



Carbon Weekly Report

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19/05/2023

Voluntary Markets

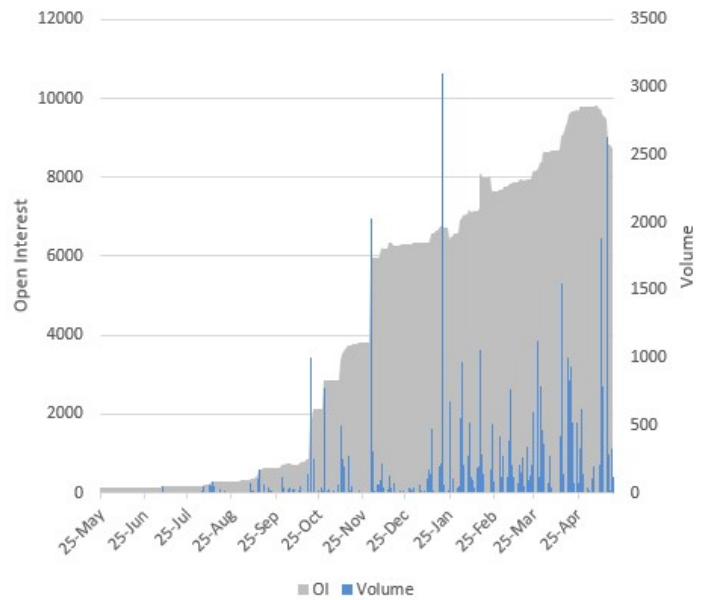
CME Futures

Contracts based on credits eligible under the CORSIA international aviation offsetting scheme slumped. The CBL GEO spot contract, with still-eligible vintage 2016 (V16) credits, dropped \$0.35 week-on-week to \$1.05 by Friday. Nature-based credits were also weaker. The CBL N-GEO, effectively V16 and V17 REDD avoided deforestation credits attaining Verra's VCS and CCB standards, slid to just \$1.10 by Friday, down \$0.30 on the week

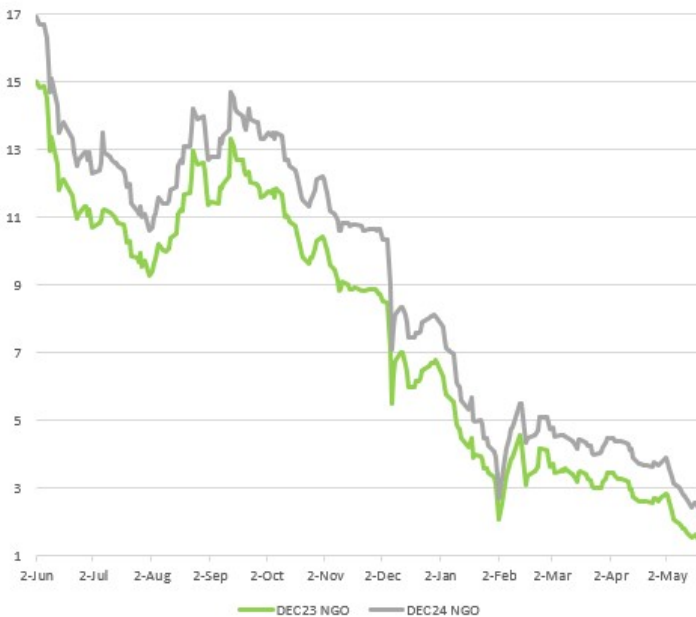
GEO DEC23/DEC24 Futures



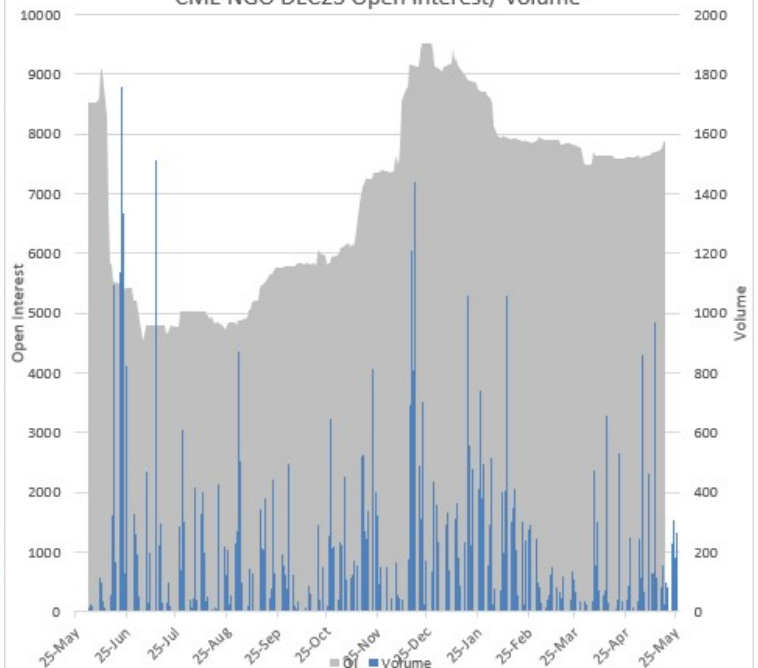
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

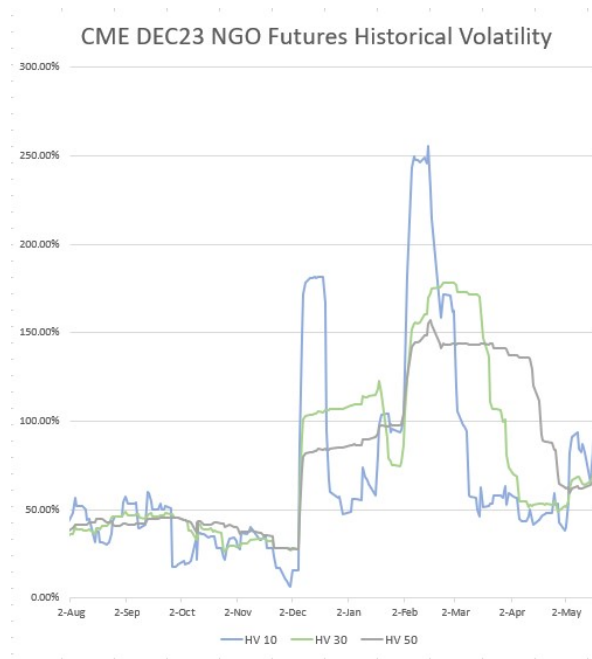


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility has dropped to 74% from 82%. 30 day volatility has increased to 71% and 50 day volatility flat at 66%



Source: Bloomberg

Block Trades on CME (w/c 19th May)

02:09:06 CME GEO Dec23, \$1.13, 100kt	00:27:36 GEO Dec 23/24 -\$0.18 875kt, (1.25/1.43)
01:51:05, CME, GEO, Dec23/Dec24, -0.15 (1.15/1.30), 35kt	00:02:50 GEO Dec 23/25 -\$0.55 125kt, (1.27/1.82)
23:05:22, CME, GEO, Dec23/Dec24, -0.10 (1.20/1.30), 25kt	23:19:06 GEO Dec 23 \$1.28 30kt
22:05:05 CME NGO Dec23, \$1.40, 34kt	22:48:45 GEO Dec 23 \$1.28 50kt
22:05:05 CME NGO Dec23, \$1.50, 25kt	22:48:09 GEO Dec 23 \$1.28 100kt
22:05:05 CME NGO Dec23, \$1.50, 25kt	22:47:56 GEO Dec 23 \$1.28 41kt
23:16:57, CME, NGO, Dec23/Dec24, -0.95 (1.65/2.60), 25kt	22:45:41 GEO Dec 23 \$1.28 96kt
22:35:45, CME, NGO, Dec23/Dec24, -0.95 (1.60/2.55), 25kt	22:45:36 GEO Dec 23 \$1.28 100kt
22:24:05, CME, NGO, Dec23, 1.60, 50kt	22:45:21 GEO Dec 23 \$1.28 30kt
22:22:48, CME, NGO, Dec23, 1.60, 50kt	22:17:38 GEO Dec23 \$1.28 25kt
22:50:00, CME, NGO, Dec-23, 1.45, 60kt	02:44:42 NGO Dec-23 \$1.50 50kt
22:50:06, CME, GEO, Dec-23, 1.10, 100kt	02:34:14 NGO Dec-23 \$1.50 50kt
22:14:13, CME, GEO, Dec24/Dec25, -0.25 (1.25/1.50), 25kt	02:01:56 NGO Dec-23 \$1.50 50kt
22:14:27, CME, GEO, Dec24/Dec25, -0.25 (1.25/1.50), 25kt	01:24:41, CME, NGO, Dec23, \$1.70, 50kt
22:50:22, CME, GEO, Dec-23, 1.06, 50kt	23:43:29, CME, GEO, Dec23/24, -\$0.23, 40kt
01:25:06 GEO Dec 24/25 -\$0.30 250kt, (1.25/1.55)	23:10:00, CME, GEO, Dec23/24, -\$0.20, 50kt
00:59:16 GEO Dec 23/24 -\$0.17 200kt, (1.25/1.42)	17:52:29, CME, GEO, Dec23/24, -\$0.15, 34kt
00:32:30 GEO Dec 23/24 -\$0.18 325kt, (1.25/1.43)	

Compliance Markets

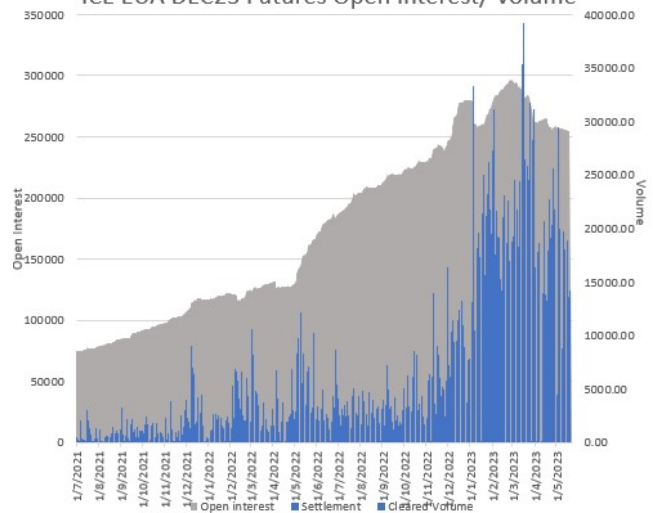
EUAs

European carbon prices recorded a second successive weekly gain on Friday after four weeks of declines in April, giving back early gains driven by macroeconomic optimism as energy markets turned bearish in the afternoon, while the two-day rally in UKAs fizzled out in active trade. The front-December contract settled at €89.88 for a gain of €0.03 on the day, and an increase of 1.6% over last Friday's settlement, the second consecutive weekly gain after a run of four weekly losses dating back to early April. Total screen and block trading volume in the Dec-23 contract was a little over 14 million EUAs, while other contracts added an aggregate of 3.8 mln allowances, including a 1,000-lot June-September spread. The daily average front-December volume on ICE this week was 14.8 mln, the lowest weekly average of the year to date, reflecting in part the absence of some continental traders due to public holidays on Thursday and Friday.

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume



UK ETS

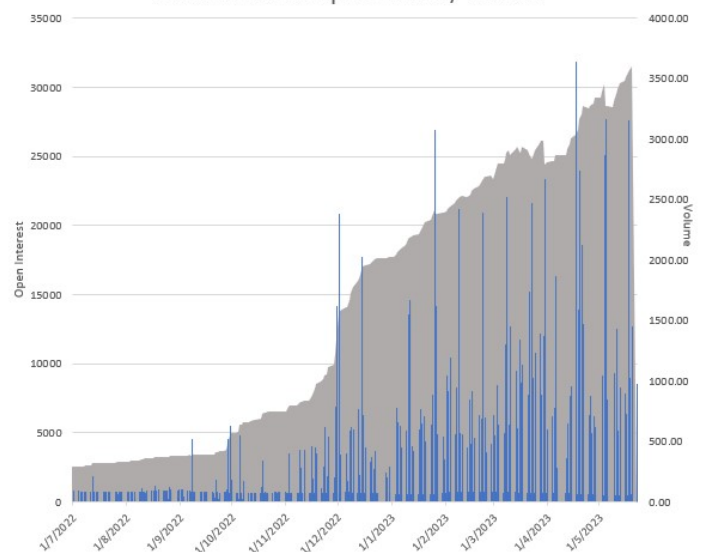
UK allowances matched the rise in EUAs in the morning, but could not sustain the gains and snapped their two-day winning streak after Wednesday's strong auction. The Dec-23 UKA contract rose as much as 1.3% to €63.00 on ICE early in the session, but eased backwards over the rest of the day. The contract eventually settled 1.3% lower at €61.40, a weekly gain of 2.1%, with volume totalling a robust 1.5 mln UKAs. The UKA-EUA spread reversed its recent narrowing to end the week at -€19.13.

Source: Refinitiv

UKA DEC23 Futures



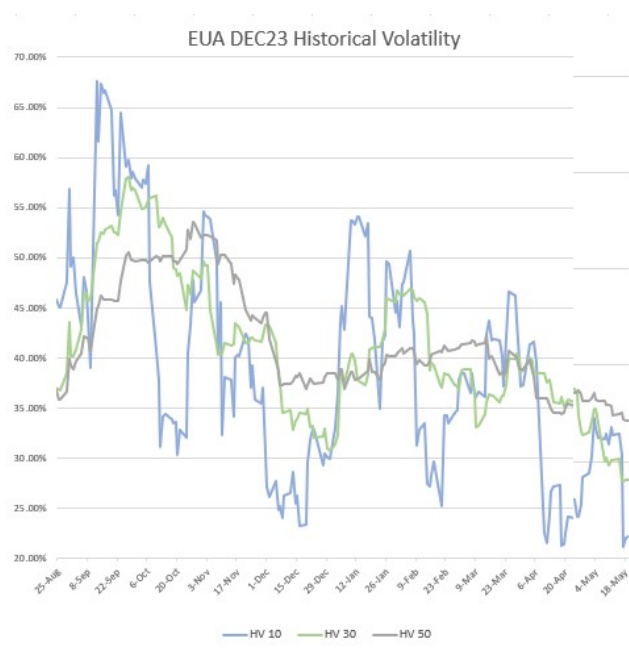
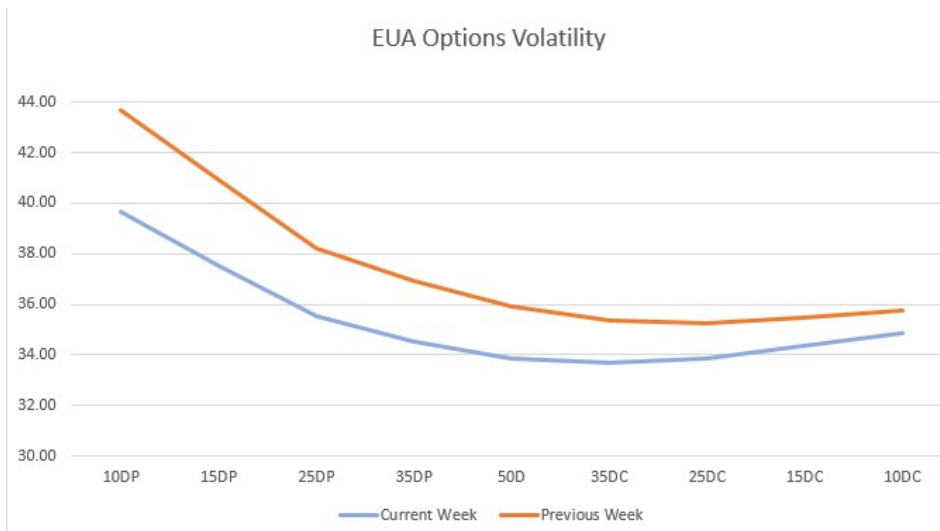
UKA 23 Futures Open Interest/ Volume



EUA Options Market

Put skew down 9.13% for the week and Call Skew down 2.49% for the week. The daily average front-December volume on ICE this week was 14.8 mln, the lowest weekly average of the year to date, reflecting in part the absence of some continental traders due to public holidays on Thursday and Friday. There was broad agreement among market participants that the lack of auction supply has underpinned this week's 6% rally, with the corollary that next week's resumption of a full slate of daily sales might cap the recovery.

Volatility Surface: 19/05/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	39.69	37.55	35.52	34.55	33.86	33.70	33.86	34.36	34.86
WoW Change	-3.99	-3.38	-2.71	-2.39	-2.05	-1.67	-1.41	-1.10	-0.89
Previous Week	43.68	40.93	38.23	36.94	35.91	35.37	35.27	35.46	35.75



Source: Bloomberg

Market News

(CarbonPulse): The Zimbabwe government has declared all current carbon offset deals in the country “null and void” and will take a 50% revenue cut of all future contracts, a media outlet reported Tuesday, in what could further imperil a large, already beleaguered REDD+ project and set a precedent for other countries to extract similar concessions. Zimbabwe is now developing a new framework for such deals, with the Ministry of Finance and Economic Development to earn 50% of the revenue from any projects, Bloomberg reported. Foreign investors would be capped at taking home 30% of the revenue, while local investors must receive at least 20%. Some 30 approved or under-development projects are likely to be affected by the news, representing tens of millions of dollars of foreign investment now potentially sunk by sovereign risk. Verra has issued over 27.6 mln offsets under its VCS programme to Zimbabwe-based initiatives, with 21.3 mln of these retired.

(CarbonPulse): The NZU price closed even lower on Tuesday as the market continues to backslide from a policy landscape of uncertainty that is weighing on the market. NZUs finished trading Tuesday at NZ\$51.95, down 3.9% week on-week, and down 19% compared to this time last month. A market update from Jarden Securities on Monday said around 210,000 NZUs had traded on the week ending Friday, as the market “continued to grind lower”. The New Zealand government will hand down its latest budget on Thursday. Most of the climate-related budget funding the government has announced so far has related to repairing the damage caused by Cyclone Gabrielle, with NZ\$100 million in flood protection committed so far.

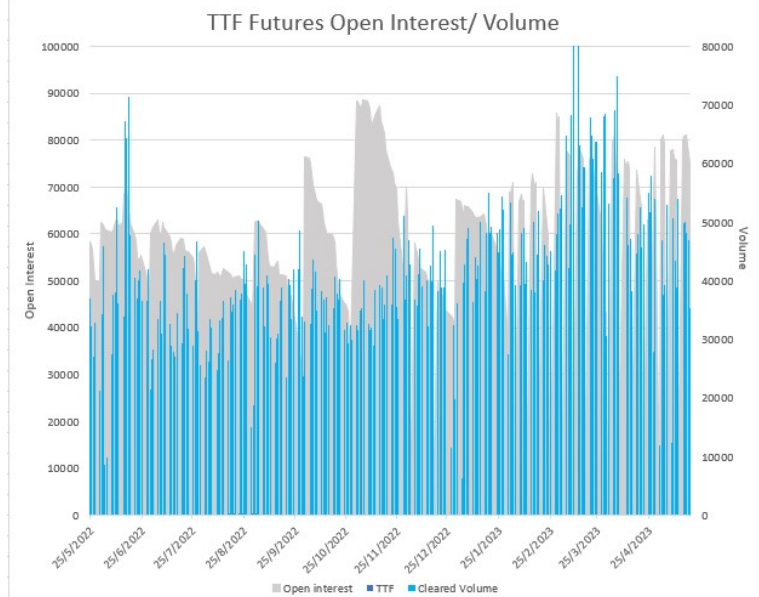
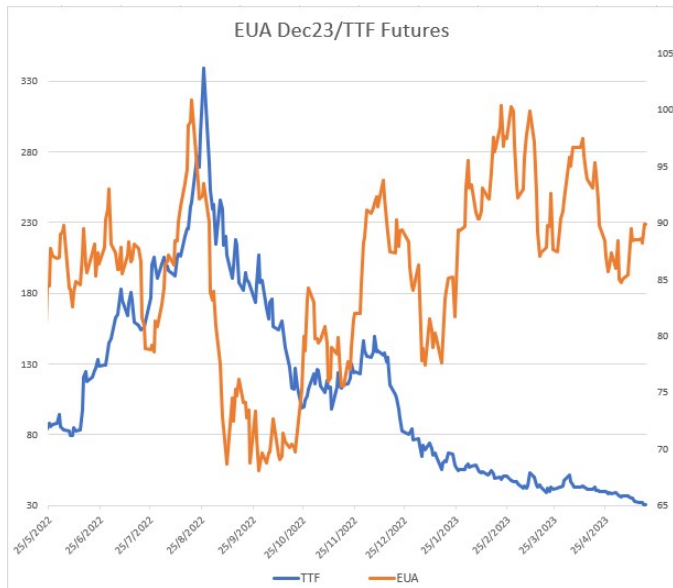
(CarbonPulse): Australia has opened a third pilot exit window for carbon abatement contract (CAC) holders with the ERF to sell their ACCUs on the secondary market, the Clean Energy Regulator announced Friday. The third window continues the regulator’s pilot programme of allowing CAC-holders to walk away 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.

(AFR): On May 15, Microsoft said it had struck a deal to buy 2.76 million tonnes of carbon removal credits from a Danish energy and carbon capture project. Microsoft wants to eventually atone for all the carbon emissions it has generated since it was established in 1975 – and the deal to buy carbon removal credits over the next 11 years goes part of the way. A group of tech companies under the umbrella of the Frontier fund– including Meta, Alphabet and Shopify– have been stepping up their purchasing of credits as they accelerate in this segment. Frontier announced on May 19 it will spend \$US53 million on a carbon removal deal.

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Indicated Markets

June TTF natural gas rose as much as 3.4% to €30.800/MWh on ICE in the morning, before slipping back to settle at €30.176/MWh, a gain of 1.3% on the day but a weekly drop of 7.9% from last Friday. Cal-24 German baseload power added 1.4% to reach €139.00/MWh before midday on EEX, but eased back slightly to stand 0.3% higher at €137.51/MWh at the close, a weekly loss of 5.5%. Cal-24 API2 coal was up 5.5% at \$111.00/tonne on ICE at 1600 GMT



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