



Carbon Weekly Report

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27/02/2023

Voluntary Markets

CME Futures

(Friday): Combined OI for GEO23 and 24 stands now at 15875 lots. In comparison NGO23 and 24 is now 11439 lots. Open interest changes over the last 5 sessions on either product are negligible and remain steady. CME GEO23 Open Interest down from 8,013 to 7,701 (-312) and GEO Dec23 down from 7,862 to 7,539 (-323) after yesterdays session.

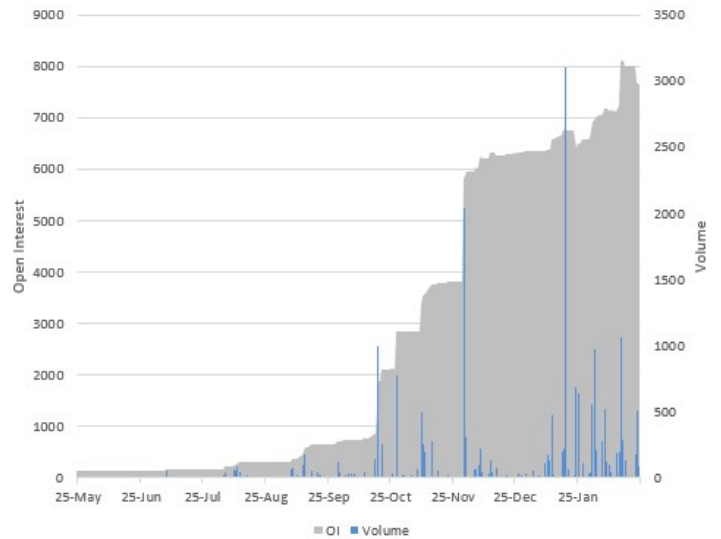
Over the last 5 trading day session GEO23 and 24 is up approx. 20%. Similarly, NGO23 is up 25.3% while NGO24 is up 19.45%.

Techincals: Traditionally the RSI is considered overbought when above 70 and oversold when below 30. RSI for NGO and GEO stand in the middle now at 50. Where do we go next?

GEO DEC23/ DEC24 Futures



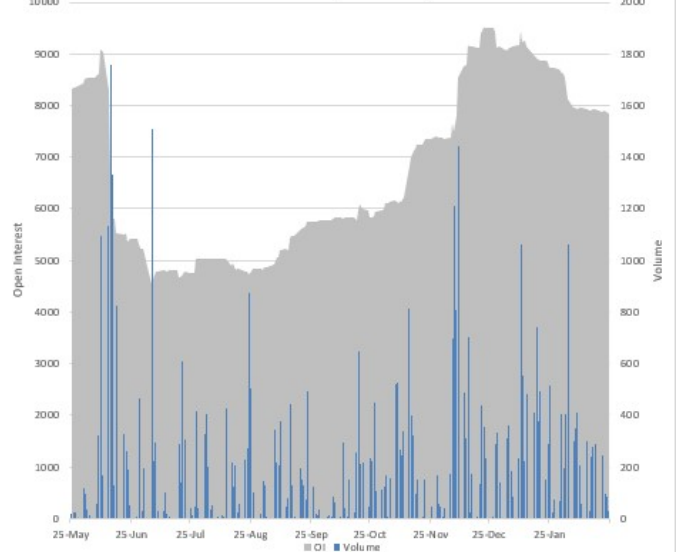
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures



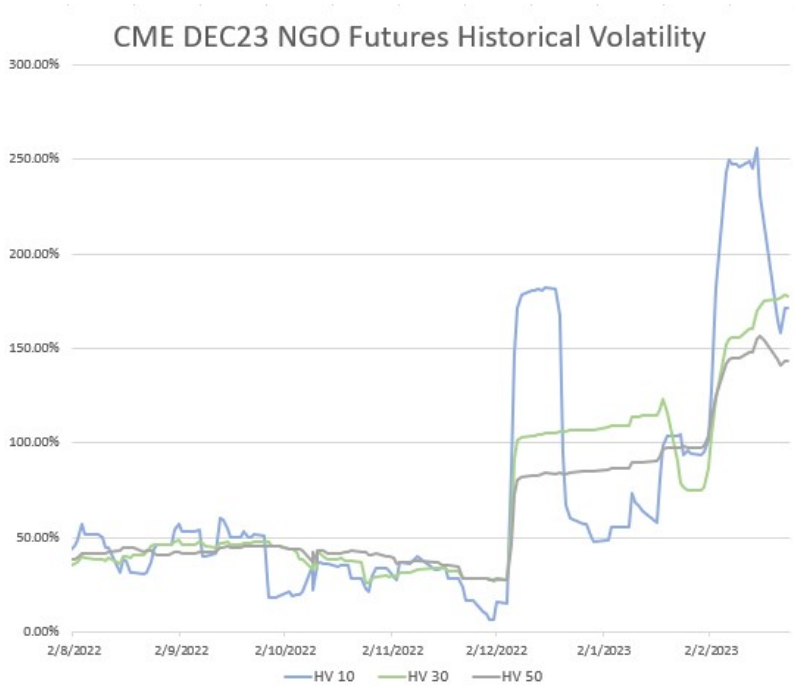
CME NGO DEC23 Open Interest/ Volume



Source: Refinitiv

CME NGO Historical Volatility

10 day volatility has come off to 171% from 214% the week prior. 30 day volatility is flat at 178%. While 50 day volatility lost 10% to 143%



Source: Bloomberg

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

NGO	Dec-23	\$	4.10	25kt
NGO	Dec-25	\$	6.25	100kt
GEO	Dec23/Dec24	-\$	0.24	50kt
GEO	Dec23/Dec24	-\$	0.24	50kt
NGO	Dec-24	\$	4.85	25kt
NGO	Dec-24	\$	4.85	50kt
GEO	Dec23/Dec24	-\$	0.23	50kt
GEO	Dec23/Dec24	-\$	0.23	150kt
NGO	Dec-24	\$	4.85	25kt
NGO	Dec23/Dec24	-\$	1.05	25kt
NGO	Dec23/Dec24	-\$	1.10	92kt
GEO	Dec-24	\$	2.40	25kt

Source: CME Direct

Compliance Markets

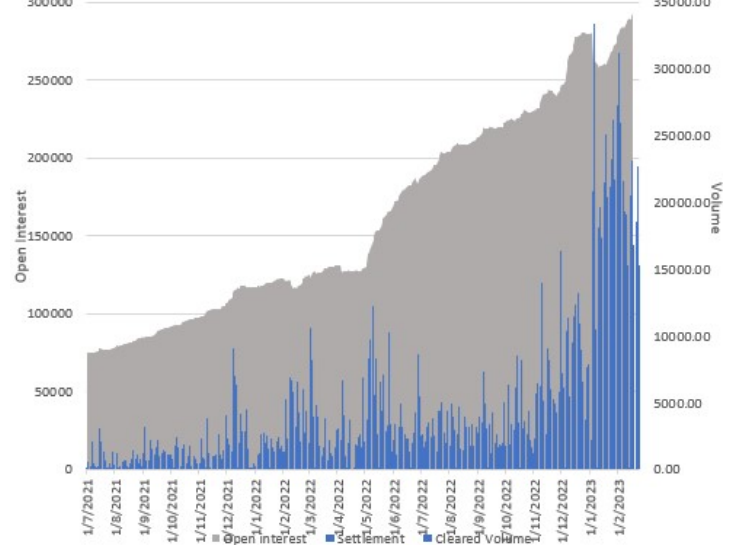
EUAs

European carbon posted a modest week-on-week gain on Friday as prices recovered from their sell-off in the wake of Tuesday's record high, with traders seeing short-term strength as the compliance season nears its peak despite strong selling at the €100 level. Dec-23 EUAs rose from a low of €97.09 at the start of trading to just below €99 as the auction bidding window closed. The sale cleared 51 cents above the prevailing spot value at 1000 GMT, triggering an extended burst of buying that pushed prices to their morning high of €100.20 within 30 minutes. The auction recorded a bid-to-cover ratio of 2.48, matching the highest of the year to date, with this week's four sales returning an average cover ratio of 2.19, the highest weekly average since November. Trade at Auction activity totalled nearly 1.5 million EUAs, sources said, with one suggesting that speculative traders had been active buyers in order to exploit the rally. The benchmark contract settled at €97.39, a loss of 0.2% or 19 cents on the day, but a gain of 1.2% from last Friday's settlement. Screen and block volume on ICE in the Dec-23 totalled 17 million EUAs, with a further 7.1 mln done in other contracts.

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume

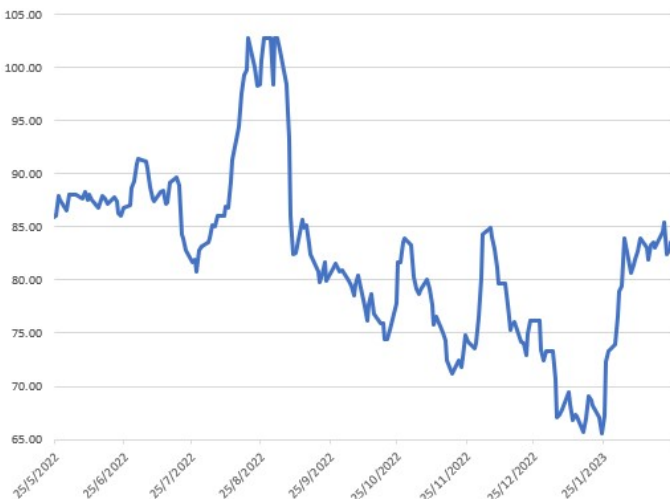


Source: Refinitiv

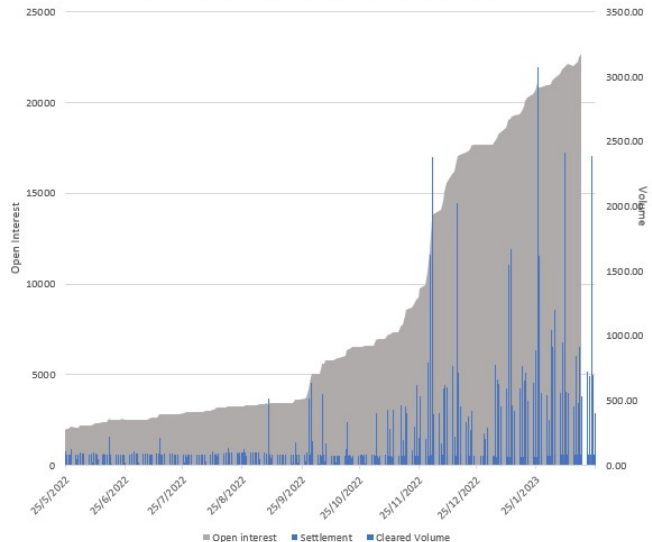
UK ETS

UK Allowance prices resisted the late weakness in EUA prices, spending most of the day in positive territory. The Dec-23 UKA contract rose as much as 2.1% to £84.50 before settling 1% higher at £83.57, a gain of 0.6% on the week. Trade in the benchmark was 408,000 tonnes, the lowest daily total in more than three weeks. The strong performance by UKAs narrowed the spread to EUAs by around €1 to -€2.80, in line with the differential last Friday.

UKA DEC23 Futures



UKA 23 Futures Open Interest/ Volume

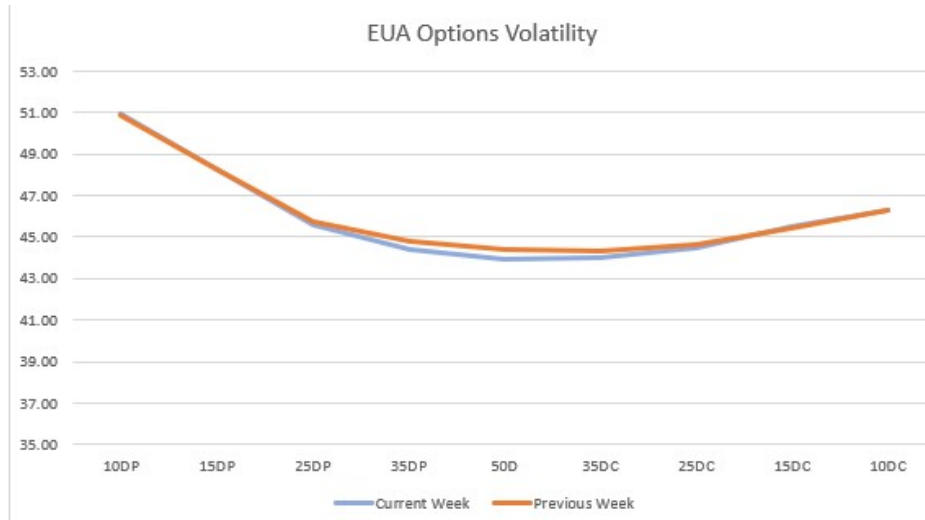


Source: Refinitiv

EUA Options Market

Put and Call Skew flat for the week. The benchmark contract settled at €97.39, a loss of 0.2% or 19 cents on the day, but a gain of 1.2% from last Friday's settlement. Screen and block volume on ICE in the Dec-23 totalled 17 million EUAs, with a further 7.1 mln done in other contracts.

Volatility Surface: 27/02/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	50.95	48.29	45.55	44.40	43.90	43.97	44.47	45.47	46.31
WoW Change	0.12	0.04	-0.19	-0.36	-0.48	-0.39	-0.19	0.01	0.03
Previous Week	50.83	48.25	45.74	44.76	44.38	44.36	44.66	45.46	46.28



Source: Bloomberg

Market News

(Bloomberg): EUAs hit record high: EUAs rise to a record high as gas prices ease, which is set to boost industrial activity shut down by high energy costs. EUA futures rose as much as 3.5% to 99.61 euros on ICE. This month law makers rubber-stamped a landmark deal reached last year to overhaul the bloc's co2 market. Aligning it with the bloc's goal to cut emissions by 55% this decade. Because of last year's steep gas prices, the drop back down is helping to return European power and industry to normalcy. Companies that couldn't afford to hedge last year may be coming back to the market ahead of an April deadline to account for 2022 emissions. And industries that shut off completely last year may be buying permits again now that energy is cheap enough for them to operate.

(Sydney Morning Herald): (Sydney Morning Herald): Climate and Energy Minister Chris Bowen has ruled out banning new coal and gas projects as part of negotiations with the Greens over the government's proposed emissions reduction and environmental protection overhauls. Bowen again refused to yield to the Greens' demand, saying while Labor wasn't proposing new coal projects, it wouldn't ban them either, and wanted all big emitters to be subject to the same pollution reduction regime.

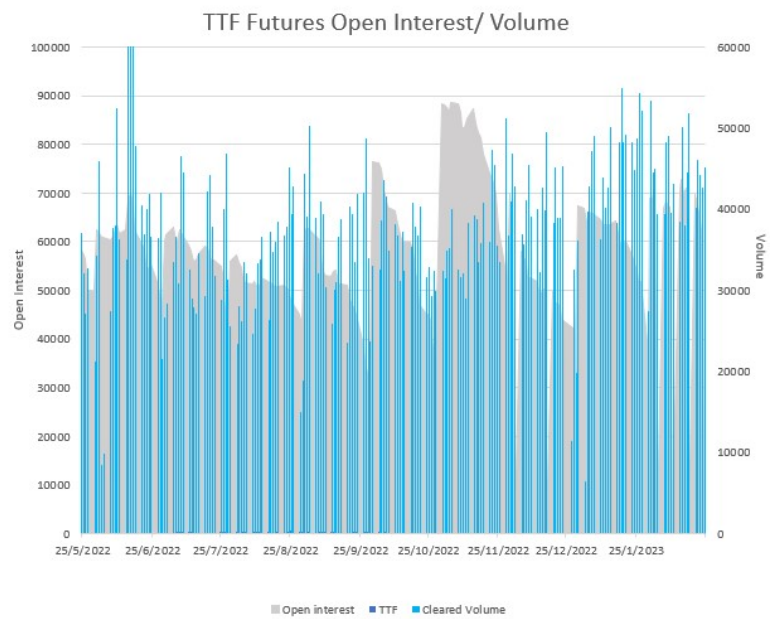
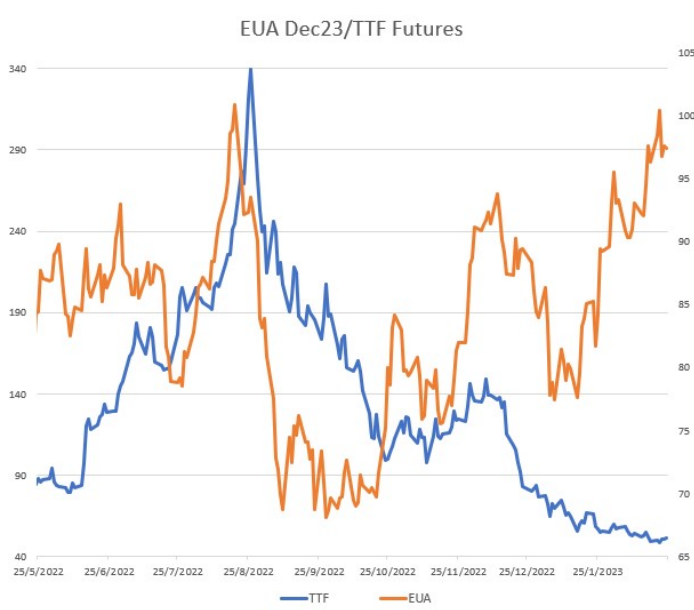
(AFR): Trade in Australia's carbon credits market surged to record levels in January, with brokers pointing to elevated interest from banks and hedge funds who expect the price of the units to soar once heavy emitters fall under Labor's strengthened emission reduction mechanism. More than 2.2 million 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.

(Carbon Pulse): South Korea has issued a tender for assistance to develop the 4th basic plan for its domestic emissions trading scheme (ETS), which will incorporate the country's updated climate goals for 2030, expected to significantly increase the ambition of the scheme. The bid winner will have to help set the total amount of emission allowances in accordance with the revised nationally determined contribution (NDC) and reflect improvements to the overall allocation system, such as adjustments to be paid and benchmark-based allocation methodologies, according to a document issued Friday by the Ministry of Environment.

(CarbonPulse): A carbon credit ratings agency has given a major downgrade to a previously highly-ranked Verra-certified REDD project in Africa amid signs of deforestation in the territory. BeZero Carbon on Wednesday gave the BioGuinea Foundation's forest protection project in Guinea-Bissau (VCS ID 2324) an A rating, the lowest grade in its seven-point scoring system and down from its previous lofty ranking of AAA-

Indicated Markets

March TTF natural gas was more than 4% higher by midday, but gave up much of the advance to settle 0.4% higher at €50.013/MWh on ICE. Cal-24 German baseload power also erased much of its early strength to trade 0.8% higher at €153.50/MWh on EEX at the end of the day. Cal-24 coal was 6.3% firmer at \$161.00/tonne on ICE, giving the contract a Friday-on-Friday rise of 14%. Sources said prices have been boosted after a serious coal mine incident in China led to more stringent safety measures, which has slowed domestic output and increased China's call on seaborne supplies.



Source: Refinitiv

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