



Carbon Weekly Report

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

17/03/2023

Voluntary Markets

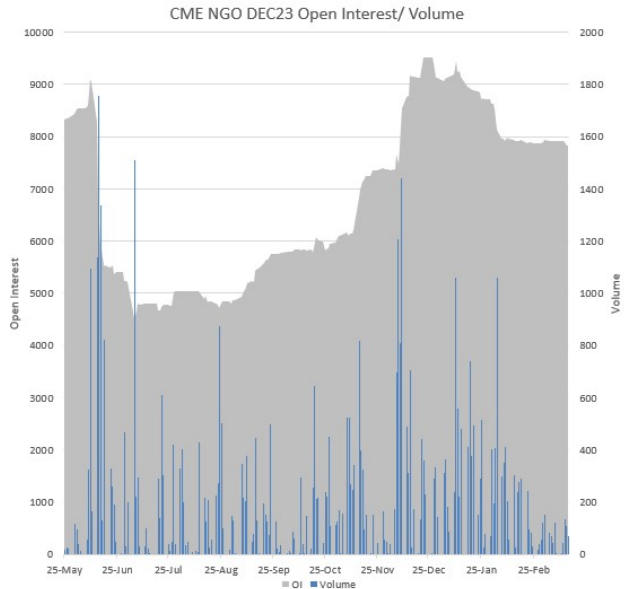
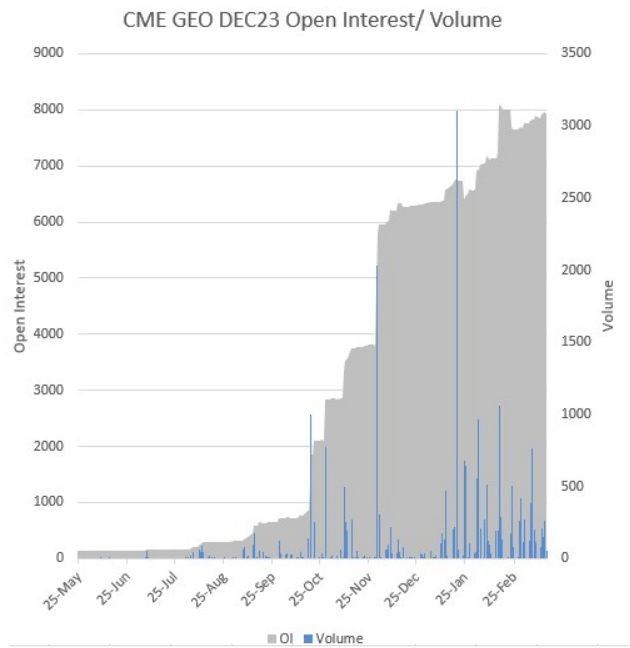
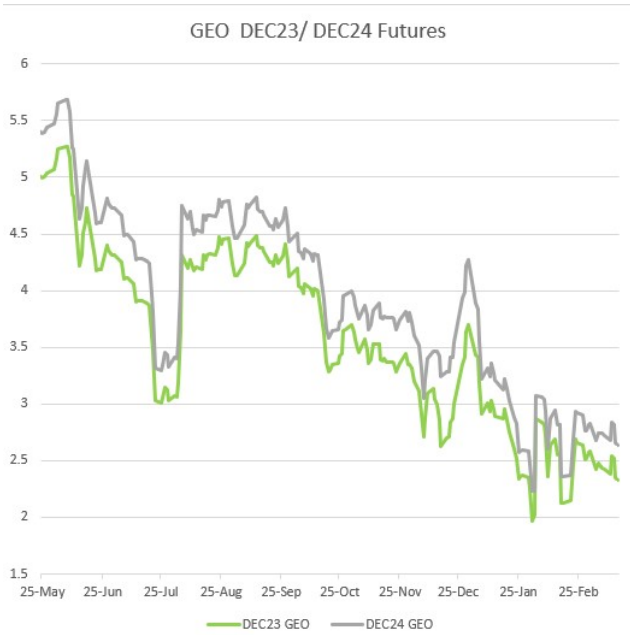
CME Futures

NGO COT Month ending Feb 2023 Total reportable Open Interest (OI) is just over 12,000 lots.

The spread trading strategy is not evident in NGO contract as it is in the GEO contract. Hedging strategy trading is more evident for both Non-commercial and Commercial traders. Non-Commercial: Long we see 6,404 lots while Short is 3,811 lots. Net change from last reporting period saw an increase in short positions by Non-Commercials if 339 lots. Only 1,072 lots are spreading trades.

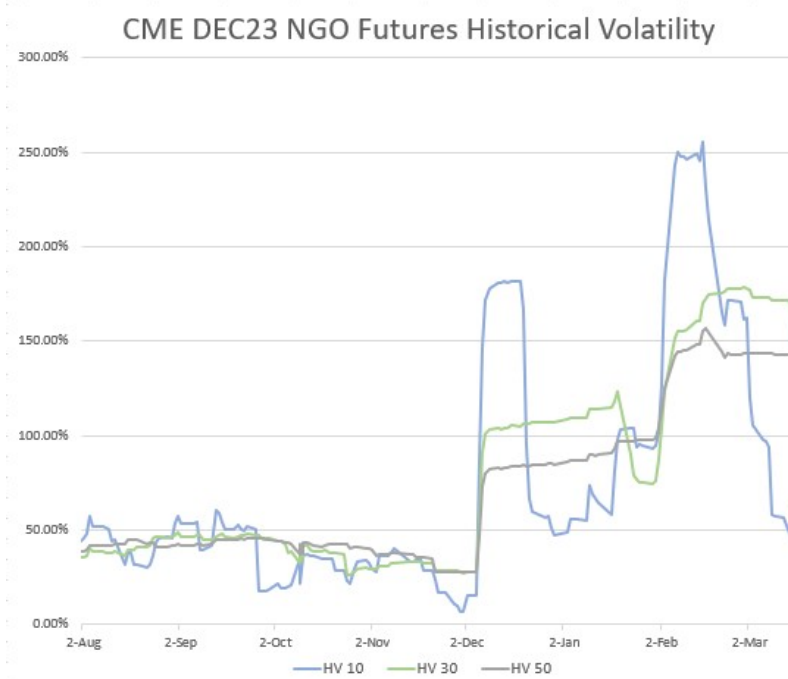
Commercial: Long we see 4,999 lots vs Shorts 7,714 lots. This is as expected since commercials naturally would be short vs physical. Net change we see 350 lots reduced in short positions by the commercial traders.

Note: COT reporting has been updated ad hoc due to a cyber attack at the start of the year. Net changes reported above are not weekly currently.



CME NGO Historical Volatility

10 day volatility has decreased slightly to 51% from 57% the week prior. 30 day volatility has dropped to 147% from 171% and 50 day volatility is flat at 143%.



Source: Bloomberg

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

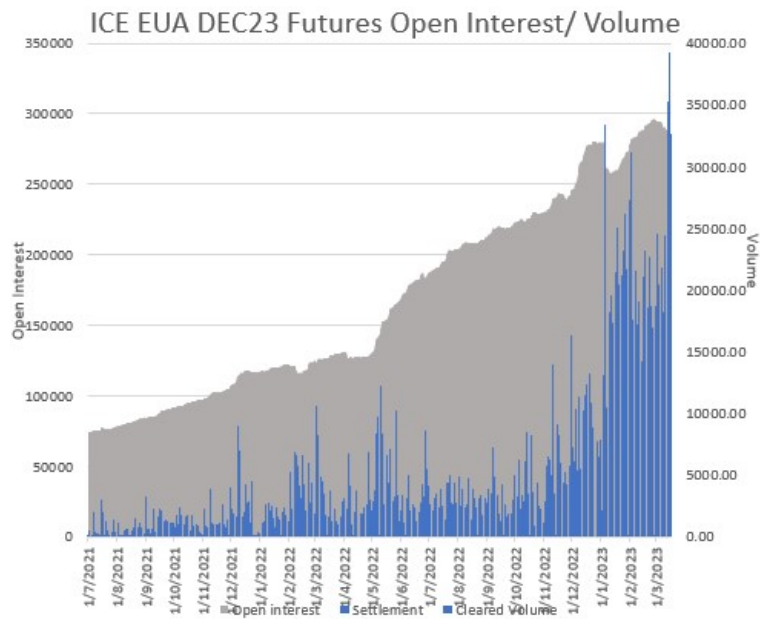
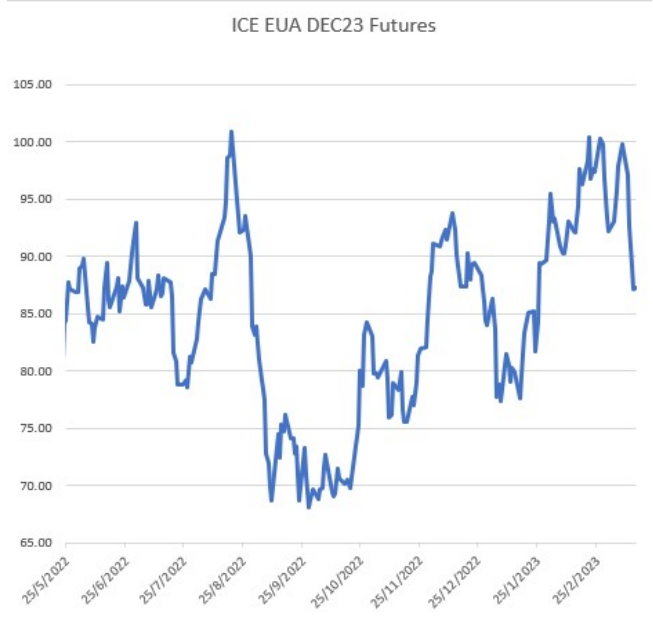
GEO, Dec-24, 2.80, 25kt
 NGO, Dec-24, 4.30, 25kt
 NGO, Dec-24, 4.35, 25kt
 NGO, Dec-23, 3.40, 20kt
 GEO, Dec-23, 2.30, 25kt
 NGO, Dec-24, 4.35, 25kt
 GEO, Dec-23, 2.25, 25kt
 NGO, Dec-23, 3.35, 25kt
 CME, NGO, Dec-23, 3.30, 25kt
 CME, NGO, Dec-24, 4.30, 25kt
 CME, GEO, Dec-23, 2.25, 25kt
 CME, GEO, Dec23/25, -0.35, 40kt
 NGO, Dec-24, 4.40, 25kt

Source: CME Direct

Compliance Markets

EUAs

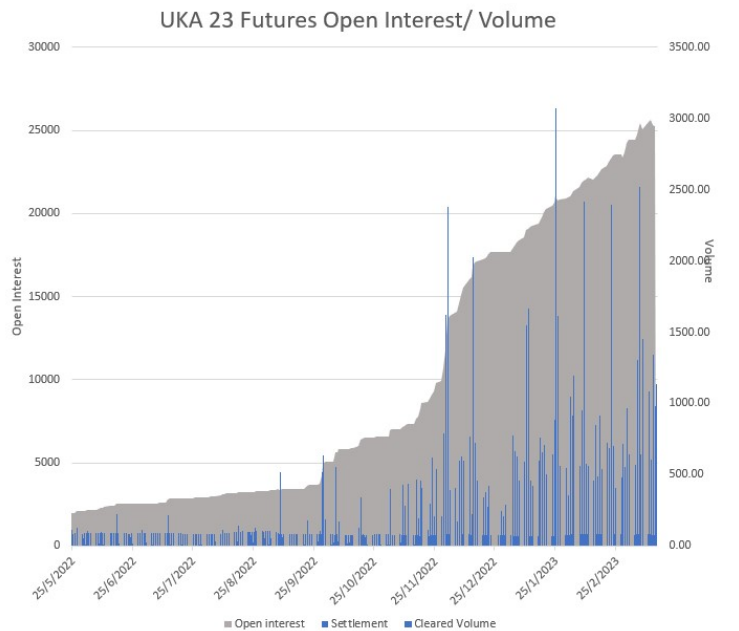
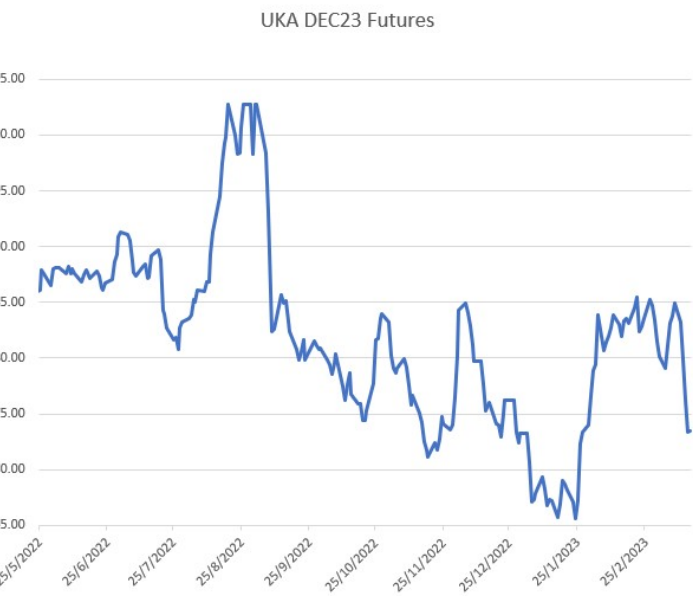
EUA prices settled marginally higher on a volatile Friday after earlier dropping to a seven-week low, shedding 12% over the week in the heaviest trading in a year as other markets turned sour amid renewed concern that turmoil in the banking sector may spread. Dec-23 EUAs rose in the first part of the morning, the fourth successive day in which prices advanced in the first couple of hours. Levels lifted to successive highs of €89.33, €89.62, and the session's peak of €89.95. The daily auction cleared just 3 cents below the prevailing spot market value at 1000 GMT, the smallest discount since Mar. 6. The sale also returned a bid-to-cover ratio of 2.49, the highest since Nov. 18. The Dec-23 contract settled at €87.29, a gain of 0.3% on the day but a drop of more than 12% from last Friday's settlement. Trading in the final hour saw the market hit €88.40 at the close of business, which a few participants suggested was due to short positions being closed out ahead of the weekend.



Source: Refinitiv

UK ETS

UK Allowance prices followed the volatility in EUAs, with the Dec-23 contract on ICE rising early to £75.00 before slumping to a late low of £72.66. The contract recovered to end the day 0.1% higher at £73.48. Volume was an aboveaverage 1.1 mln tonnes. The UKA -EUA spread edged out to its widest in a week at -€3.46

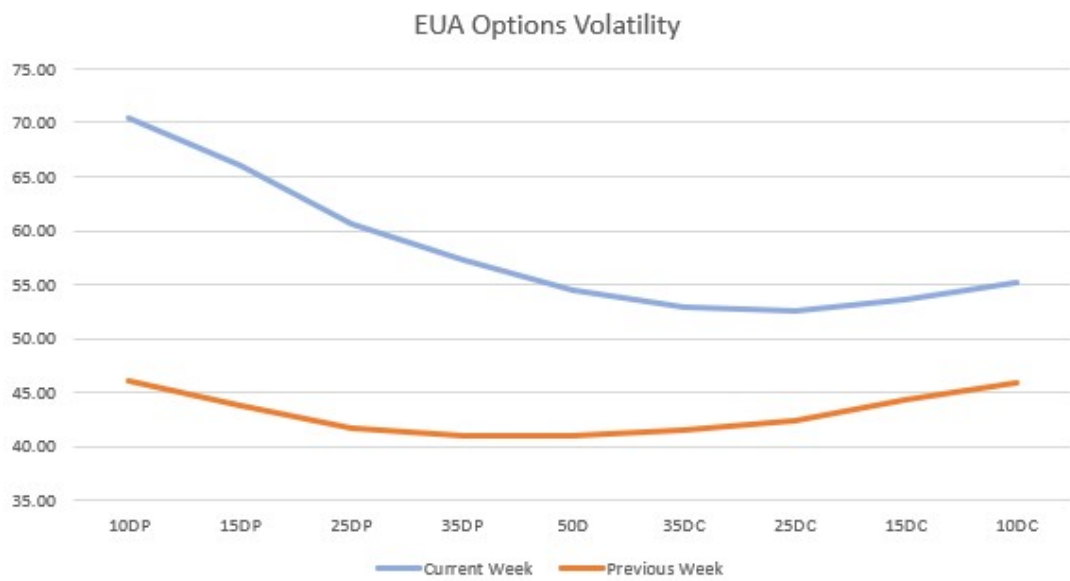


Source: Refinitiv

EUA Options Market

Call skew up 20.10% for the week and Put Skew up 52.85% for the week. A late rally across energy markets turned the tide, and EUAs mounted a recovery that took prices up by nearly €1.50 through the window. The Dec-23 contract settled at €87.29, a gain of 0.3% on the day but a drop of more than 12% from last Friday's settlement. Trading in the final hour saw the market hit €88.40 at the close of business. Trading volume in the Dec-23 contract totalled more than 26 million EUAs, bringing the week's total to nearly 162 mln allowances

Volatility Surface: 17/03/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	70.51	66.09	60.56	57.32	54.43	52.92	52.65	53.55	55.14
WoW Change	24.38	22.30	18.79	16.26	13.51	11.41	10.18	9.19	9.23
Previous Week	46.13	43.79	41.77	41.06	40.92	41.51	42.47	44.36	45.91



Source: Bloomberg

(MT Newswires): The number of carbon offsets issued by four major carbon credit registries advanced to almost five million in the second week of March, fresh data has shown. Some 4.8 million carbon offsets were issued by four carbon credit registries from March 6 to March 12, analysis provided by carbon research company ClearBlue Markets showed this week. The weekly count is ClearBlue Markets' aggregate of all of the credits issued by the American Carbon Registry, Climate Action Reserve, Gold Standard and Verra. The weekly total represents an increase of about 151% week-to-week and an increase of roughly 139% when compared with the same period last year.

(CarbonPulse): Verra has halted offset issuances at a soil carbon project in Africa that has been subject to scathing criticism from an environmental group regarding additionality and leakage.

The Northern Kenya Grasslands Project (ID 1468) was notified on Mar. 10 by Verra of the issuance freeze while it conducts a quality control review. Some 1.38 million offsets from the Northern Rangelands project have been issued since the second verification period was approved, split almost evenly between December and January. However, the issuance slowed sharply in February, when only 25,000 credits were awarded. British Airways retired the 25,000 offsets minted in February to compensate for some of its UK flight emissions in 2022, the registry indicated.

(CarbonPulse): New Zealand on Wednesday did not sell any of the 4.475 million NZUs on offer, as bids failed to meet the government's confidential reserve price. "The March 2023 auction has been declined because the clearing price did not meet the minimum price settings. As a result, there are no winning bids," the ETS auction operator said in an emailed statement. Ahead of each auction, the government sets a confidential minimum price, but Wednesday's sale is the first time the clearing price failed to meet that. All the 4.475 million NZUs that were offered at the sale along with the cost containment reserve of 8 million allowances will now be added to the volume for sale at the June auction.

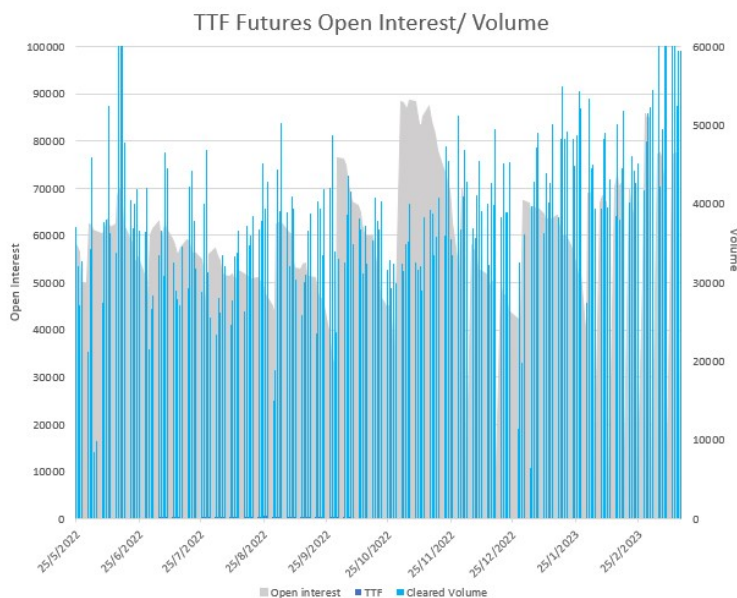
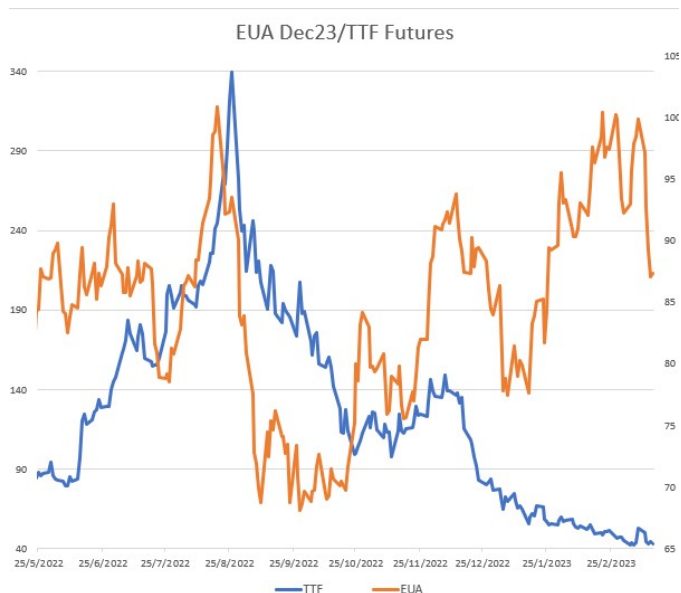
(CarbonPulse): The New Zealand government's decision to leave the ETS price settings largely as-is looms large over the first carbon auction of the year, but market watchers expect buyers will come in to snap up cheap NZUs. The price for spot NZUs closed at NZ\$66 on Friday as secondary market volumes remain light ahead of Wednesday's auction of 4.475 million NZUs. The auction comes ahead of the mandatory NZU surrender date, May 31, which will be before the next auction on June 14. The government's decision to ignore the CCC's advice to lift the auction reserve price to NZ\$60, instead setting it much lower at NZ\$33.06, was a missed opportunity for it to play a more important role in auctions this year.

(AFR): Japan's biggest steelmaker is considering a major investment in a green steel project powered by hydrogen as a global push to decarbonise one of the world's most polluting industries gathers pace. Nippon Steel is exploring a project outside its home market that may cost an estimated ¥100 billion (\$1.1 billion) or more, said Takahiro Mori, executive vice president who oversees global operations. Australia and Brazil are among possible sites, where high-grade iron ore is accessible along with cheaper electricity than in Japan. "We can't avoid pathways toward carbon neutrality," Mr Mori said. "We are currently comparing several projects to see if there's anything that meets the conditions for green-steel manufacturing or investment."

(CarbonPulse): Fifteen buyers picked up the 150,000 credits on sale at the auction, sourced from the Southern Cardamom REDD+ project in Cambodia and the Linshu biogas recovery and power generation project in China and supplied by Vitol Asia. Southern Cardamom V21 credits cleared at USD\$15.16. Successful bidders include AmBank, AmBank Islamic, AmInvestment Bank, CIMB Bank, Maybank, MIDF Amanah Investment Bank, and Permodalan Nasional. Others included oil and gas corporates such as Petronas, Malaysia's national oil company, and Yinson Holdings, as well as Malaysia Steel Works, Telekom Malaysia, Press Metal Aluminium Holdings, Pet Far Eastern, a PET bottling company, and AU Synergy.

Indicated Markets

Energy prices were mixed in the morning. Natural gas was stronger in early trading as the market factored in a rising risk of labour unrest in France, before drifting back as news emerged that a strike at the Dunkirk LNG import terminal had ended and then falling further under macro pressure. April TTF natural gas settled 3.4% lower at €42.857/MWh on ICE. Cal-24 German baseload power last traded 0.1% higher at €135.75/MWh on EEX. Analysts at ENGIE EnergyScan noted that France’s ASN nuclear regulator was seeking more information from EDF on damage at its nuclear fleet



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

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association (“NFA”). Freight Investor Services PTE Ltd (‘FIS PTE’) is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC (‘FIS DMCC’) is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com