



Carbon Weekly Report

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31/03/2023

Voluntary Markets

CME Futures

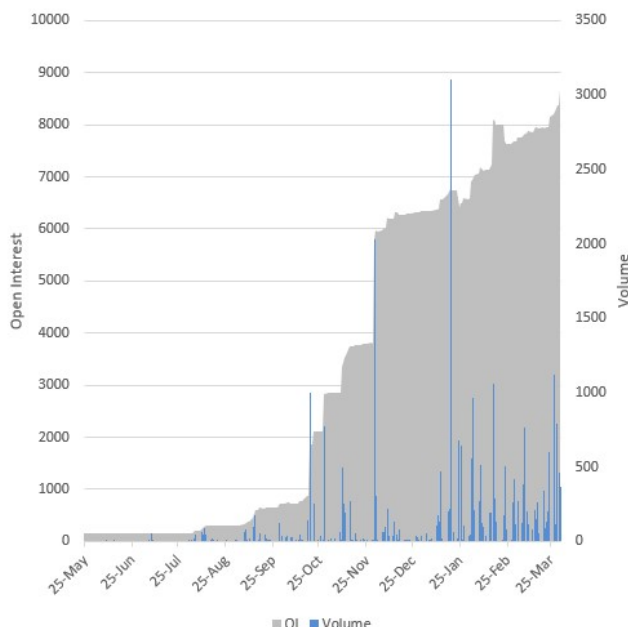
(FIS View): 252kt of the NGO Dec23 contract traded in blocks at \$3.28 at 7.40pm GMT yesterday. Another 52kt traded on screen on the NGO Dec23 contract seeing a total reduction in open interest in the contract of 246kt. This is the largest volume traded in a day since the 3rd February. Open interest reduction day on day of 246 could suggest closing positions. OI stands now at 7519 lots for NGO Dec23.

(COT report as of 24 March 23): Minimal change in overall Open Interest at 12.68 Mt. Commercial Open Interest has correspondingly increased their long position by 73kt to 5.24 Mt and decreased their short position by 73kt to 7.61 Mt. Non-Commercial Open Interest has decreased it's Long position by 120kt to 6.36 Mt. Minimal changes on Short and Spreading Open Interest (<20kt).

GEO DEC23/ DEC24 Futures



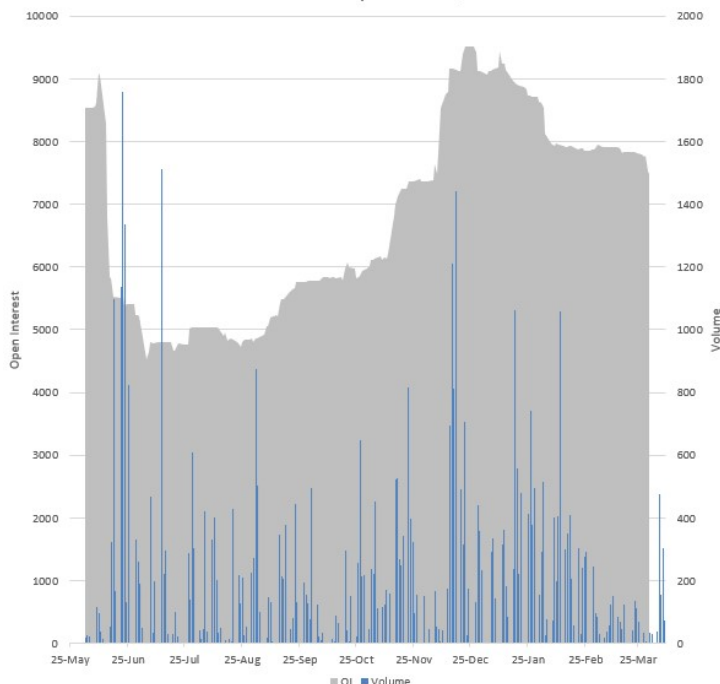
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

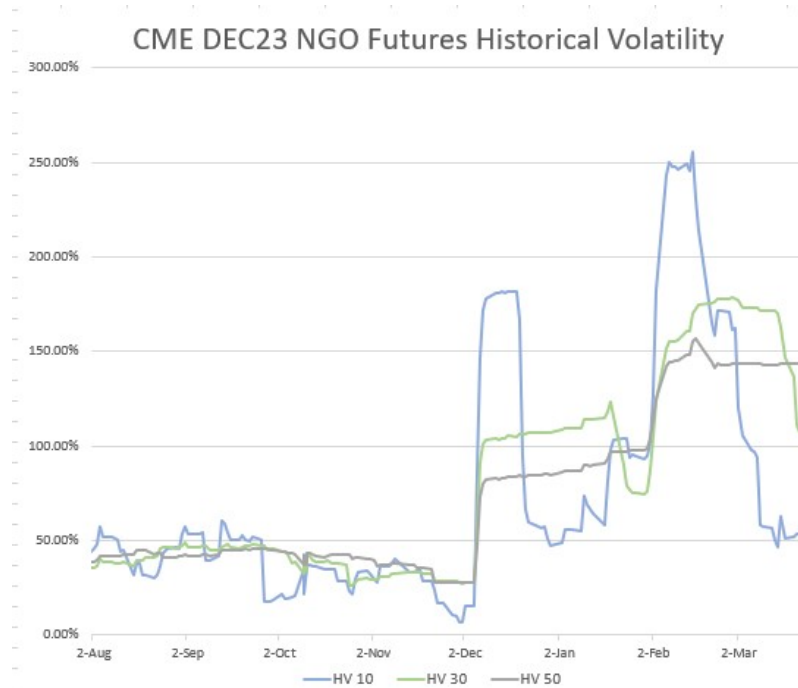


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility has remained flat at 59%. 30 day volatility has dropped to 73% from 107% and 50 day volatility is flat at 137%.



Source: Bloomberg

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

22:43:51, CME, GEO, Dec-23, 2.00, 25kt
 22:43:51, CME, GEO, Dec-23, 2.00, 50kt
 22:38:26, CME, GEO, Dec-23, 2.00, 25kt
 18:38:00, CME, NGO, Dec23/Dec24, -1.03, 25kt (3.05/4.08)
 23:53:35, CME, NGO, Dec-23, 3.05, 50kt
 23:56:40, CME, GEO, Dec-23, 2.00, 25kt
 00:23:28, CME, NGO, Dec-24, 4.20, 25kt
 04:15:00, CME, GEO, Dec-23, 2.20, 25kt
 02:40:55, CME, NGO, Dec-23, 3.28, 252kt
 02:40:00, CME, GEO, Dec-23, 2.14, 89kt
 22:33:54, CME, NGO, Dec-24, 4.30, 24kt
 22:33:54, CME, NGO, Dec-25, 5.45, 24kt
 21:59:15, CME, GEO, Dec-23, 2.09, 20kt

Source: CME Direct

Compliance Markets

EUAs

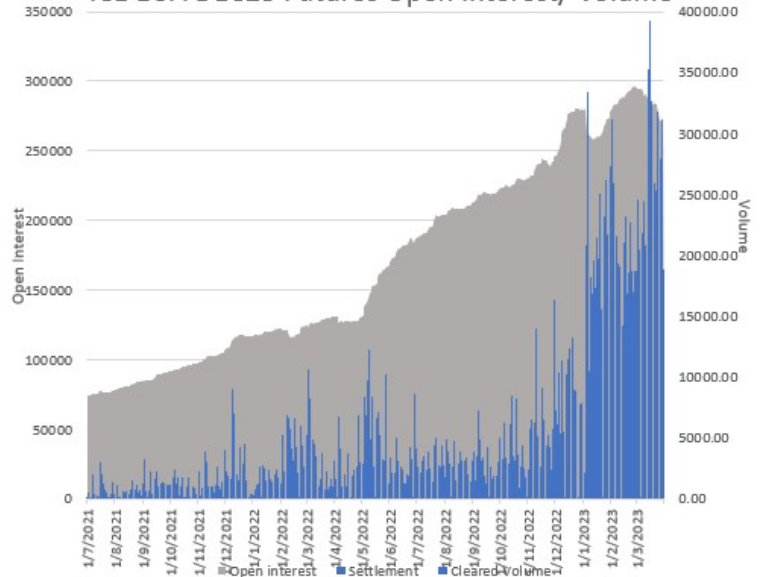
EUAs traded higher on Friday, climbing above the €91 level that has offered resistance in recent days and reaching the highest in a week, while energy prices were firmer amid forecasts for cooler temperatures and as Chinese PMI data suggested demand for LNG cargoes may improve. EUAs again recovered and eventually settled at €91.93, up 1.1% on the day and a gain of 4.9% from the previous Friday. Volume in the front-December totalled a relatively modest 16 million EUAs, with other futures contracts adding just 4.5 mln allowances. End-of-month and end-of-quarter accounting appeared to be behind some of the drop-off in volume.

Source: Refinitiv

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume



UK ETS

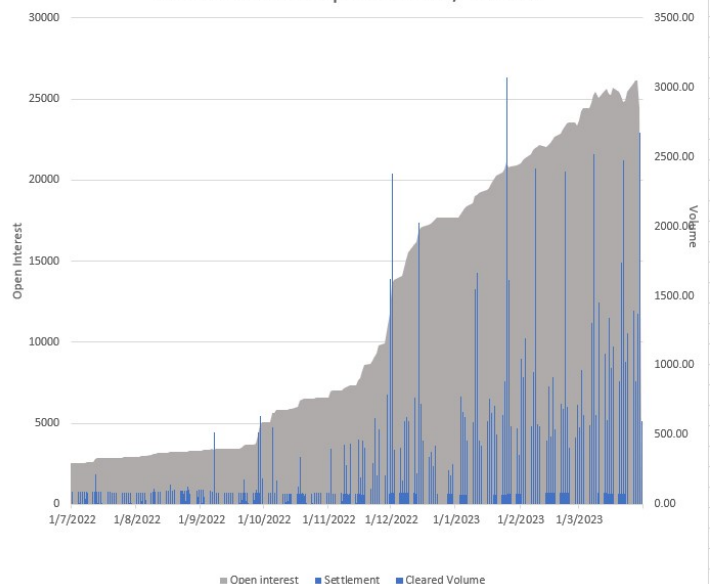
UK allowances traded lower over the course of the morning in light trading, before catching a lift from the afternoon rally in EUAs. The Dec-23 UKA contract dropped to a morning low of £73.15, but recovered to end the week at a six-day high of £73.93, its fourth successive increase and a 1.9% rise on the week. Front-December UKA volume was modest at 601,000 tonnes, while the UKA-EUA spread widened to -€7.76, the most in more than two months. The front-December contract generated a monthly average settlement price of £77.23 in March, less than half the level required to trigger the Cost Containment Reserve in April, while the current monthly average is also around a third of the level needed to bring more UKAs to market between May and September.

UKA DEC23 Futures



Source: Refinitiv

UKA 23 Futures Open Interest/ Volume

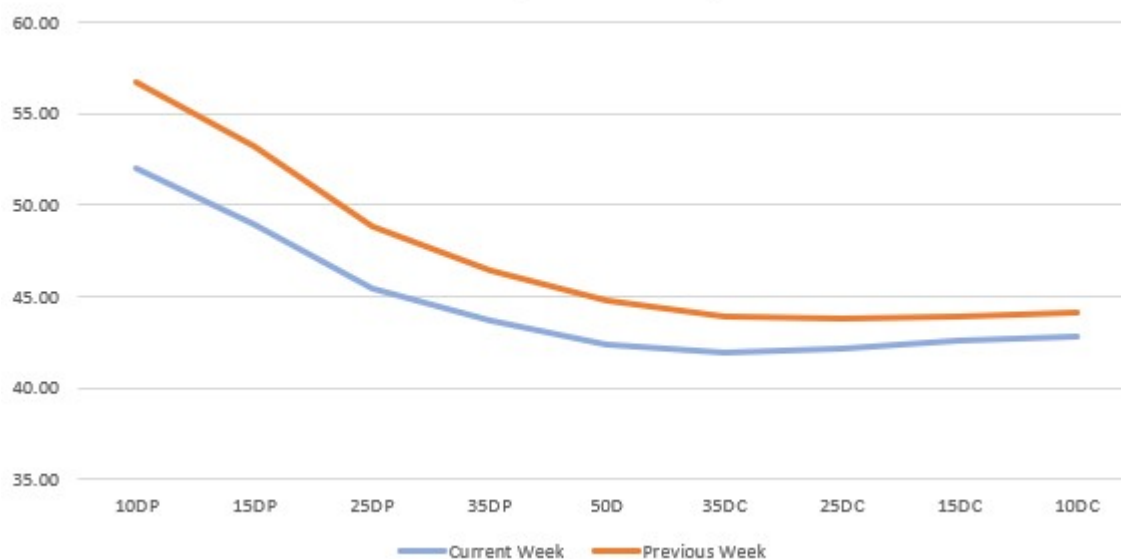


EUA Options Market

Call skew down 1.26% for the week and Put Skew down 4.68% for the week. The benchmark futures contract ended the month of April 7.9% lower after the market breached the €100 barrier for a third time early in the month; that's the first monthly loss since December. Total front-December volume on ICE reached nearly 576 million tonnes in March, the most since March 2022 when the market reacted to Russia's invasion of Ukraine.

Volatility Surface: 31/03/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	52.05	48.97	45.45	43.69	42.41	41.89	42.13	42.55	42.82
WoW Change	-4.68	-4.27	-3.36	-2.78	-2.35	-2.06	-1.71	-1.35	-1.26
Previous Week	56.73	53.24	48.81	46.47	44.76	43.95	43.84	43.90	44.08

EUA Options Volatility



EUA DEC23 Historical Volatility



Source: Bloomberg

Market News

(Bloomberg) A widely touted effort to clean up the embattled carbon-offsets market has been met with disappointment among experts. The new guidelines from the Integrity Council for the Voluntary Carbon Market, released Thursday following three years of work, present only incremental improvements to a system that allows corporations and individuals to pay for credits that compensate for their climate damage. “Twenty years ago this kind of effort might have been a good idea,” said Danny Cullenward, a research fellow at American University. “Now it feels like far too little, too late.”

(Reuters) - The European Union plans to conduct early carbon market auctions, starting from July, to raise extra funds to help countries quit Russian gas and cut emissions, the European Commission said on Monday evening. The EU plans to raise 20 billion euros (\$21.62 billion) in grants from its carbon market, with 8 billion euros of that coming from carbon permit sales held earlier than planned. The European Commission said up to 16.5 million extra carbon market permits would be auctioned early in 2023.

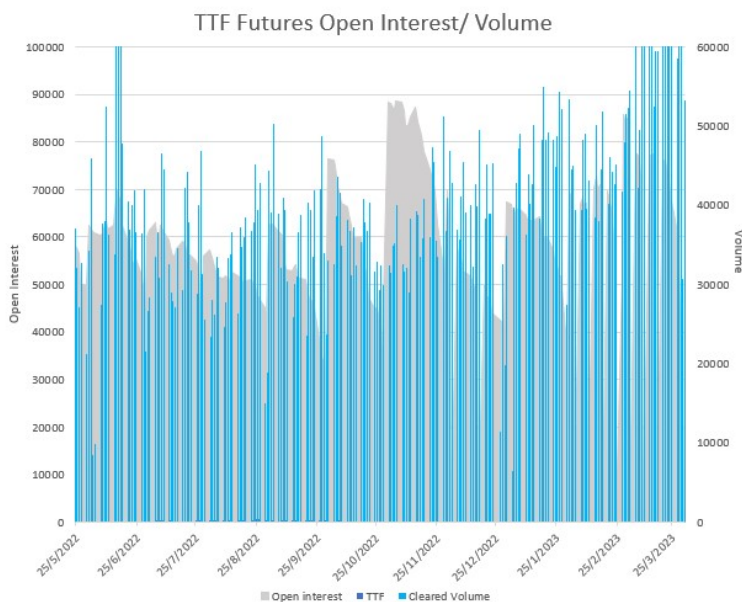
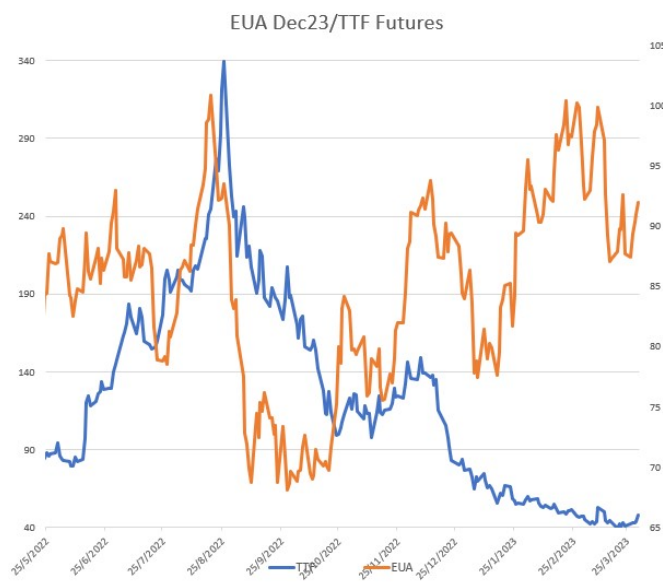
BLOOMBERG: After a month of wrangling, the European Union is set to finally agree on landmark rules that will require new cars to have zero emissions after 2035, marking an effective end to the era of combustion cars. Energy ministers are scheduled to sign off on the rules slashing emissions from the auto sector Tuesday, following an agreement between the EU’s executive arm and Germany on provisions that would allow room for cars running solely on so-called e-fuels after 2035.

(AFR): Almost \$60 billion in gas investments face having to spend billions on offsets and carbon capture technology under a landmark Labor deal with the Greens that fell short of an outright ban on new gas. After more than eight months of consultation and weeks of knife-edge negotiations between Climate Change Minister Chris Bowen and Greens leader Adam Bandt, the minority party agreed to pass the government’s cornerstone industrial and resources emissions reduction plan. Other changes agreed to as part of the deal include bumping up transition support to decarbonise industries including steel, cement and aluminium from \$600 million to \$1 billion.

(Carbon Pulse): The Safeguard Mechanism passed the lower house of Australian parliament Monday and looks set to survive a senate vote later this week after the Greens party announced it had negotiated with the Labor government a series of measures to strengthen the scheme, including putting a cap on absolute emissions and giving the climate minister broad powers to ensure projects don’t exceed the cap.

Indicated Markets

Energy markets got a lift from strong macro data from China, raising the prospect of greater competition for LNG cargoes, while forecasts for cooler weather also boosted the natural gas market in Europe. May TTF natural gas rose 9.8% to €47.843/MWh on ICE, while cal-24 German baseload power added 4.8% to €150.51/MWh on EEX. Cal-24 API2 coal last traded 3% higher at \$143.00/tonne on ICE.



Source: Refinitiv

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