



Carbon Weekly Report

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20/02/2023

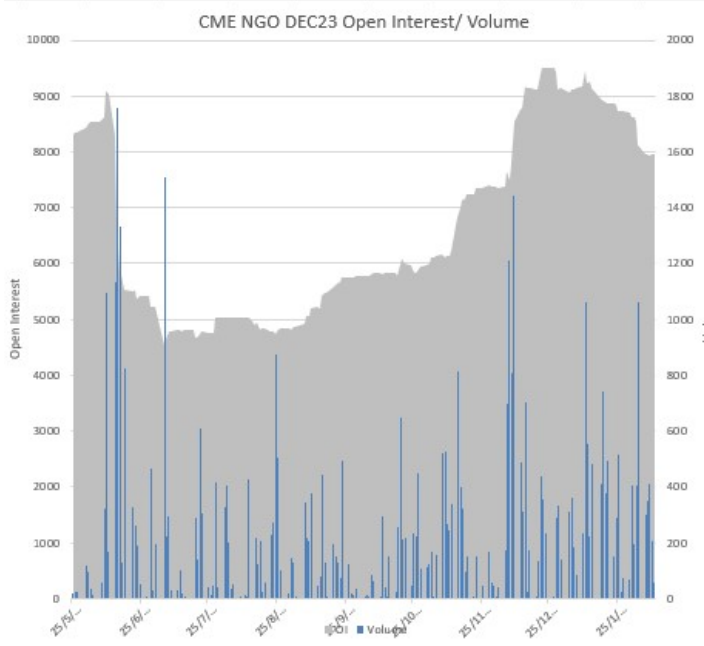
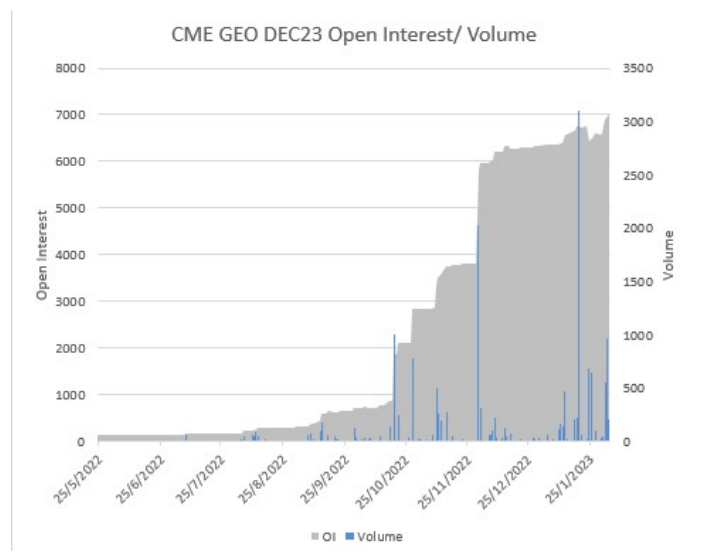
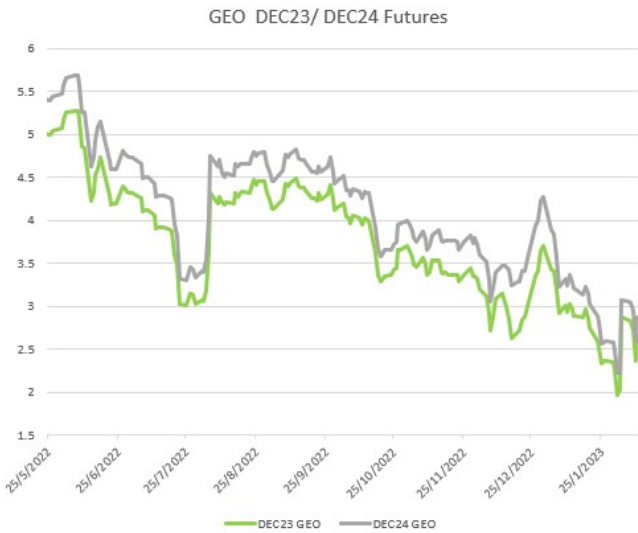
Voluntary Markets

CME Futures

(FIS View/Friday): (FIS View): NGO Dec23 traded lower losing \$0.42 to settle at \$3.10, with 125kt traded in blocks and 147kt traded on screen. European entities look to be taking profit from the rally from \$2.07 to a peak of \$4.55 on 13 Feb (Monday). Dec23/24 spread is valued at \$-1.10. Dec24/25 spread is valued at \$-1.00.GEO sell off .

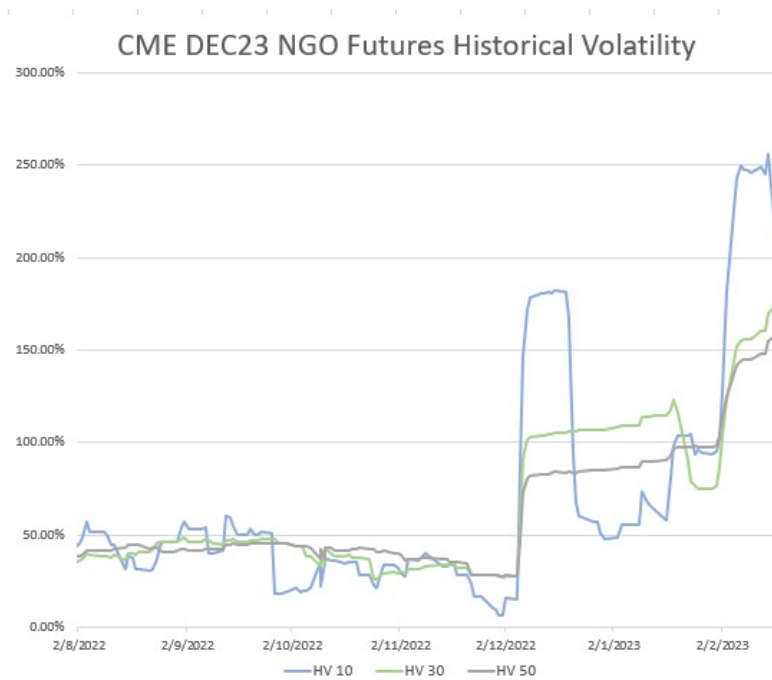
(Thurs) looks like it was a one day delay to the NGO sell off (Wed)

Thurs GEO23 down 20.19% GEO24 down 19.49% Wed NGO23 down 23.90% NGO24 down 17.10% Spreads on GEO remain steady WoW -0.23. Spreads on NGO WoW widen from -0.88 to -1.23 GEO OI suggests players are trading and managing the spread as OI is very similar for GEO 23 and 24. Time wise GEO trades more likely in USA so I'd say fin and fund plays more than commercial players. Sell off GEO looks like is managing risk and positions on both. Spreads are in line so cant say it's a fundamental move. The is the IVCN report coming out in March which depending on report market could recover but I'd be wary of an interim sell off too



CME NGO Historical Volatility

10 day volatility has come off to 214% from 246% the week prior. 30 day volatility climbed from 156% to 175% While 50 day volatility added 10% to 155%



Source: Bloomberg

Block Trades on CME (w/c 17th Feb)

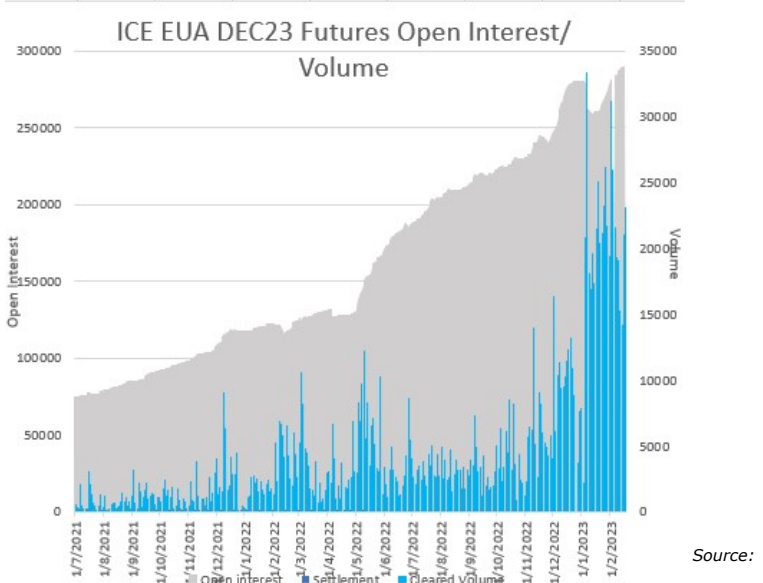
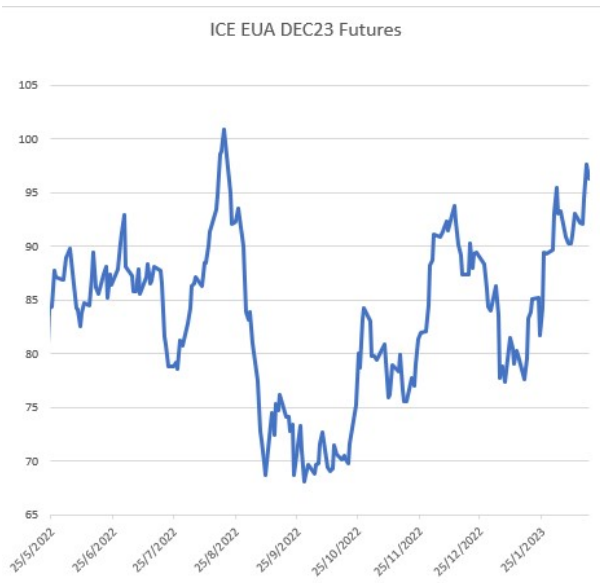
GEO	Dec-23	75kt
	Dec23/24	350kt
NGO	Dec-23	448kt
	Dec-24	307kt
	Dec-25	67kt
	Dec23/24	157kt
	Dec24/25	92kt

Source: CME Direct

Compliance Markets

EUAs

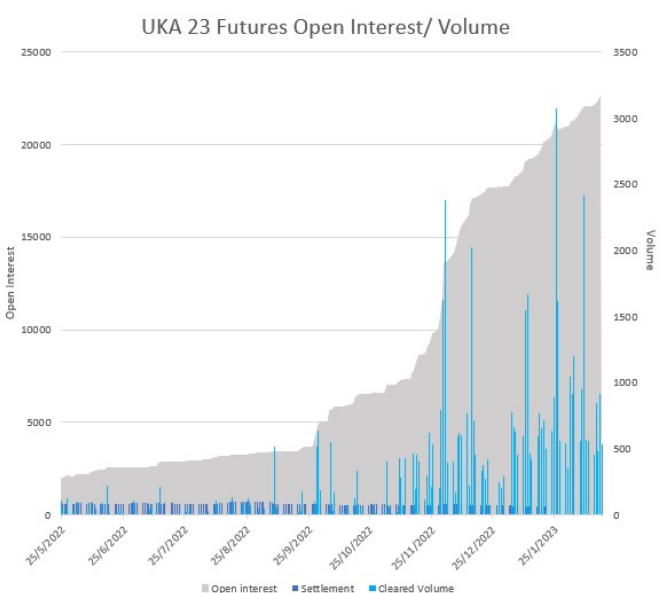
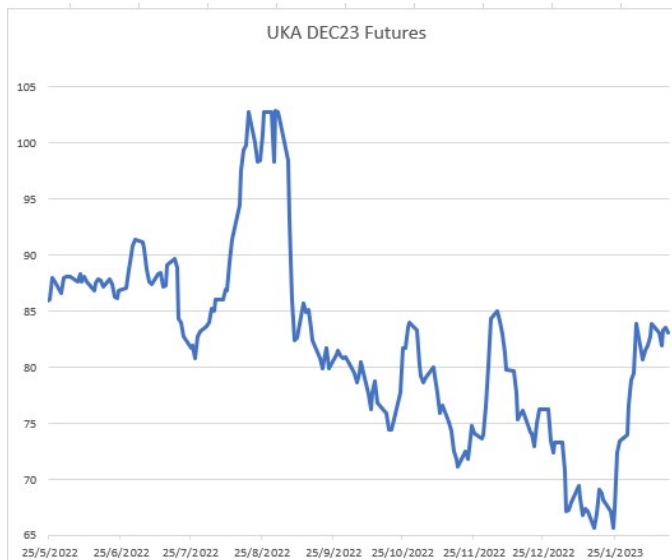
EUAs gave up early gains after reaching a new six-month high on Friday morning, but still ended the week 3.5% higher amid very light trading as participants continued to eye a test of the €100 level. Dec-23 EUAs shrugged off an early decline to surge to a high of €98.45 in the first 90 minutes of trading, though trading volume was rather lower than the last few days. The market made several efforts to consolidate above €98.35, but was beaten back amid selling pressure on five separate occasions. Prices then sank back as the market eyed the approaching auction. By the middle of the day the contract had rallied to as much as €97.70, slightly higher than Thursday's settlement, but in the early afternoon prices declined quickly, reaching a low of €95.53 before rallying slightly to trade between €96.00 and €96.50 for the rest of the day. The benchmark contract settled 1.3% lower at €96.25, with volume on ICE totalling nearly 17 million EUAs, the least in four days. Other futures contracts saw an aggregate of more than 28 mln allowances exchanged, including a 10 mln-tonne March-April spread done as a group of block trades.



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UK ETS

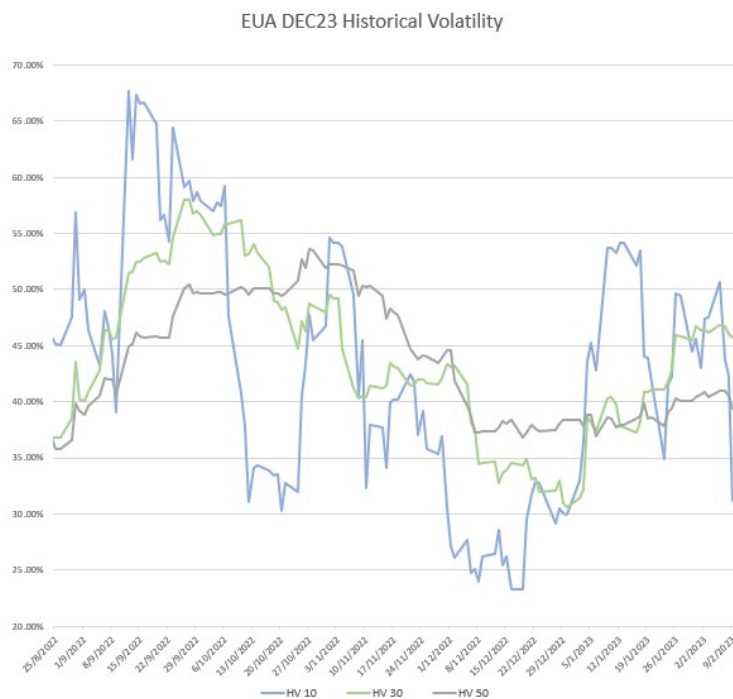
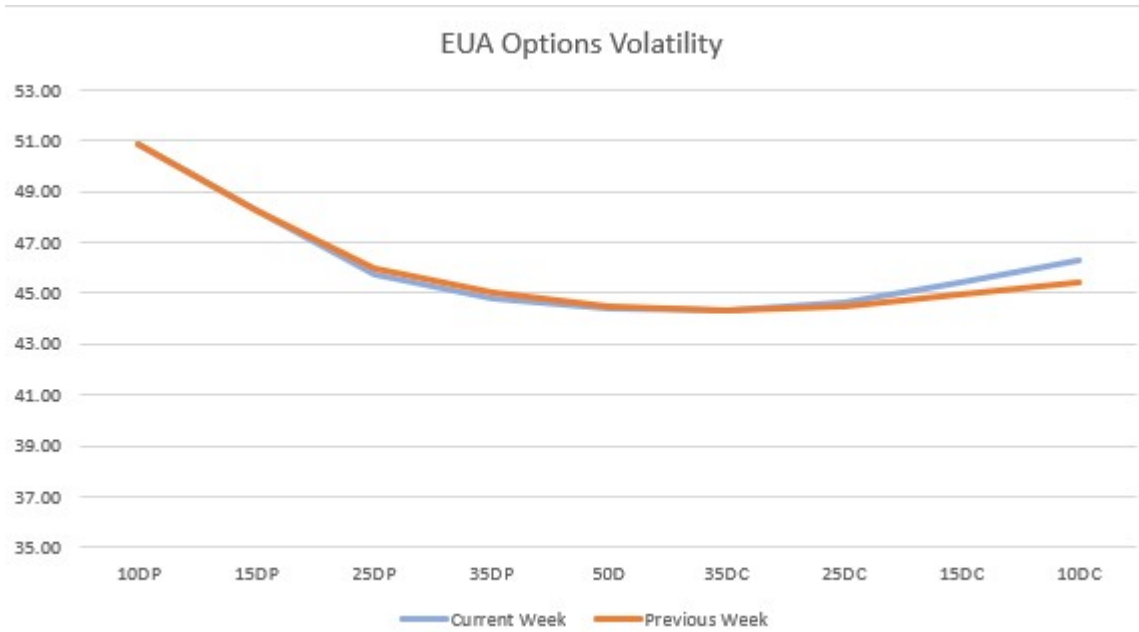
UK Allowance prices posted a slight loss on Friday in moderate trade, settling 0.6% lower at £93.09. Trade volume totalled 535 lots. The UKA-EUA spread ended the week at -€2.72, after ending the previous week at €1.61.



EUA Options Market

Settlement at €93.03 for Dec23 for the week. Put Skew flat for the week and Call Skew increased 1.96%. The benchmark contract settled 1.3% lower at €96.25, with volume on ICE totalling nearly 17 million EUAs, the least in four days.

Volatility Surface: 20/02/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	50.83	48.25	45.74	44.76	44.38	44.36	44.66	45.46	46.28
WoW Change	0.00	-0.03	-0.26	-0.30	-0.12	0.01	0.17	0.51	0.89
Previous Week	50.83	48.28	46.00	45.06	44.50	44.35	44.49	44.95	45.39



Source: Bloomberg

(The Epoch Times): The left-wing Australian Greens say they will soften their demands for a proposed fossil fuel ban to shake hands with the centre-left Labor government to pass its carbon credit reforms in an effort to tackle climate change. But Greens leader Adam Bandt said his party would compromise their stance if Labor presented a “different way” of dealing with the question of coal and gas. He suggested putting a “climate trigger” in the nation’s environment laws when assessing new coal and gas projects and putting “a pause on approvals” while the government is looking at how to deal with the situation “in a holistic way.”

(AFR): Trade in Australia’s carbon credits market surged to record levels in January, with brokers pointing to elevated interest from banks and hedge funds who expect the price of the units to soar once heavy emitters fall under Labor’s strengthened emission reduction mechanism. More than 2.2 million Australian Carbon Credit Unit contracts were exchanged in January, three times the previous record. Market sources identified the country’s four major banks as significant drivers of the activity. All four declined to quantify their positions in the market but confirmed significant interest from clients.

(Sydney Morning Herald): The Greens will demand a sweeping change to Labor’s flagship policy to cut greenhouse gas emissions by pushing for an amendment to stop all new coal and gas projects. Greens leader Adam Bandt will call for the single but far-reaching variation to the safeguard mechanism in a move that focuses the political debate on coal and gas while accepting every other part of the new scheme to cut emissions from 215 big polluters. With the Coalition vowing to vote against the safeguard mechanism and the two funds, the government must secure support from the Greens and at least two others in the Senate to deliver on the election promises, even at the cost of agreeing to amendments. “The Greens have huge concerns with other parts of the scheme, such as the rampant use of offsets and the low emissions reduction targets, but we’re prepared to put those concerns aside and give Labor’s scheme a chance if Labor agrees to stop opening new coal and gas projects.”

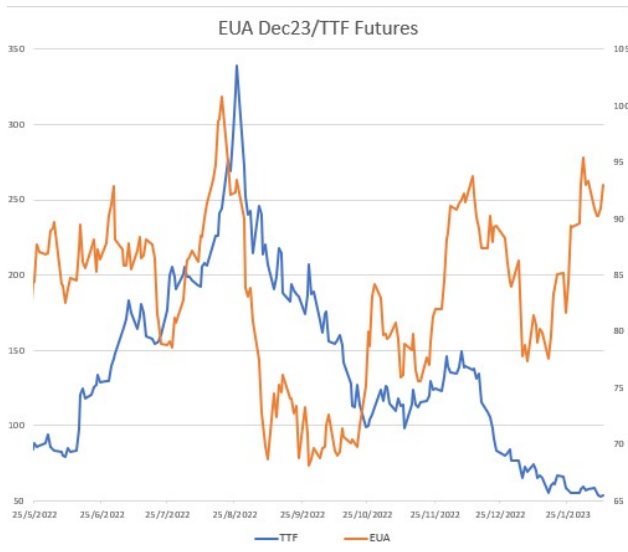
(CarbonPulse): Japan’s Cabinet on Friday approved its basic GX plan, a 10-year roadmap for the country towards realising decarbonisation, including initial arrangements for a domestic carbon pricing scheme that will transition to a full-fledged emissions trading system from 2033. Tokyo also aims to expand 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.

(CarbonPulse): The Papua New Guinean government has attempted to quell fears over its governance of carbon market projects in the country following a critical investigation by Australian news programme Four Corners. Simo Kilepa, PNG’s minister for environment, conservation and climate change, released a statement Friday assuring stakeholders that the ministry was “doing its best” to finalise the country’s carbon markets regulations. “My ministry as a responsible ministry for climate change, is taking ... steps to ensure the country is well prepared by way of establishing the country’s carbon market regulation,” Kilepa said in the statement. “The regulation will be ready for submission to the National Executive Council before end of March 2023.”

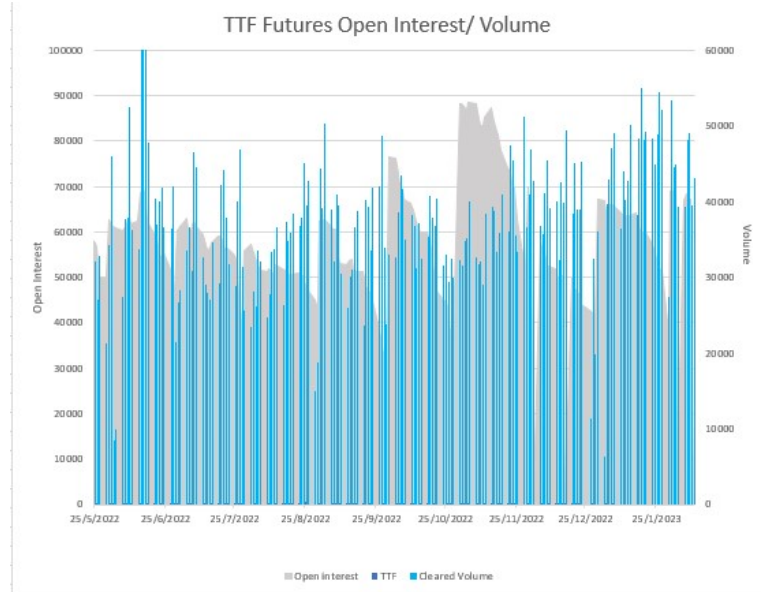
(CarbonPulse): Carbon market analysts on Wednesday pointed to the strong likelihood that South America will significantly increase its REDD+ carbon credit issuance in the coming months and years, with jurisdictional-level methodologies quickly increasing in prominence. South America is underrepresented in terms of its corporate climate ambition, but its supply of nature-based credits is on the rise, Trove Research told a webinar that it had organised to discuss carbon market trends in the region. Some 17% of carbon credits issued on the voluntary carbon market (VCM) across major registries originated from South American-based projects last year, with the region’s total issuance growing to 90 million credits in 2022 from 85 mln credits in 2021. The average price paid for those units was \$9.10 in 2022, according to Trove, with this price bumped up by the dominance of nature-based credits in the region’s portfolio – with afforestation and conservation projects tending to fetch a price premium on the market.

Indicated Markets

March TTF natural gas was off 6.2% at €48.800/MWh on ICE, after earlier dropping to the lowest for a front-month futures contract since September 2021. The drop in gas prices came as ICE open interest in TTF contracts rose to the most since September last year, according to ICIS. Cal-24 German baseload power was 1.9% lower at €158.30/MWh on EEX, while cal-24 API2 coal drifted 2.3% to \$143.50/tonne on ICE.



Source: Refinitiv



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