

28/05/2023

Voluntary Markets

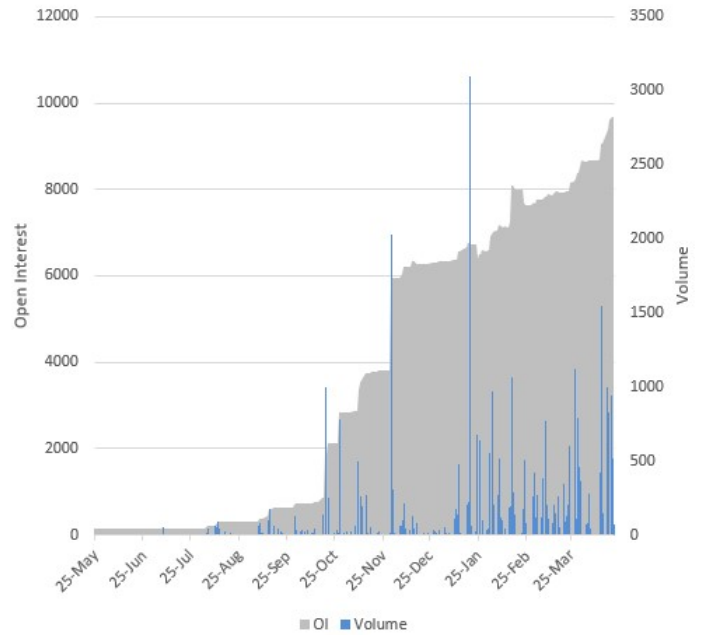
CME Futures

(FIS View): Open Interest on the GEO Complex has increased by 1.358Mt to 18.447Mt week on week as of 21 April. Majority of this increase has come from Non-Commercial Spreading Open Interest which has increased by 1.015Mt to 10.806Mt. Commercial entities have increased their Long positions by 318kt to 5.61Mt and increased their short positions by 340kt to 6.982Mt. With the carry rate as high 25% on the GEO Dec23/24 spread last week, financial entities shorting the spread seem to have been on one side of the spread trades potentially.

GEO DEC23/ DEC24 Futures



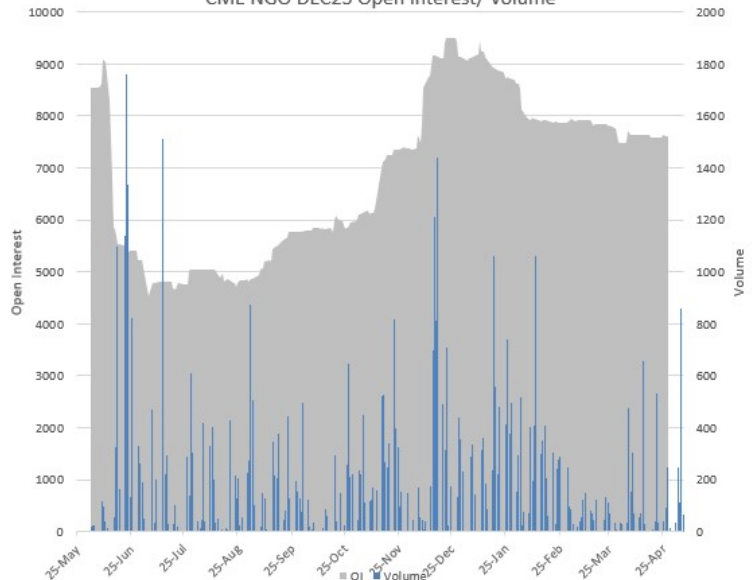
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

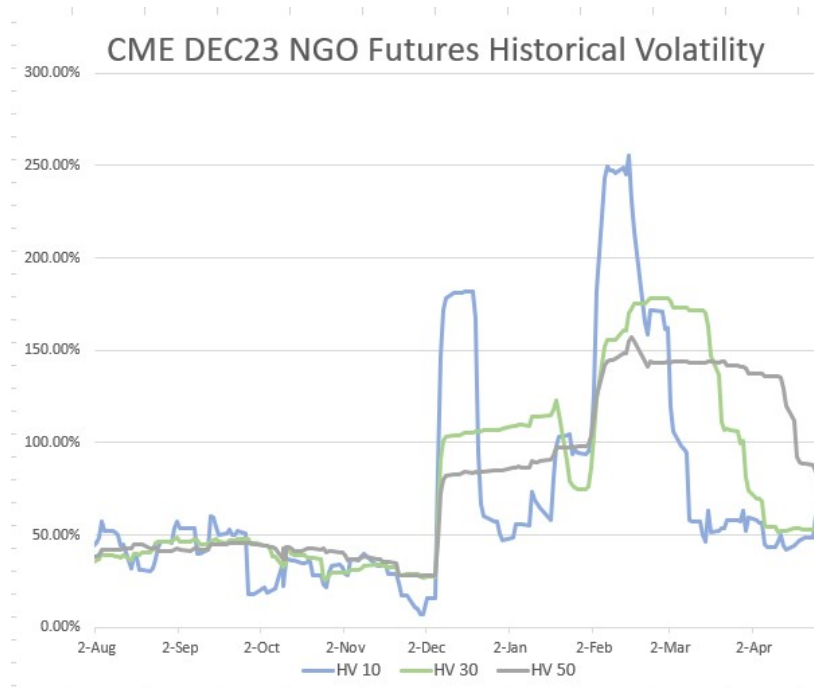


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility has decreased to 43%. 30 day volatility has remained at 49% and 50 day volatility has dropped to 64% from 89%



Source: Bloomberg

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

- 23:26:38, CME, GEO, Dec23, \$1.60, 100kt
- 22:33:08, CME, GEO, Dec23/24, -\$0.27, 100kt (1.53/1.80)
- 21:57:00, CME, NGO, Dec23/25, -\$2.15, 85kt (2.70/4.85)
- 23:17:16, CME, NGO, Dec23/24, -\$1.00, 50kt (2.70/3.70)

Source: CME Direct

Compliance Markets

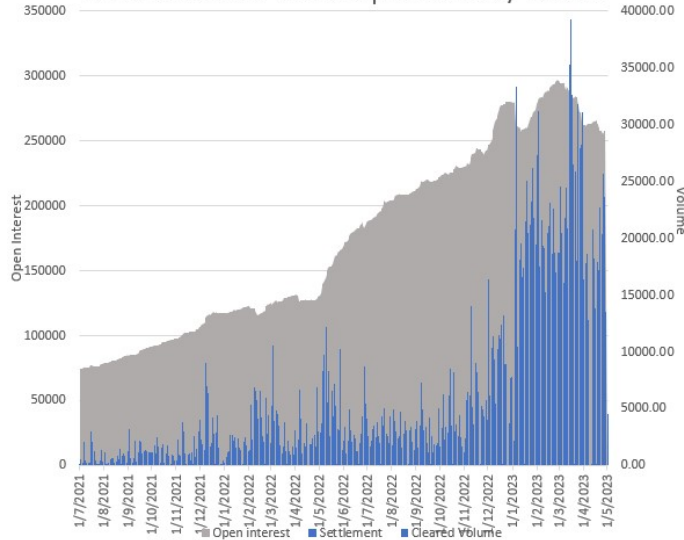
EUAs

The benchmark contract settled at €87.34, a gain of 1.5% on the day but a loss of 2.7% from last Friday's settlement, the third weekly decline in a row. A late rally to €88 was again rejected and the market traded at €87.65 at the close. Front-December volume totalled more than 13 million EUAs, the lowest daily total in nearly two weeks, while other futures contracts added a further 7.7 mln allowances. The market moved in a €4.96 range over the course of the week, the narrowest weekly high-low since December. EUAs have fallen by nearly 15% since reaching their record €101.25 in February

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume

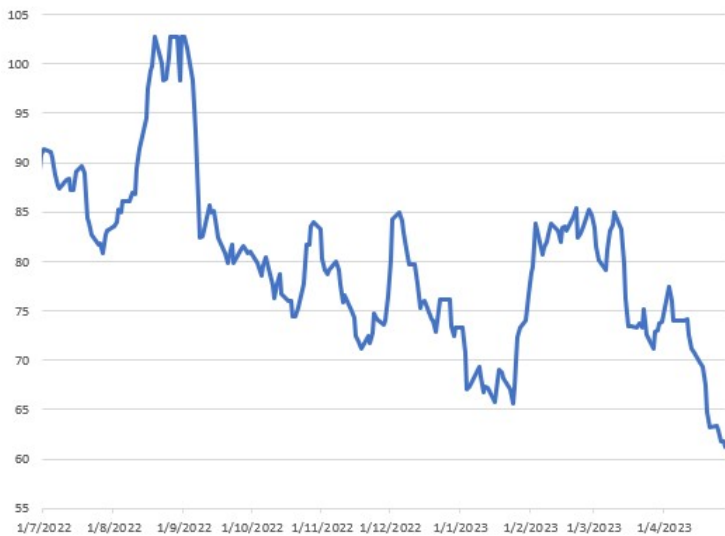


UK ETS

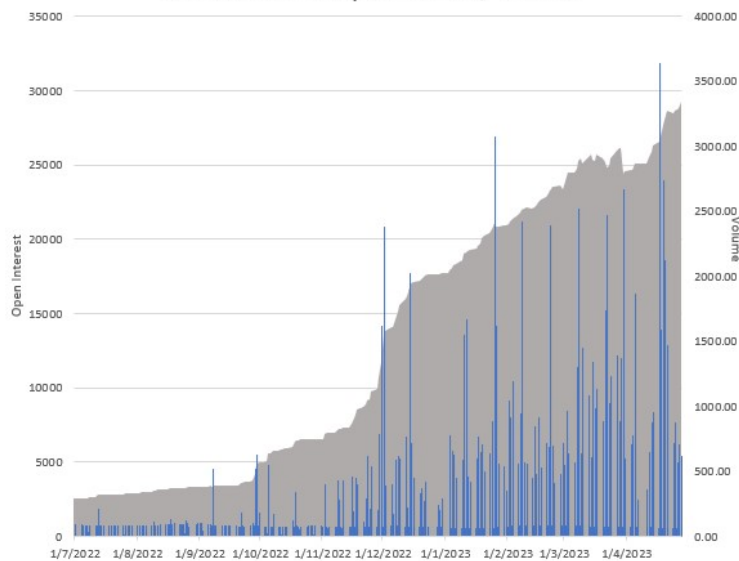
UK allowances extended their losses, with the Dec-23 contract falling to a new 17-month low of £60.88 on ICE, before recovering to end the week 5.4% lower at £61.24, a daily decline of 0.8%. Dec-23 UKA volume totalled 618,000 tonnes. UKAs have now fallen in 12 out of the last 13 sessions, and have lost 28% since reaching their year-to-date high of £85.55 on Feb. 27. The UKA-EUA spread widened to -€17.58. The front-December UKA contract ended the month with an average settlement price of £68.64, less than a third of the £196.08 cost containment mechanism trigger price for May.

Source: Refinitiv

UKA DEC23 Futures



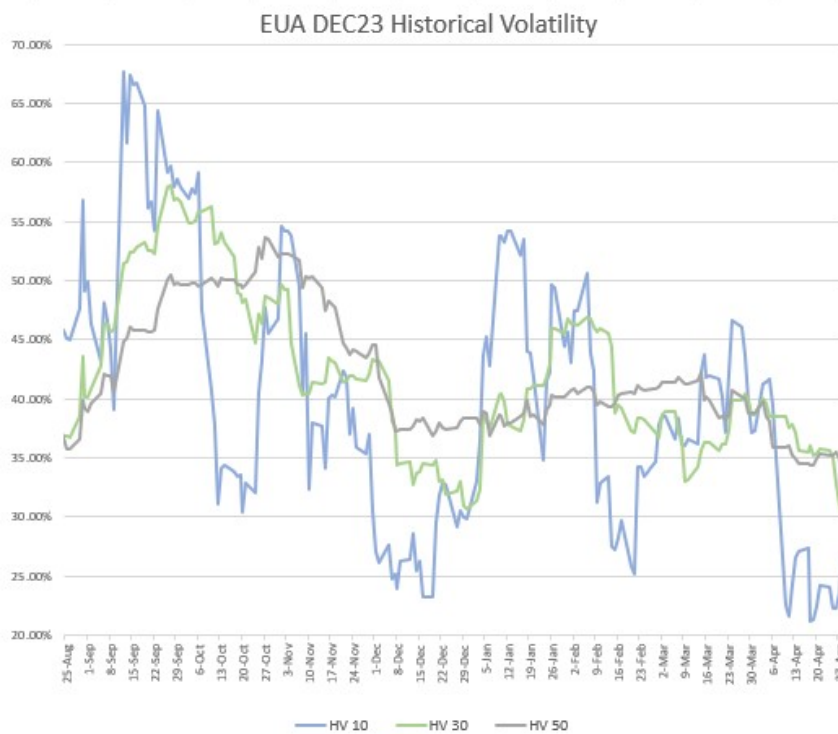
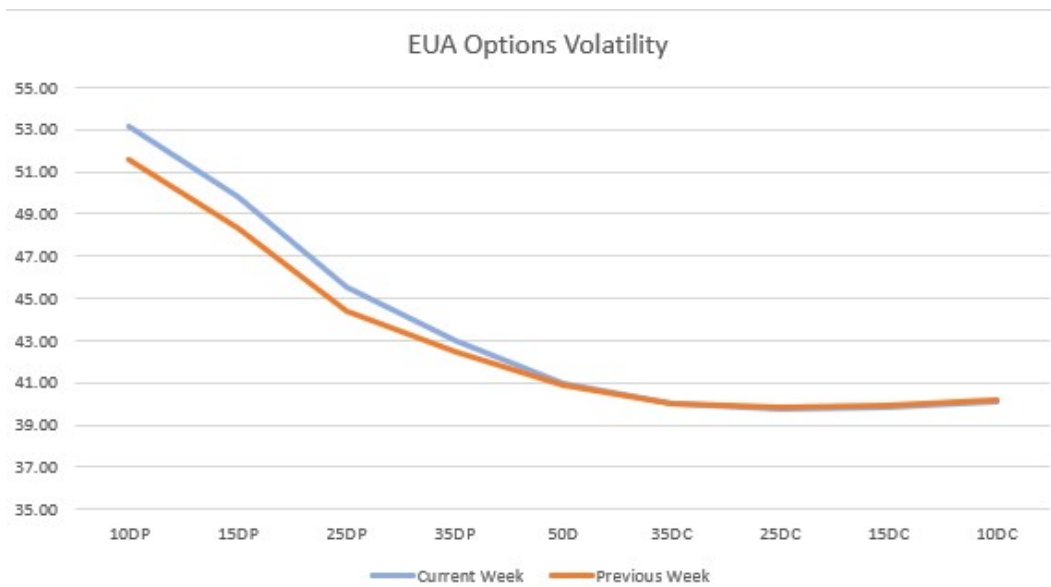
UKA 23 Futures Open Interest/ Volume



EUA Options Market

Put skew Up 3.12% for the week and Call Skew Flat for the week. EU carbon prices ended the week on a consolidating note as April trading came to an end with both EUAs and UKAs posting their second monthly loss in a row amid diverging sentiment, while traders appeared to adopt a cautious attitude ahead of the May Day holiday. Dec-23 EUAs spent the morning trading to either side of €86.75, with a low-high range of €86.13 and €87.50. An early €1.20 rally took the market to the morning high but the move was quickly rejected and EUAs were driven back to the session low shortly before the daily auction. The sale cleared at a discount of 20 cents to the prevailing spot price at 0900 GMT, and secondary market levels began to climb slowly, reaching €87.27 before steadying in the run-up to midday.

Volatility Surface: 28/04/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	53.17	49.82	45.53	43.03	40.96	39.98	39.76	39.86	40.06
WoW Change	1.61	1.52	1.10	0.55	0.05	-0.05	-0.06	-0.10	-0.10
Previous Week	51.56	48.30	44.43	42.48	40.91	40.03	39.82	39.96	40.16



Source: Bloomberg

Market News

(CarbonPulse): One of Brazil's most forested states has resumed plans to auction millions of hectares of public land to generate voluntary carbon credits and help avoid deforestation. The state of Para will proceed with the sale of development rights for at least three areas covering around 4.2 million hectares (10.4 mln acres) of Amazonian forest land for the purposes of conservation and carbon finance, Governor Helder Barbalho announced last week. A source close to the process said the auction plans were paused last year as Barbalho's administration explored utilising the ART TREES jurisdictional REDD programme and held related funding discussions with the Norwegian government, which has several agreements with developing world nations that are paid by Oslo to keep their tropical forests standing.

(CarbonPulse): The spot NZU price fell by NZ\$2.50, or 4.1%, on Thursday following the Climate Change Commission recommending a major overhaul of the ETS to align it with the country's emission reduction goals. NZUs finished trading at NZ\$58.50 (\$35.96) on Thursday, down compared to Wednesday's closing price of NZ\$61. Jarden wrote in a note to clients Wednesday that the market has been drifting, with just 125kt traded in the week ending last Friday. The NZU price was only marginally beginning to recover after reaching as low as NZ\$54 late last month as confidence in the market continues to ebb.

(CarbonPulse): Sellers are dropping their prices for REDD avoided deforestation credits after a flurry of activity in the sector this week that triggered a brief rally in market value, sources told Carbon Pulse on Thursday. Several offers for various vintages were shifted down by some \$0.30, and a trade for 25,000 credits of vintage 2017 (V17) issuance from the Southern Cardamom project (VCS 1748) in Cambodia traded at \$3.25. Another company reported a 50,000 lot spread trade at \$2.80 between V18 credits of Southern Cardamom and V20 credits of the Mai Ndombe project (VCS 934) in the Democratic Republic of Congo.

(CarbonPulse): A shipping firm and a mining and metals company have incorporated a carbon pricing mechanism into their existing contract of affreightment (COA). KCC Chartering (KCCC), a subsidiary of Norway's Klaveness Combination Carriers, agreed the deal with South32 Marketing, which is part of Australia's South32. KCCC and South32 jointly developed a mechanism whereby freight paid under the COA is linked to the CO2 emissions of KCCC's vessels, relative to a pre-established baseline. In the agreed mechanism, implemented from this year, KCCC will receive higher freight if actual emissions are below the baseline and lower freight in the event of under-performance relative to the baseline.

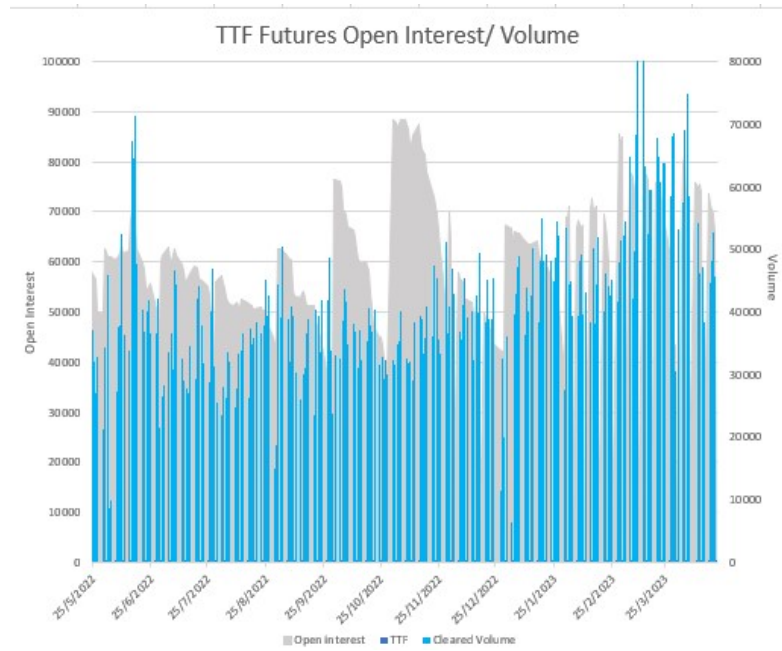
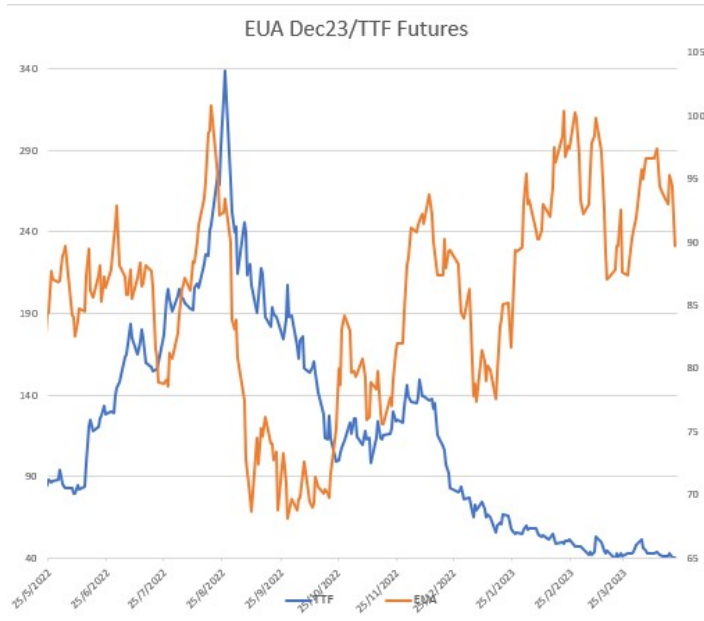
(MT Newswires): The number of carbon offsets retired in the second week of April declined week-on-week, data analysis provided by carbon research company ClearBlue Markets has shown. Some 2.9 million carbon offsets were retired by four carbon credit registries in the week of April 10 to April 16, down 42% from the previous week and up 73% from the same period of the previous year. A few companies retired large tranches of carbon credits. SEAT S.A. retired 200,687 credits for a bundled solar photovoltaic project by ACME, India. Norwegian Cruise Line (NCLH) retired 99,700 carbon credits for two hydropower projects in Indonesia and Turkey.

(CarbonPulse): One project alone, the Cordillera Azul National Park project in Peru (VCS 985), issued over 11.37 million credits last week. Another project, Laguna Seca Forest Carbon in Belize (VCS 1326), issued a more modest 1.39 mln credits. The move came in a week when Verra published the draft proposal for its consolidated methodology for the REDD sector, which will replace five separate methodologies currently operating in the market, including the VM0007 that is used for Cordillera and Laguna Seca. Verra's consolidated methodology will be published in the third quarter.

Indicated Markets

Energy markets were firmer on Friday morning before gas gave up its gains. June TTF natural gas settled 1.3% weaker at €38.538/MWh on ICE, while cal-24 German baseload power last traded 1% higher at €148.17/MWh on EEX. Cal-24 API2 coal was 1.9% higher at \$138/tonne on ICE

Source: Refinitiv



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