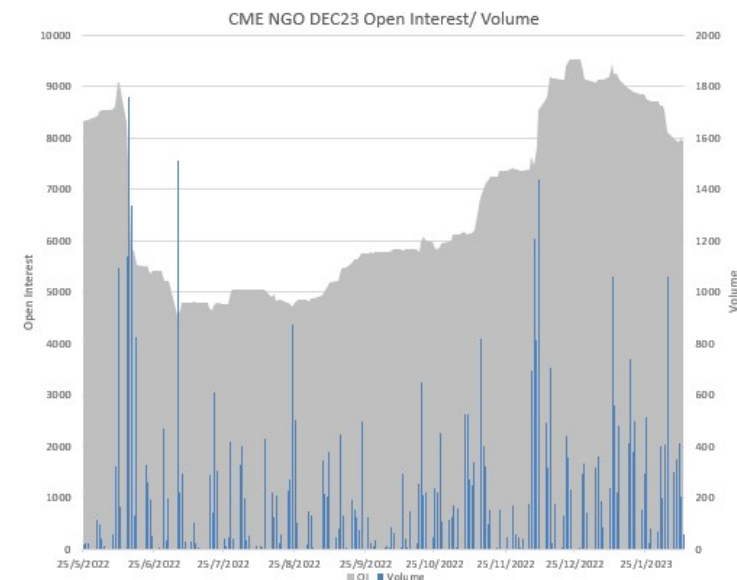
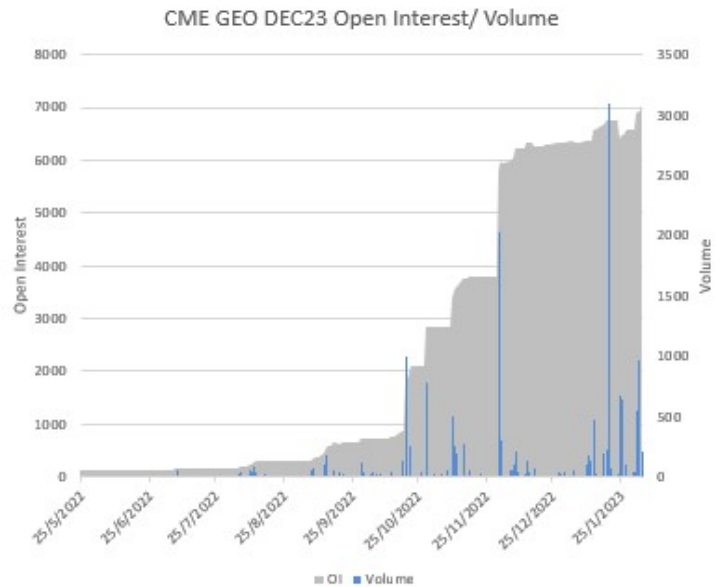
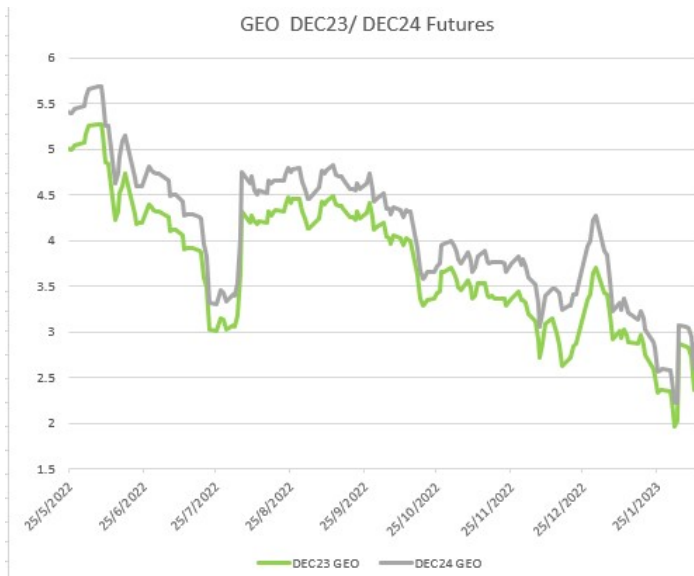
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13/02/2023

Voluntary Markets

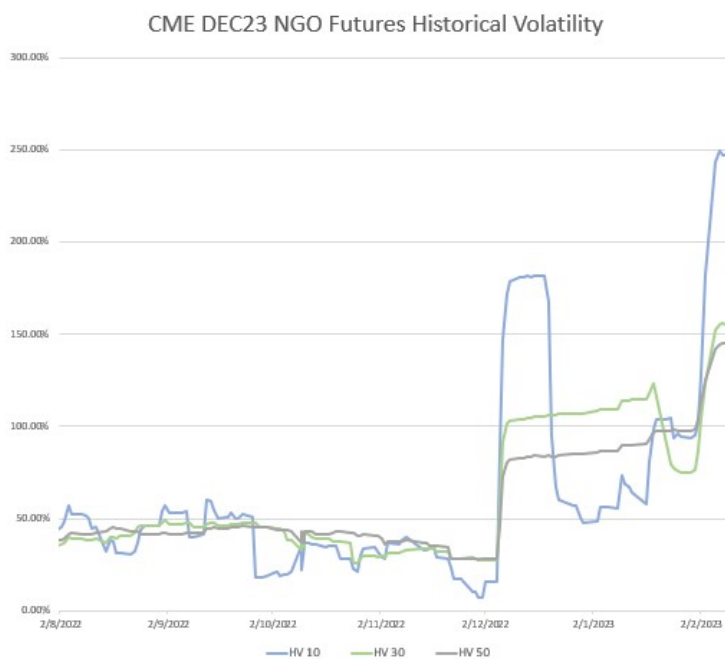
CME Futures

(Thursday) (FIS View): Large number of outright Dec23 trades overnight with 275kt on the Dec23 traded and 69kt of the Dec24 traded. All trades look to be during Europe time between 10.30pm to 12.00am SGT and 12.55am and 1.40am SGT. Dec 24 traded higher in blocks of \$4.70 and settled on screen at \$4.75 and Dec23 traded in block to settle at \$3.85, valuing the Dec23/24 spread at \$-0.90. With the rally in the NGO Complex continuing from the lows, it could be the case that the Dec23 contract is losing traction as compared to the Dec24 & Dec25 contracts with a further time value.



CME NGO Historical Volatility

10 day volatility has jumped to 246.34% up from at 181.65% the week prior on Strong recovery's following an all time low 2.5 weeks ago. 30 day volatility climbed from 123.44% to 156.04% While 50 day volatility added 20% to 125.4%



Source: Bloomberg

Block Trades on CME (w/c 10th Feb)

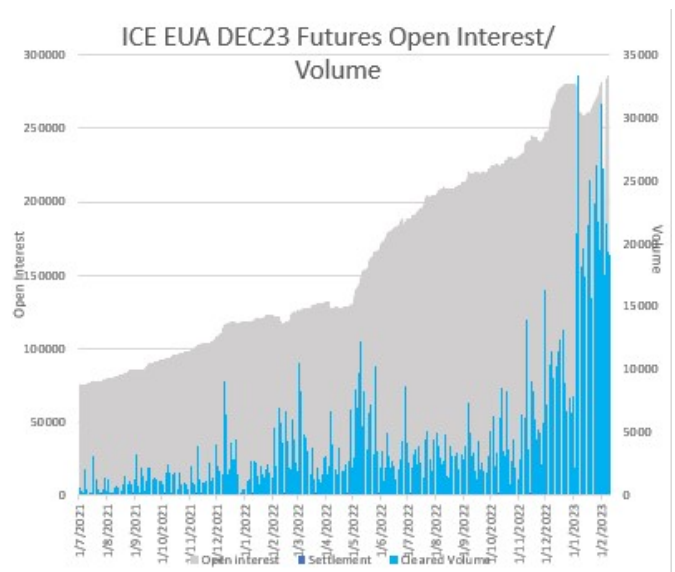
CTR	MONTH	VOLUME (kt)	AVG PRICE
NGO	Dec-23	474	\$ 3.32
	Dec-24	805	\$ 4.56
	Dec23/24	50	-\$ 0.84
GEO	Dec-23	100	\$ 2.70
	Dec-24	125	\$ 2.88

Source: CME Direct

Compliance Markets

EUAs

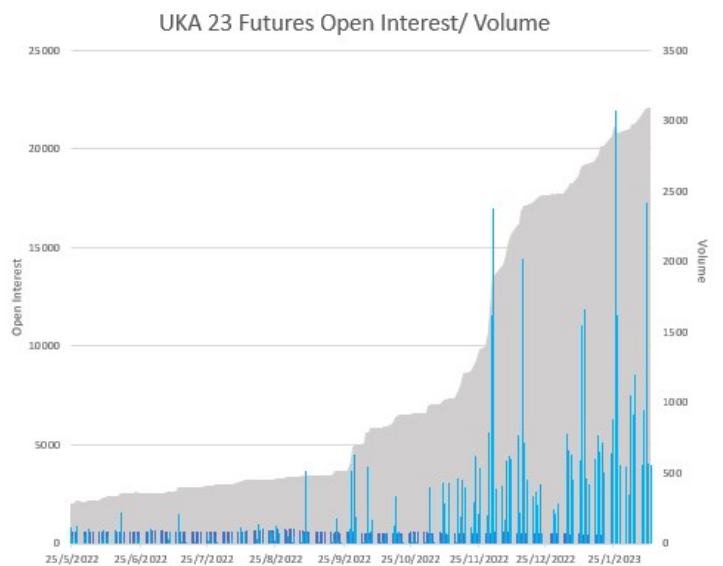
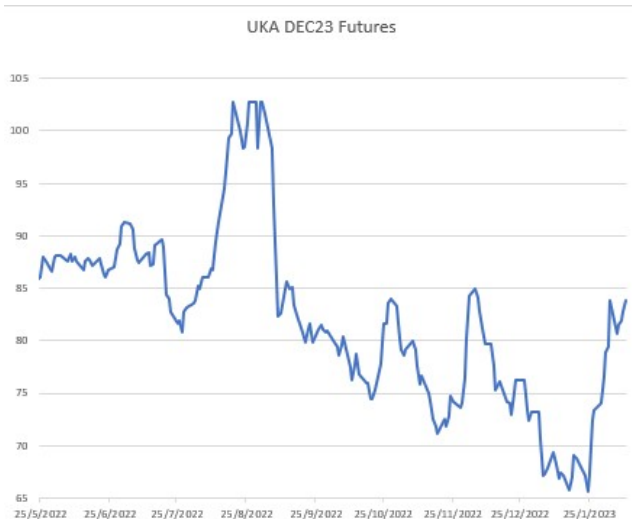
EUA prices posted a robust rally early on Friday before stabilising, clawing back most of the week’s losses after having settled just above €90 for the four previous sessions, while energy prices ended a week-long run of losses as wind generation was forecast to drop in the coming week. Dec-23 EUAs rose strongly from early in the day, climbing from a low of €90.63 to €93.42 within the first two hours of trading, before consolidating between €92.30-€93.00 for the rest of the morning. The daily auction cleared 23 cents below the spot market at 1000 GMT, a differential that left the market unmoved. Prices eased very slightly from their €93.00 post-auction level for most of the afternoon, reaching an interim low of €92.00 before steadily unwinding the losses in the run-up to the settlement window. The market settled at €93.03, a 2.3% gain on the day but a five-day decline of 0.3%, after four successive weekly gains that had driven the market up by 26% from €77.39 to a high of €97.55 last week. Dec-23 screen and block trade totalled more than 15 million EUAs, the lowest daily total in five weeks, while other futures contracts exchanged a total of nearly 26 mln allowances. Nearly half the total volume done on ICE was traded in blocks, including more than 10 mln in the Mar-23 contract alone.



Source: Refinitiv

UK ETS

UK allowance prices rose for a fourth day as a number of participants remarked on the recent decline in UKAs’ premium to the EUA market. The British benchmark contract held a slightly smaller €1.77 premium to EUAs at the settlement, after it was assessed 1.4% higher at £83.86 on ICE. Total trade volume in the front-December totalled 563,000 tonnes. The UK government published the Cost Containment Mechanism trigger price for August. The level was set at £210.59, an decrease of 17p from the July level.

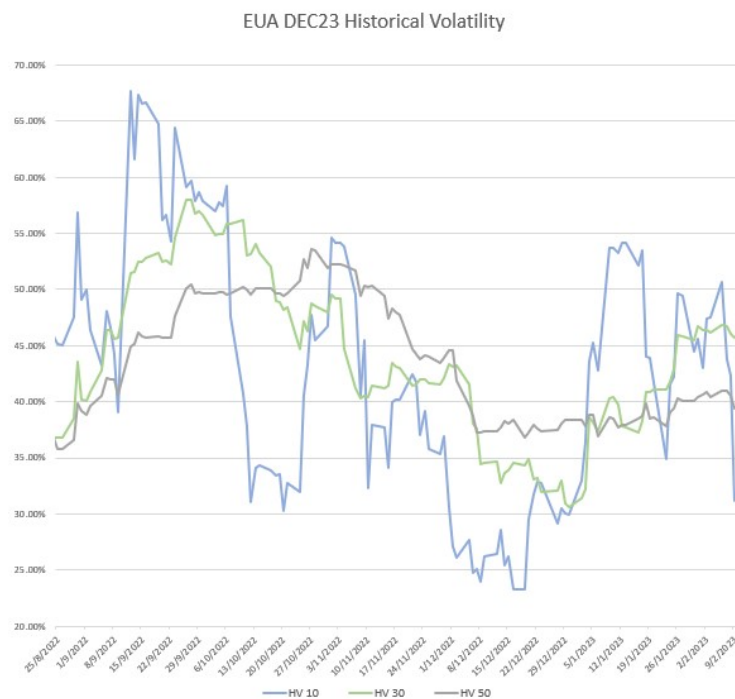
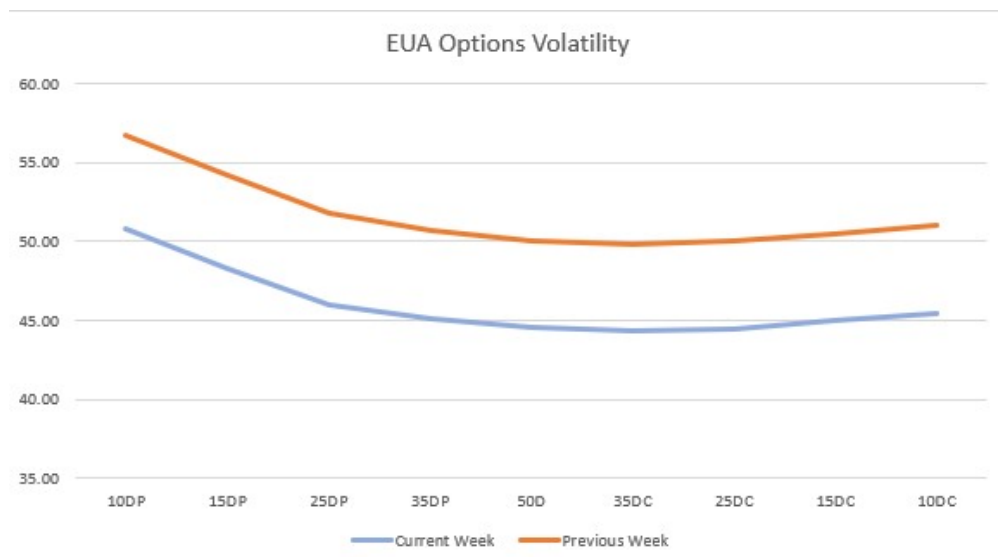


Source: Refinitiv

EUA Options Market

Settlement at €93.03 for Dec23 for the week. Put Skew decreased 10.33% and Call Skew decreased 11.00%. 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 European Parliament is also scheduled to debate the provisional deal on the REPowerEU initiative on Monday, and hold a vote on Tuesday. The legislation would trigger the sale of €20 billion in additional EUAs from the MSR and Innovation Fund over the next three years.

Volatility Surface: 13/02/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	50.83	48.28	46.00	45.06	44.50	44.35	44.49	44.95	45.39
WoW Change	-5.85	-5.92	-5.74	-5.58	-5.53	-5.45	-5.53	-5.56	-5.61
Previous Week	56.68	54.20	51.74	50.64	50.03	49.80	50.02	50.51	51.00



Source: Bloomberg

Market News

(AFR): The Clean Energy Regulator has issued its lowest number of ACCUs in recent months, as the federal government released a consultation that would see its resources minister have sweeping powers over the country's LNG export market. The regulator issued just 29,000 ACCUs in its latest update on Friday, compared to the 305,000 units issued the previous week. The units were issued to a single project, DAC-2015-02, owned by Devine Agribusiness Carbon in central Queensland. The project was registered in 2015 and has since been issued a total of around 530,000 ACCUs. One project in Western Australia was voluntarily revoked from generating ACCUs by its developer, Terra Carbon, according to the regulator.

(CarbonPulse): Japan's Cabinet on Friday approved its basic GX plan, a 10-year roadmap for the country towards realising decarbonisation, including initial arrangements for a domestic carbon pricing scheme that will transition to a full-fledged emissions trading system from 2033. Tokyo also aims to expand the coverage of the JCM, to include more partner countries and study the implementation of large-scale CCS projects. It also plans to build a regional platform to facilitate more collaborations across Asia, based on the Asia Zero Emissions Community (AZEC) concept proposed by the Kishida administration last year.

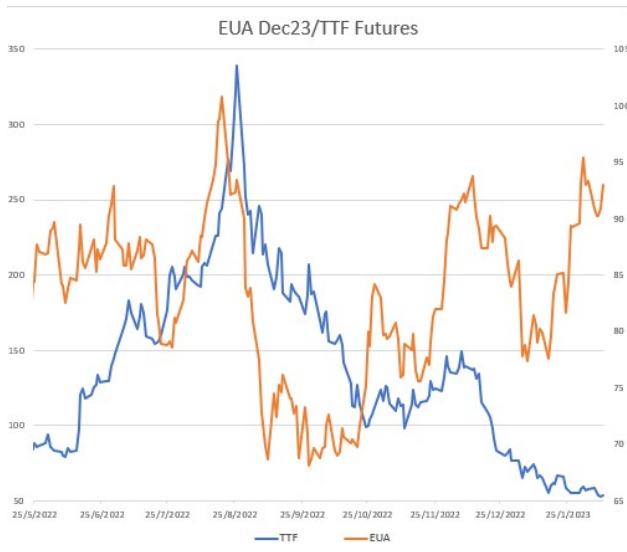
(SCMP): China has moved a step closer to rebooting its suspended voluntary carbon market, the China Certified Emission Reduction (CCER) scheme, a part of its plans to develop a more comprehensive market mechanism to support the country's greenhouse gas emissions goals. China Beijing Green Exchange, which oversees the scheme, announced on Saturday that it has finished developing the registration and trading systems for CCER, and that these are ready for inspection before operations resume. These, it said, are "important infrastructure for building the voluntary carbon market."

(Bloomberg): Singapore is finalizing a list of international carbon credits that can be used by companies to offset their carbon taxes, according to its minister for sustainability and the environment. The list will include eligible host countries, carbon-crediting programs and methodologies, Grace Fu tells parliament on Tuesday, according to a Straits Times report. The government has been paying attention to media reports that question the credibility of rain-forest offsets verified by Verra. Singapore will take these developments into account as it finalizes its criteria for international carbon credits.

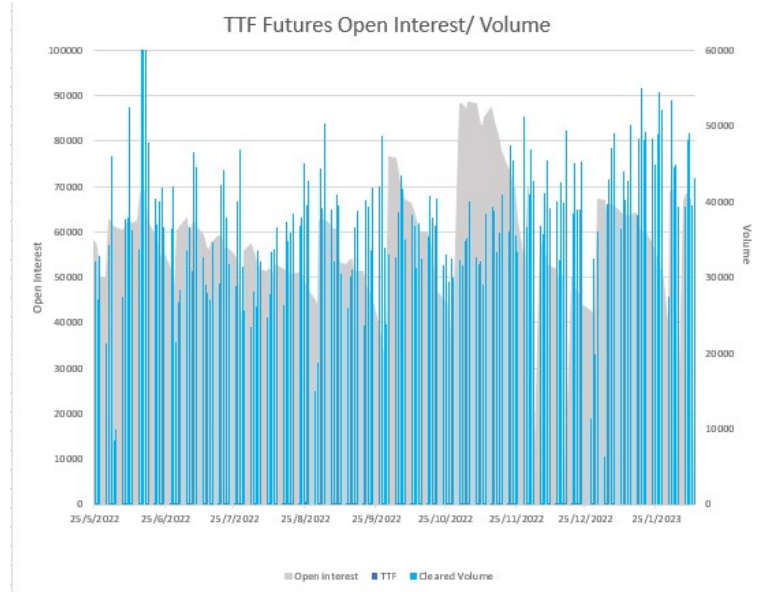
(CarbonPulse): A rating agency has downgraded three Verra-accredited Brazilian REDD+ projects, amid shaken market confidence in the avoided deforestation market following reports of widespread over-crediting. BeZero Carbon downgraded the rating of RMDLT's (VCS ID 977) 550,000 tonnes/year project to a low-ranking A grade, down from a moderate AA-, while AgFor's 940,000 tonnes/year Rio Anapu-Pacaja scheme (ID 2252) dipped to AA- from AA. Both projects are now removed from BeZero's "ratings watch", the company said in an emailed note, adding that it had also reaffirmed the low A rating of the nearby VCS ID 981 project, with all three based in Para state's Portel municipality. Meanwhile, CBNS's CIKEL Brazilian Amazon project (VCS ID 832) was awarded an A grade, down from AA-, with the 370,000 tonnes/year scheme remaining "on watch" for another potential ratings change.

Indicated Markets

Energy markets were stronger in the morning as weather forecasts called for a drop in wind generation in the coming week. March TTF natural gas added 2.3% to €53.947/MWh on ICE while cal-24 German baseload power rose 2.2% to €166.25/MWh on EEX



Source: Refinitiv



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