



Carbon Weekly Report

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12/05/2023

Voluntary Markets

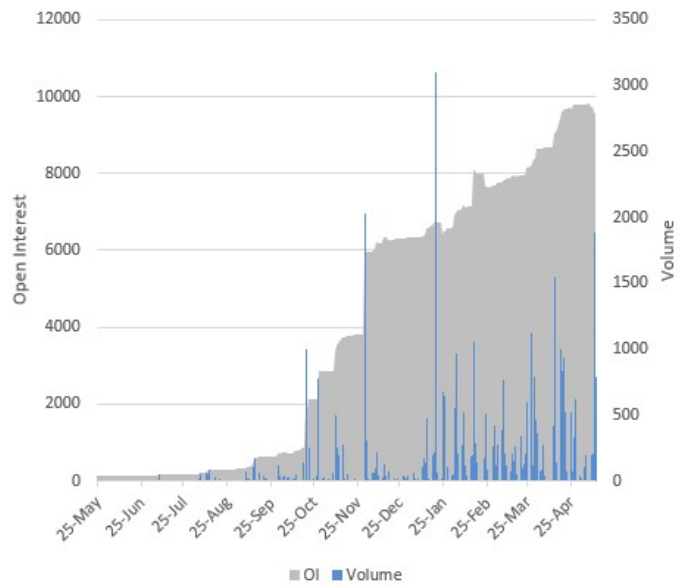
CME Futures

(FIS View): 1.7Mt traded on the GEO Dec23/24 spread overnight. 300kt traded at -0.26 and 1.4Mt traded at -0.35. The Carry on a -0.35 spread is valued at 26.8%. While the spread was trading at -0.26 earlier in the day, the large block of 1.4Mt trading at -0.35 indicated that the seller of the spread was the aggressor paying \$0.10 above market to execute in size. Open Interest on the GEO Dec23 has decreased 154kt and Open interest on the Dec24 has decreased 280kt. The NGO Dec23/24 spread has narrowed to -0.96, down from -1.03. The NGO Dec23 contract gained \$0.03 to settle at \$1.83

GEO DEC23/DEC24 Futures



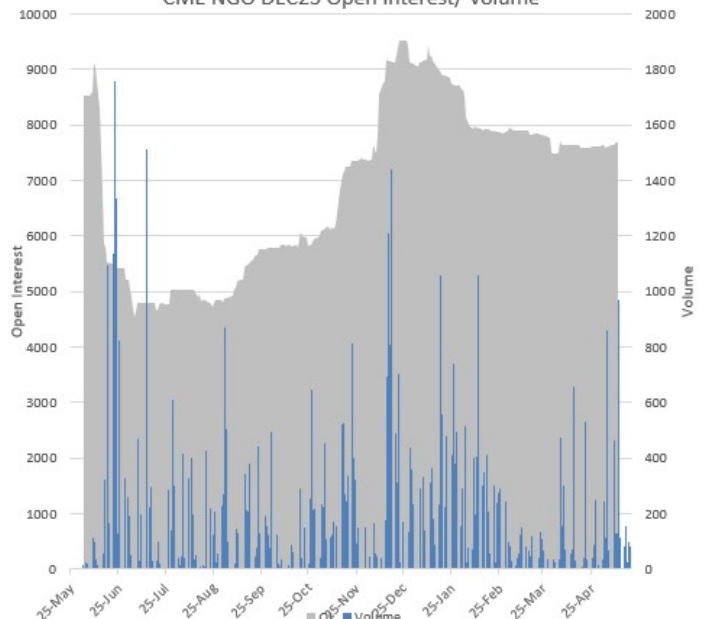
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

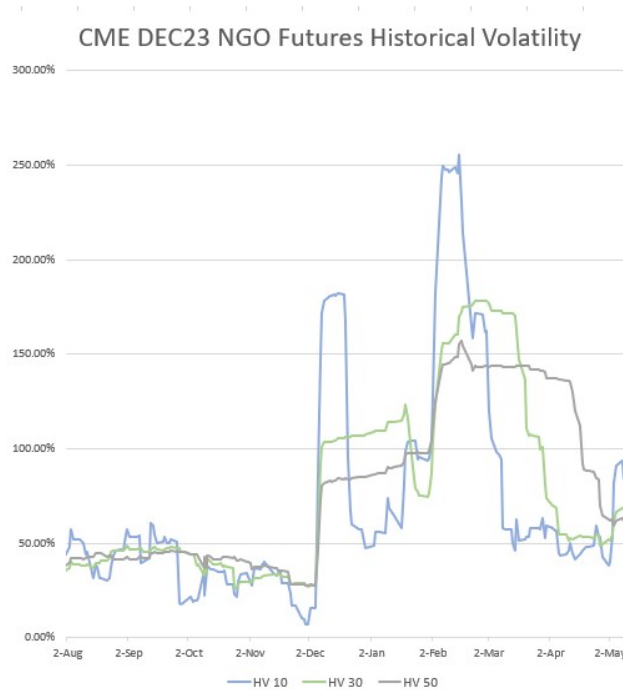


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility has dropped to 82% from 91%. 30 day volatility has decreased to 64% and 50 day volatility flat at 63%



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

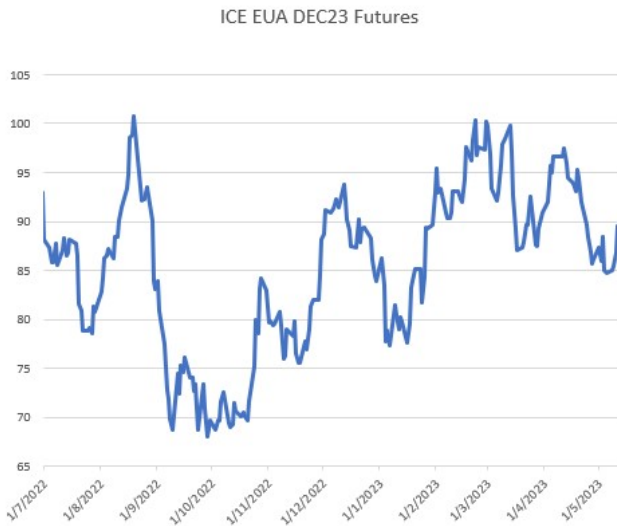
23:36:30, CME, NGO, Dec24, \$3.08, 102kt
 00:03:43, CME, NGO, Dec23, \$1.90, 25kt
 00:00:03, CME, NGO, Dec23, \$1.90, 50kt
 18:44:17, CME, NGO, Dec23, \$1.95, 25kt
 03:04:09, CME, GEO, Dec23/24, -0.35 (1.30/1.65), 1400kt
 02:44:03, CME, NGO, Dec23, \$1.83, 50kt
 23:47:27, CME, GEO, Dec23/24, -0.26 (1.34/1.60), 250kt
 23:16:33, CME, GEO, Dec23/24, -0.25 (1.35/1.60), 50kt
 01:24:41, CME, NGO, Dec23, \$1.70, 50kt
 23:43:29, CME, GEO, Dec23/24, -\$0.23, 40kt
 23:10:00, CME, GEO, Dec23/24, -\$0.20, 50kt
 17:52:29, CME, GEO, Dec23/24, -\$0.15, 34kt

Source: CME Direct

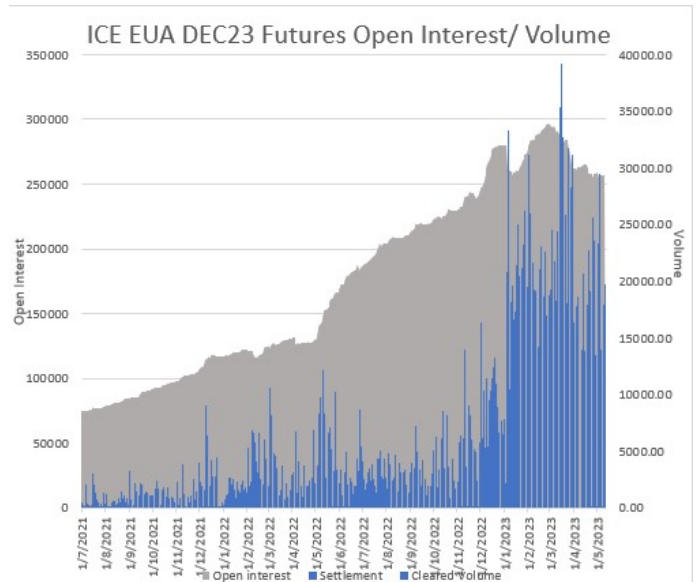
Compliance Markets

EUAs

European carbon prices posted a 4.1% weekly increase after the market first clawed back much of the previous session's losses amid strong demand in the final auction of the week, before giving back most of the gains in the afternoon as gas prices tumbled. The strong bidding likely reflected next week's truncated auction schedule, which sees EUA sales scheduled only on Monday and Tuesday, one European source commented. On Wednesday, EEX will offer 775,500 EUAs, and the UK will sell its usual fortnightly volume of 3.1545 mln UKAs. The market posted a weekly gain of €4.14, however, the first weekly gain since the start of April. Volume in the front December on Friday totalled just shy of 11 mln tonnes, the lowest daily total (excluding public holidays) since the start of the year, while other futures contracts added a further 4.4 mln allowances.



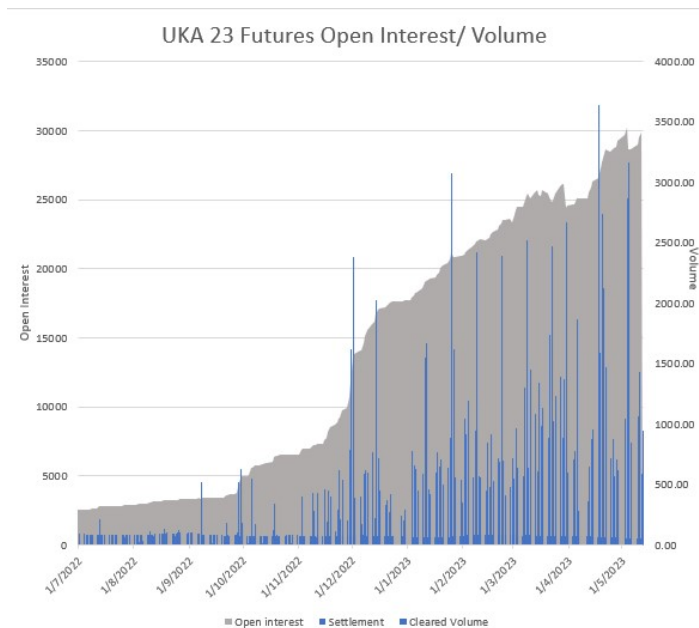
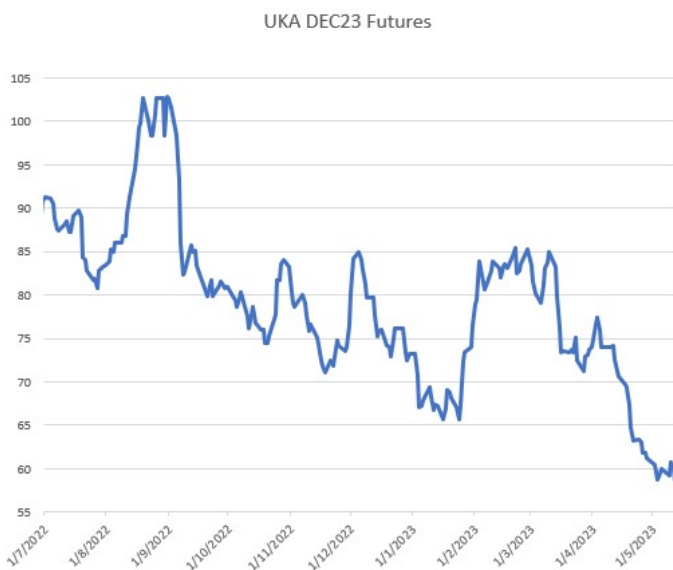
UK



ETS

UK Allowance prices had built on Thursday's modest gain with an early uplift today, reaching a high of £60.55 in the morning, but the afternoon's weakness filtered through to the UKA market, driving the market to a 17-month low of £58.50. The Dec-23 contract settled 2.4% lower at £58.68 on ICE, also the lowest settlement in 17 months. Volume was average at 945,000 tonnes. The UKA-EUA spread ended the week at -€21.13, the widest ever discount for the British contract.

Source: Refinitiv

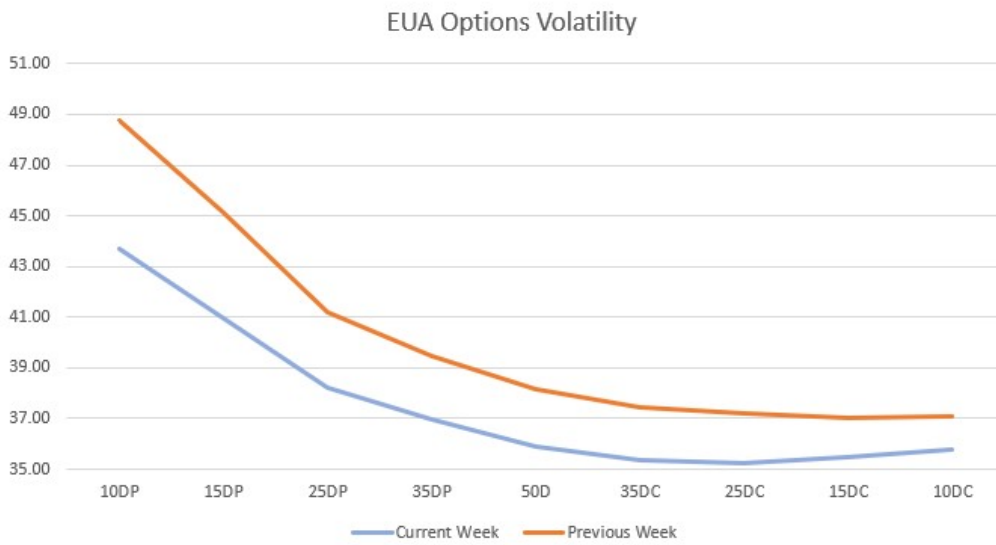


EUA Options Market

Put skew down 10.47% for the week and Call Skew down 3.66% for the week. The early strength was attributed to continued squeezing of short positions, after investment funds had reported their second largest net short position on the previous Friday.

Volatility Surface: 12/05/2023

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	43.68	40.93	38.23	36.94	35.91	35.37	35.27	35.46	35.75
WoW Change	-5.11	-4.19	-2.99	-2.52	-2.26	-2.10	-1.91	-1.59	-1.36
Previous Week	48.79	45.12	41.22	39.46	38.17	37.47	37.18	37.05	37.11



Source: Bloomberg

Market News

(CarbonPulse): A European airline group plans to buy up to 100 million carbon removal credits by 2050, and potentially 2 mln a year by 2030, it stated Friday, adding that this requires clear and globally agreed verification and quality standards, inclusion of the credits in emission trading schemes, and stable policy support. International Airlines Group (IAG), the owner of British Airways and Iberia, added that removal credits will also meet an increasing share of its CORSIA obligations, referring to ICAO's scheme for offsetting international aviation emissions, between 2024 and 2035. AG has secured 250,000 tonnes of future SAF supply so far for the equivalent of \$865 million, including funding five projects in the UK and US.

(CarbonPulse): Australia has committed cash in its latest budget to ensure the recommendations of the independent review into its carbon market are carried out alongside a raft of investments in hydrogen and electrification, touting its goal to turn the country into a renewable energy superpower. Budget documents released Tuesday show the government will spend A\$18.1 million (\$12.1 mln) over two years from 2023-24 to implement reforms in the Australian Carbon Credit Unit (ACCU) market, as part of its initial response to the Chubb review

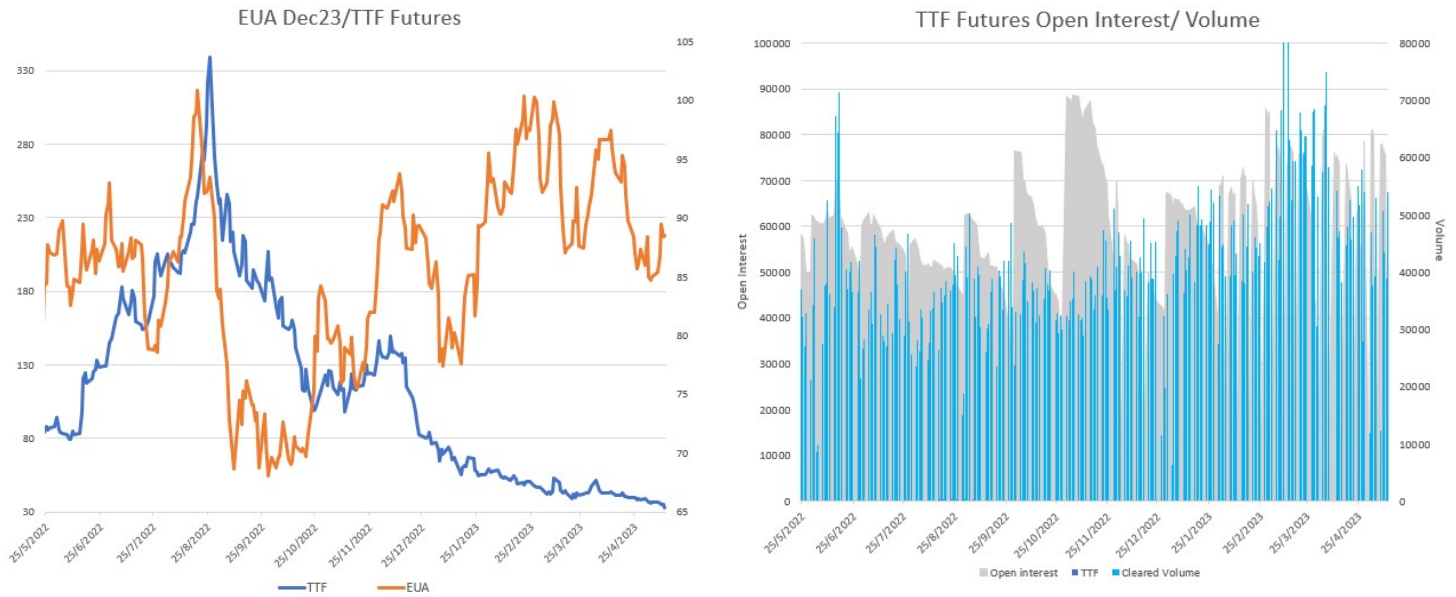
(Argus): Japanese upstream firm Inpex and refiner Idemitsu purchased carbon credits (CORSIA eligible) that offset around 10,000t of CO2 emitted from an entire supply chain, including from Murban crude oil produced by Inpex and supplied to Idemitsu for it to produce 3,000t of jet fuel, as well as transportation of crude and jet fuel. Inpex is one of shareholders of Abu Dhabi's Murban crude stream.

(CarbonPulse): A note to clients from analysts Reputex, published Monday, said the price gap between HIR ACCUs and generic ACCUs would continue to shrink, creating a single price signal based on greater liquidity. While traded volumes have been relatively flat, activity has picked up in recent days, with Carbon Pulse observing some 80,000 ACCUs change hands Wednesday. One trade through brokers at Jarden saw 10,000 ACCUs derived from projects that capture methane from piggeries trade for A\$38.25. A forward trade reported by Jarden saw 20,000 HIR ACCUs go for A\$42.50 for a Dec. 2024 delivery. Another forward deal saw 25,000 ACCUs derived from alternative waste treatment projects trade for A\$39.60 for Dec. 2023 delivery. Meanwhile, a larger deal on Tuesday saw 10,000 generic ACCUs per month delivered between Jan.-Dec. 2024 for A\$40.10 – equating to a total of 120,000 units.

(CarbonPulse): Australia has opened a third pilot exit window for carbon abatement contract (CAC) holders with the ERF to sell their ACCUs on the secondary market, the Clean Energy Regulator announced Friday. The third window continues the regulator's pilot programme of allowing CAC-holders to walk away from their obligations to deliver ACCUs to the Commonwealth, for the price of an exit fee. Applications can now be made for ACCU milestone deliveries scheduled from Jan. 1 to June 30, 2023, the regulator said.

Indicated Markets

Energy prices tumbled on Friday, with prompt natural gas posting a sharp decline amid swelling bearish sentiment as supply continues to outweigh the demands of consumption and storage. June TTF natural gas had dropped 2.1% by midday to €34.270/MWh on ICE, but the decline accelerated in the afternoon and the contract hit a low of €32.180/MWh before settling 6.4% lower at €32.767/MWh. Cal-24 German baseload power fell 3% to €145.250/MWh on EEX at the close, while cal-24 API2 coal turned a modest rally at midday into a loss of 1.2% at the end of the day, trading at \$116.95/tonne before the close.



Source: Refinitiv

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