



Carbon Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

10/03/2023

Voluntary Markets

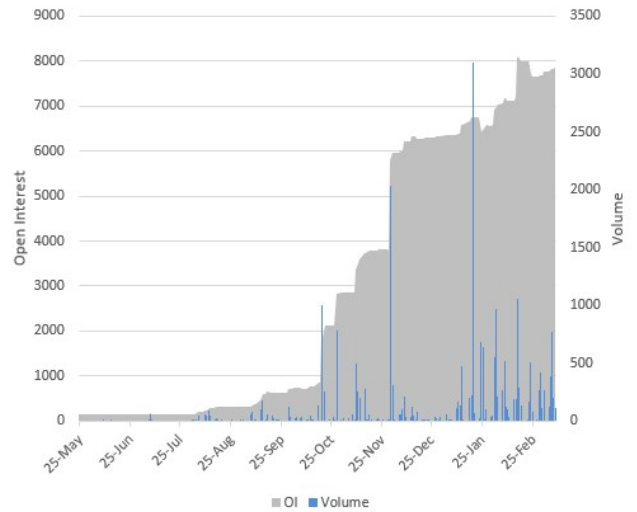
CME Futures

(FISe View): Delayed Commitment of trader's reports have shown that between 31 Jan and 7 Feb, Commercial Short open interest had decreased 537kt to 8264kt. This closing of short positions coincides with the volatility in the futures market between those dates. Further analysis of the Dec23 contract shows that From the bottom of the NGO Dec23 contract on 2nd Jan at \$2.07, open interest decreased 421kt to begin the rally which was most likely Commercial entities exiting their short positions. Non-Commercial Shorts increased their short position by 117kt to 3159kt during this period as well. With the Commercial Short interest still high at 8.1 Mt, we could potentially see more rally's in the future that coincide with physical retirements and entities covering their short hedge position.

GEO DEC23/ DEC24 Futures



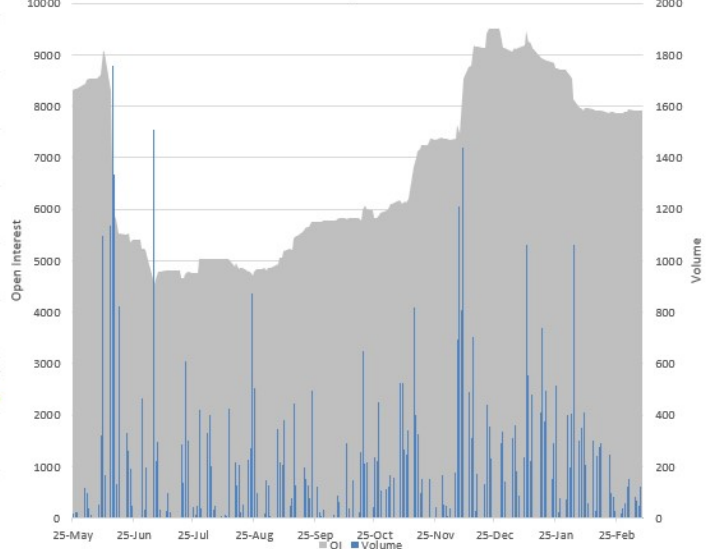
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

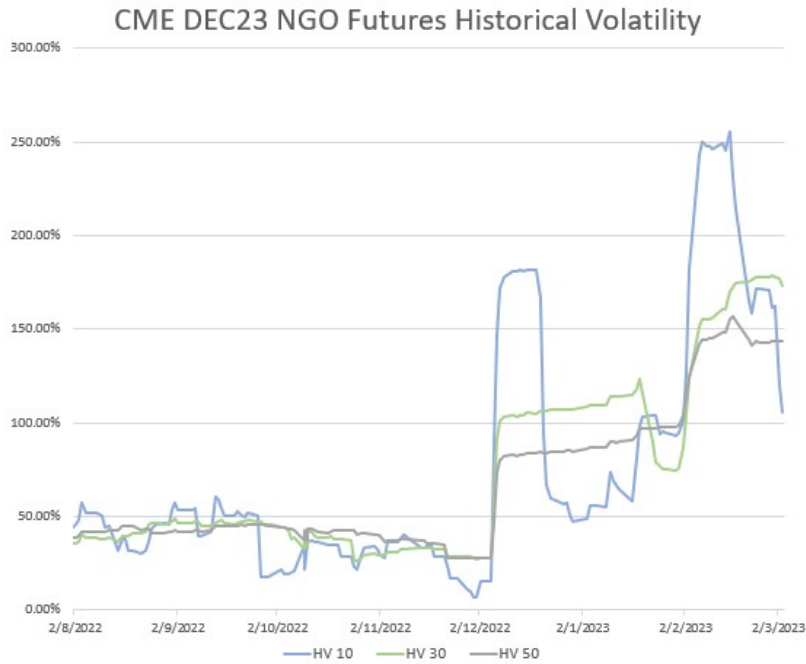


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility has come off to 57% from 105% the week prior. 30 day and 50 day volatility is flat at 171% and 143% respectively.



Source: Bloomberg

Block Trades on CME (w/c 3th March)

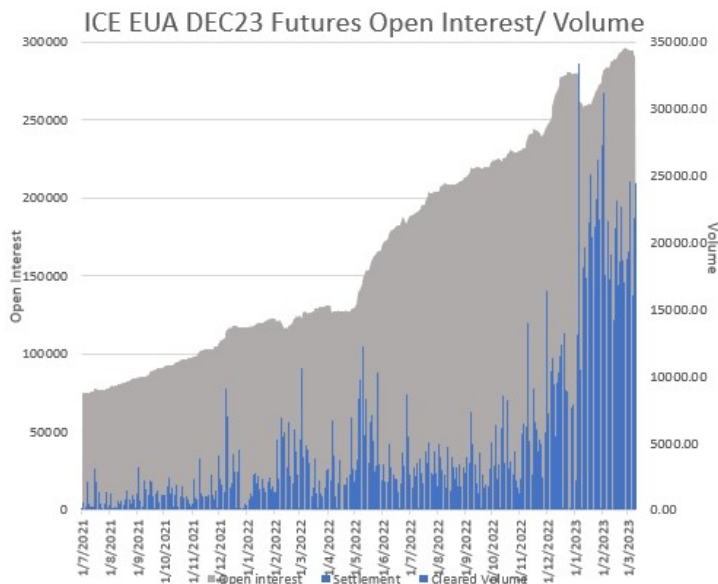
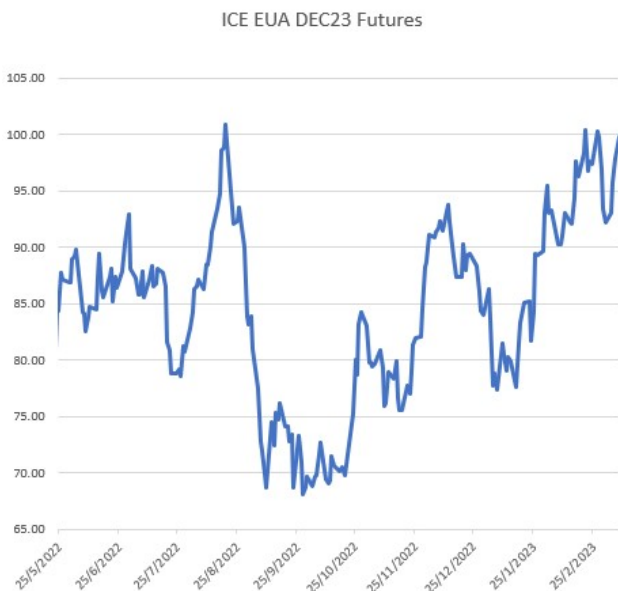
CTR	MONTH	PRICE	VOLUME(kt)
NGO	Dec23/24,	-\$ 1.05	25
GEO	Dec23/24	-\$ 0.26	150
GEO	Dec23/24	-\$ 0.26	100
NGO	Dec-24,	\$ 4.62	150
GEO	Dec23/24	-\$ 0.29	100
GEO	Dec23/24	-\$ 0.28	250
GEO	Dec23/24	-\$ 0.28	50
GEO	Dec23/24	-\$ 0.28	100
NGO	Dec23/24	-\$ 1.00	25
NGO	Dec-24,	\$ 4.45	50
NGO	Dec-24,	\$ 4.45	25

Source: CME Direct

Compliance Markets

EUAs

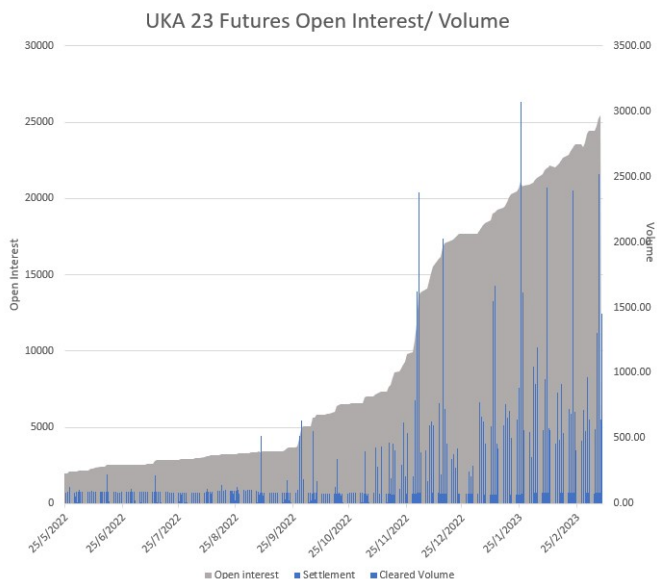
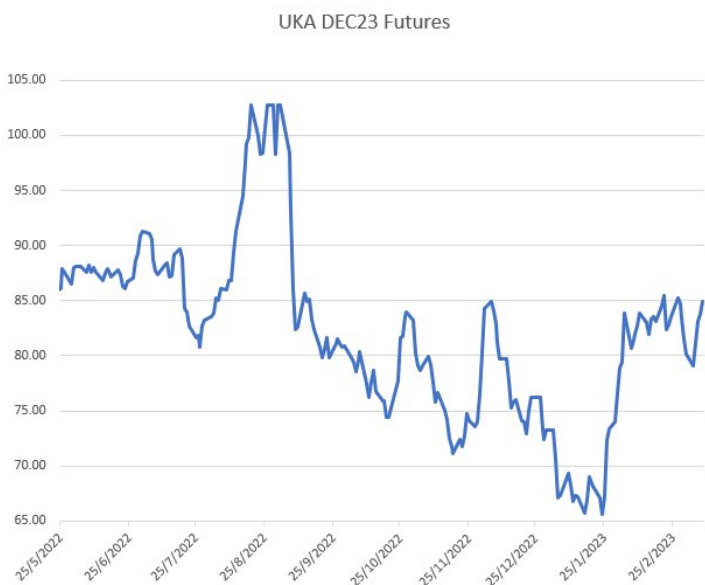
Dec-23 EUAs opened at €93.00, in line with the final trade on Thursday, and quickly dropped to a low of €98.27 before spiking from €98.90 to the morning's high of €100.20 in a six-minute spell that saw nearly 1 million EUAs change hands. The rally was driven in part by strong moves in the gas and power curves in the afternoon, which may have prompted some utilities to sell forward power and hedge EUAs, one European source said, adding that the gas rally likely reflected short covering. The Dec-23 contract settled at €99.80, an increase of 1.4% from Thursday's settlement and the largest weekly rise since the start of December. Total volume in the Dec-23 was 21 mln EUAs, with another 20 mln going through in other contracts.



Source: Refinitiv

UK ETS

UK Allowance prices again shadowed the moves in EUAs, with the Dec-23 contract settling 1.5% higher at £84.97, a gain of 8.3% on the week with trade of 1.5 mln tonnes. The UKA-EUA spread ended the week at -€3.78, more than double the discount at last Friday's close. After the close of business the UK government published the Cost Containment Mechanism trigger price for September at £212.23. Prices will have to average above this level between March and August in order to release further allowances into the market.

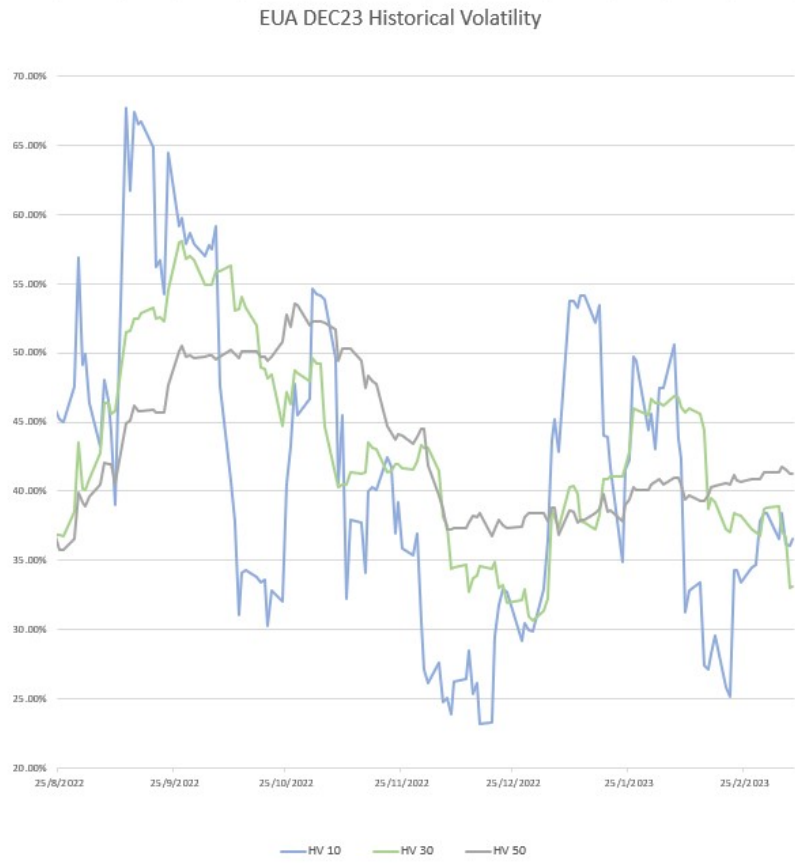
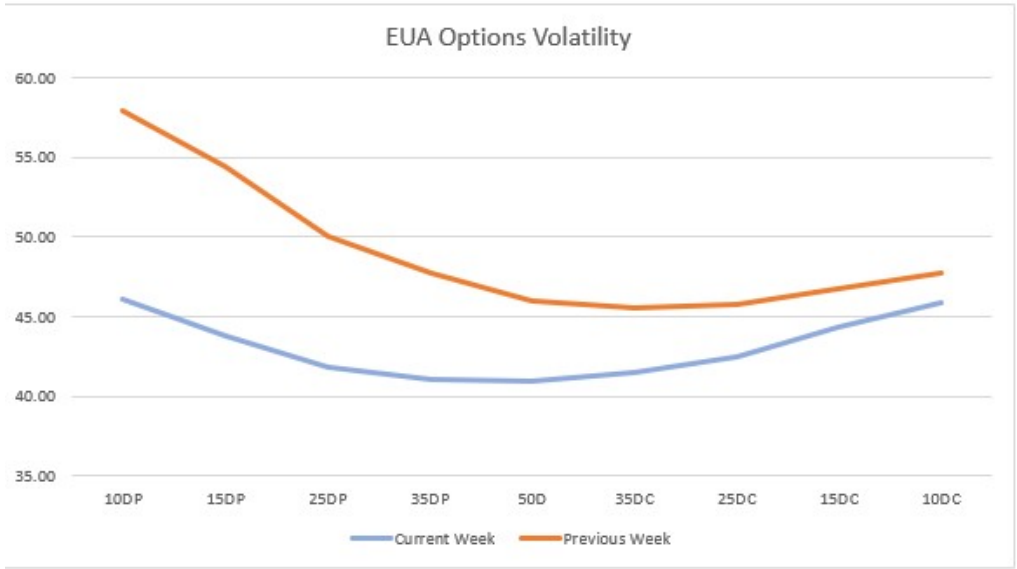


Source: Refinitiv

EUA Options Market

Call skew down 3.83% for the week and Put Skew down 20.36% for the week. The benchmark contract settled at €99.80

Volatility Surface: 10/03/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	46.13	43.79	41.77	41.06	40.92	41.51	42.47	44.36	45.91
WoW Change	-11.79	-10.67	-8.30	-6.64	-5.06	-4.03	-3.34	-2.40	-1.83
Previous Week	57.92	54.46	50.07	47.70	45.98	45.54	45.81	46.76	47.74



Source: Bloomberg

(Bloomberg): The Australian government wants feedback on its proposal to provide concessional tax treatment to certain primary producers that generate revenue from selling carbon credits. Australia started a public consultation on Monday about its proposed legislation, which will allow primary producers to treat proceeds from the sale of carbon credit units held on or after July 1, 2022, as production income. This means producers' credit units will be taxed at the point of sale instead of being based on changes in their value each income year.

(AFR): Japan will allocate \$2.35 billion toward a project that will use carbon capture and storage to convert Australia's dirtiest coal into clean hydrogen for export to Japan. The project is backed by the federal and state government as a way to stimulate economic activity in the Latrobe Valley. Kawasaki Heavy Industries executive Yuko Fukuma said the decision by Japan's ¥2 trillion (\$21.7 billion) Green Innovation Fund would stimulate investment in port and liquefaction infrastructure at the Port of Hastings and bring to life a plan to convert Latrobe Valley brown coal into low carbon hydrogen.

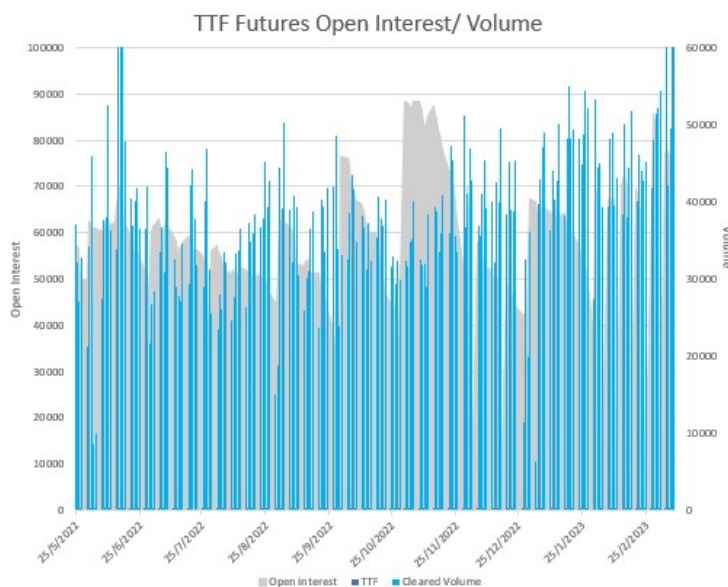
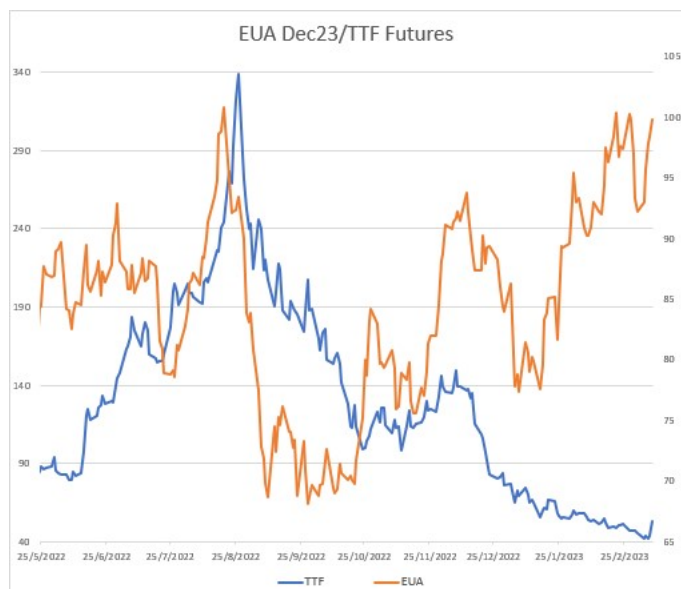
(CarbonPulse): The annual supply of NZUs in New Zealand's ETS is expected to fall significantly in coming years, according to new data by the country's environment ministry, with the predicted unit demand-supply gap expected to widen considerably. NZU supply is significantly down in Tuesday's update, compared to the ministry's last forecast, sitting at 39.6 million units in 2023, while demand is expected to reach 49.8 mln units this year. That shortfall is expected to grow to 14.2 mln units in 2024, when supply will reach 38.5 mln units and demand will hit 52.7 mln NZUs, according to the forecast. This compares to the government's previous forecast in November, where supply was expected to reach 44.3 mln and 38.3 mln in 2023 and 2024, respectively.

(CarbonPulse): The Australian government has gained enough parliamentary votes to ensure its A\$15 billion (\$9.9 billion) National Reconstruction Fund (NRF) is passed thanks to support from the Greens in the Senate, while the issuance of ACCUs remains modest. Elsewhere, the Clean Energy Regulator issued some 124,000 ACCUs in its latest update, across nine projects. The biggest individual issuance went to developer ACCU Asset Management, which received 46,000 ACCUs for its Carbon Conscious vegetation project in Western Australia. Landfill gas operator LMS Energy meanwhile received 33,000 units across four of its projects. The regulator has now issued a total 124.4 million units under the Carbon Farming Initiative

(AFR): Infrastructure investor Morrison & Co has quietly acquired an Australian carbon credit generation business to capitalise on an expected rise in demand from polluters for neutralising emissions. Carbon credits are shaping as a vital tool for emitters to meet their emission reduction targets, and a growing number of Australian companies are moving quickly in the expectation of making lucrative returns. Steven Fitzgerald, a partner and head of asset management at New Zealand-based Morrison & Co, said the fund had acquired a credit generating business that was eyeing significant growth. Morrison has \$US18 billion (\$27.4 billion) of assets under management.

Indicated Markets

Energy markets rose sharply in the afternoon, posting their biggest daily gains for several months, as gas traders reportedly were continuing to cover short positions after news emerged earlier in the week that cracks had been discovered at several French nuclear reactors. French power futures for Q4 2023 and Q1 2024 have risen strongly, and the gains have fed through to German power futures, while gas prices spiked amid short covering after prices had fallen steadily since December. April TTF natural gas settled 21% higher at €52.857/MWh on ICE, while cal-24 German baseload power last traded up 12% at €160.25/MWh on EEX. Cal-24 API2 coal was up 2.4% at \$135.00/tonne on ICE.



Source: Refinitiv

Contact

Anand Ravindran

AnandR@freightinvestor.com

+65 9782 2445

Ben Goulson

BenG@freightinvestor.com

+44 7738 726551

Oliver Kinkade

OliverK@freightinvestor.com

+44 (0) 207 090 1120

Theodore Goulios

TheoG@freightinvestor.com

+65 6535 5189

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