



Carbon Weekly Report

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09/06/2023

Voluntary Markets

FISe Announcement:

FISe Silent Auction for this Friday 16th June will be 2 projects:

Project: VCS2342 Malawi Cookstoves, v2021, 100,00 tonnes

Project: VCS2083 Liangdu Afforestation, v2020, 50,00 tonnes

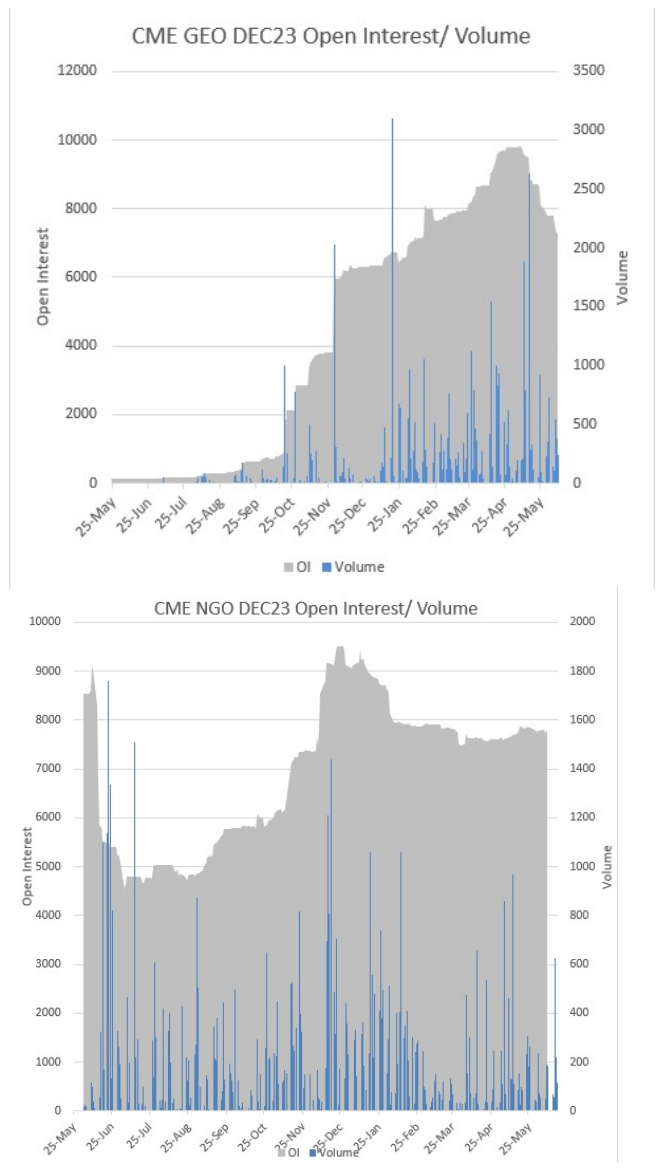
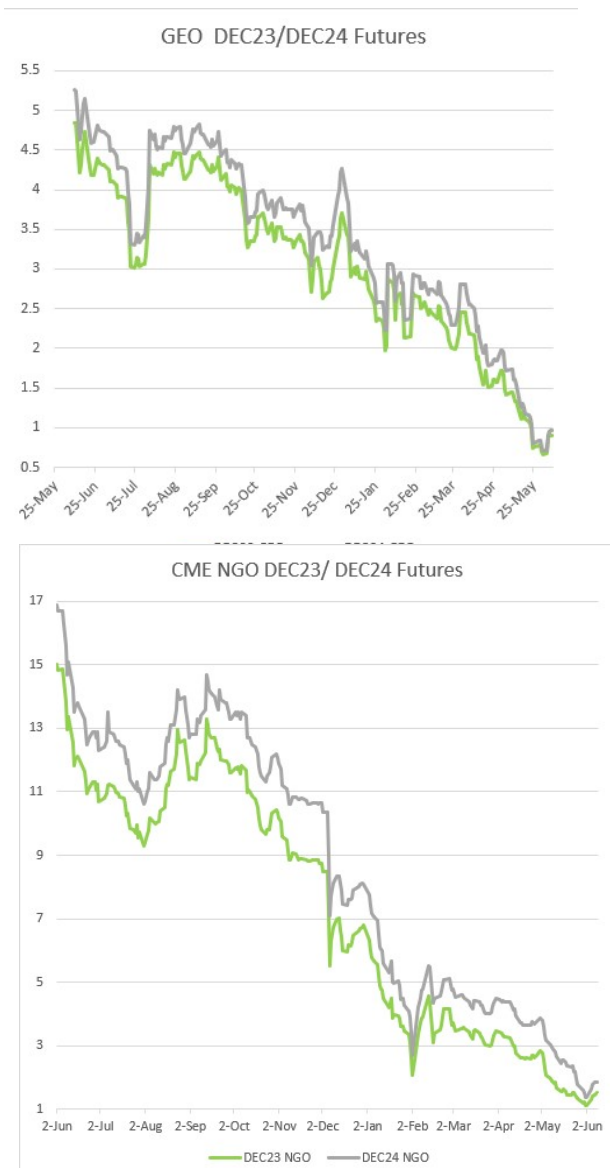
Start time: 9:30 am LONDON, 10:30am CENTRAL EUROPE, 4:30 pm SINGAPORE.

For any further information please contact the FISe team!

CME Futures

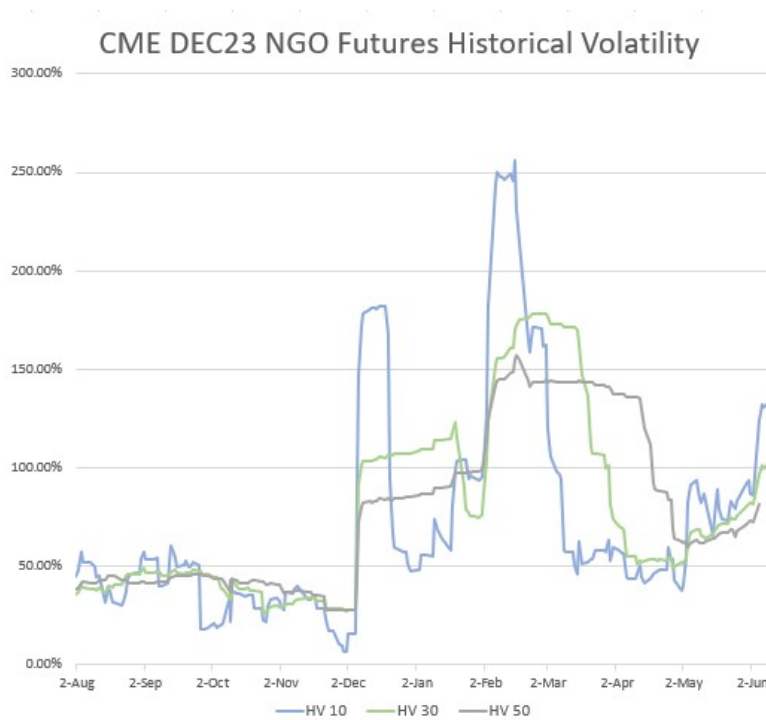
The NGO Dec23 contract gained \$0.41 to settle at \$1.52 for the week. Volume was significant for the week at 1090kt traded and open interest flat at 7.77Mt.

The GEO Dec23 contract gained \$0.24 to settle at \$0.90 for the week. Open Interest on the GEO complex has decreased 1.15Mt to 15.6Mt. GEO Dec24 Open Interest has decreased 674kt from the previous week.



CME NGO Historical Volatility

10 day volatility has increased to 131% from 83%. 30 day volatility has increased to 102% and 50 day volatility at 84%



Source: Bloomberg

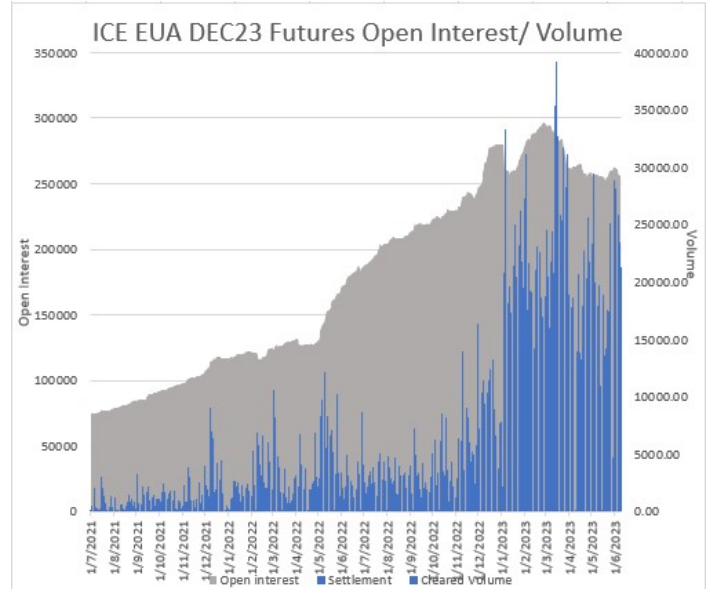
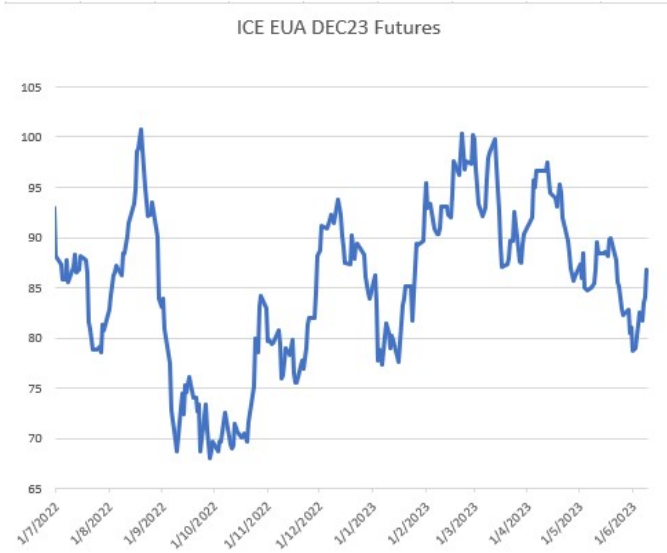
Block Trades on CME (w/c 9th June)

22:53:47, GEO, Dec24, 0.95, 50kt
 04:22:19, GEO, Dec23/24, -0.04, 85kt (0.78/0.82)
 00:21:06, NGO, Dec23/24, -0.30, 25kt (1.12/1.42)
 00:14:02, NGO, Dec24, 1.40, 39kt
 23:31:56, NGO, Dec23/24, -0.40, 25kt (1.20/1.60)

Compliance Markets

EUAs

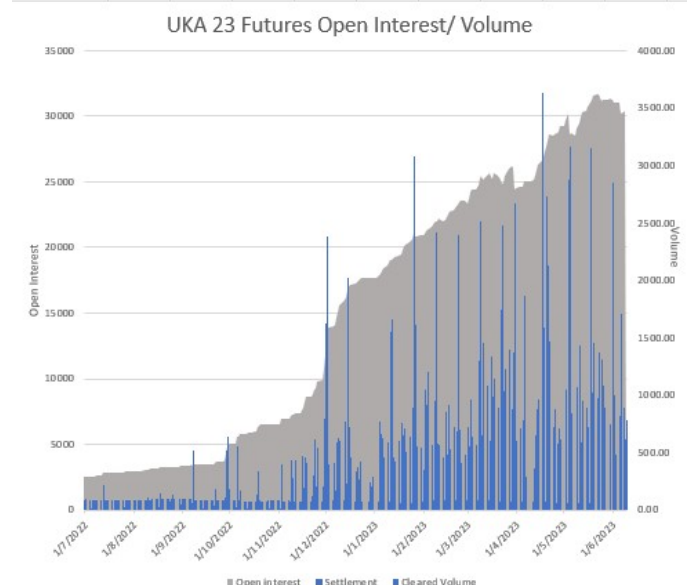
European carbon prices rose for a third day on Friday to reach their highest in nearly three weeks, breaking through a slew of technical targets as traders covered short bets on carbon and gas, triggered by a relatively strong auction and a nearly 24% intraday gain in prompt gas prices. Dec-23 EUAs traded steadily higher from the opening, climbing from a low of €83.44 to reach €84.84 as the auction bidding window closed. The benchmark settled at €86.79, a gain of 3.3% on the day, with trading volume totalling more than 21 million EUAs. Other contracts added a further 9 mln allowances. The final hour of trading saw prices drop back to the low €86s before the session closed at €86.14.



UK ETS

UK Allowances could not pick up a slipstream from the strong and steady rise in EUAs. The Dec-23 contract added as much as 1.5% to a high of £53.90 but at the close had settled just 0.8% higher at £53.54 on ICE, with volume totalling 782,000 tonnes. The disparity in strength meant the UKA-EUA spread widened to -€24.26 at the settlement, a new record discount for the British contract. One UK-based source said the widening differential reflects the continuing uncertainty on UK ETS reform, pointing out that UK NBP gas increased by as much as TTF on Friday, but UKAs had failed to follow.

Source: Refinitiv

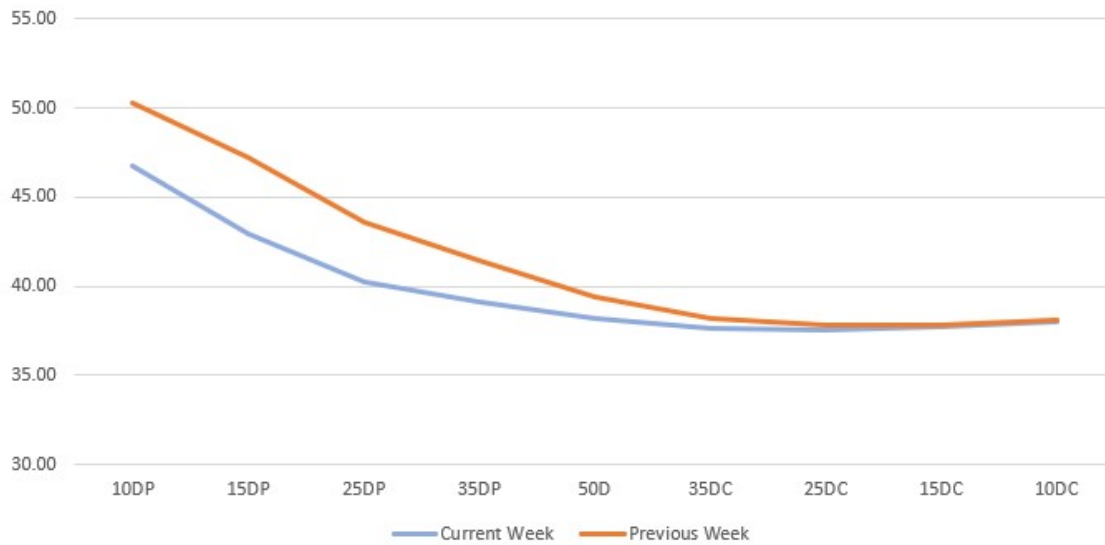


EUA Options Market

Put skew down 6.87% for the week and Call Skew down 0.18% for the week. The sale cleared 29 cents above the spot market value at 0900 GMT, the first premium since Monday, and secondary market prices surged to €85.32 in the wake of the auction. The weekly sale by Germany also saw the highest bid-to-cover ratio of 2.14, the highest of the week. Data from EEX show that Germany’s Friday sale has racked up the highest cover ratio of the week in most weeks this year. The morning rally took EUA prices above the 200-day moving average – at €84.67 today – which one European participant called “an important pivot point”.

Volatility Surface: 09/06/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	46.80	42.95	40.24	39.10	38.18	37.65	37.52	37.70	38.05
WoW Change	-3.45	-4.31	-3.39	-2.36	-1.27	-0.54	-0.28	-0.14	-0.07
Previous Week	50.25	47.26	43.63	41.46	39.45	38.19	37.80	37.84	38.12

EUA Options Volatility



EUA DEC23 Historical Volatility



Source: Bloomberg

Market News

(CarbonPulse): New Zealand is unlikely to sell any of the 8.9 million NZUs that will be made available at this week's auction, market participants told Carbon Pulse, doubting bids will meet the government's confidential reserve price. Double the volume of units will be made available on Wednesday's auction, after the 4.475 mln NZUs that were available in the March auction failed to sell and have been carried over to this week's event. The addition of the CCR volume will see the total number of units potentially up for grabs reaching nearly 17 million. However, market participants were sceptical the auction will clear at all, let alone the CCR being taken out, given the CCR trigger price is NZ\$80.64, compared to the current spot price of NZ\$56.

(CarbonPulse): The Australian government on Friday published its long-awaited implementation plan to reform the country's carbon market, while it will launch its A\$20 million Carbon Farming Outreach programme next week. The Implementation Plan, detailing how it plans to execute the reforms recommended by the review, said the government intends to carry out the reforms in three distinct tranches. Immediate reforms include those the government has already carried out, such as moving method development from the Clean Energy Regulator to the climate change and environment ministry, and to revoke the native reforestation methodology.

(The Business Times): Carbon Growth Partners, is seeking to raise US\$200 million for one of its three investment funds by mid-2024. The fund generated a 16.6 per cent return on investments between its inception in July 2021 and May 2023, beating major asset classes including gold (10%), the S&P 500 (-3.4%), and the S&P 10-year treasury index (-14.1%). This comes as the fund targets a 20 per cent annual return.

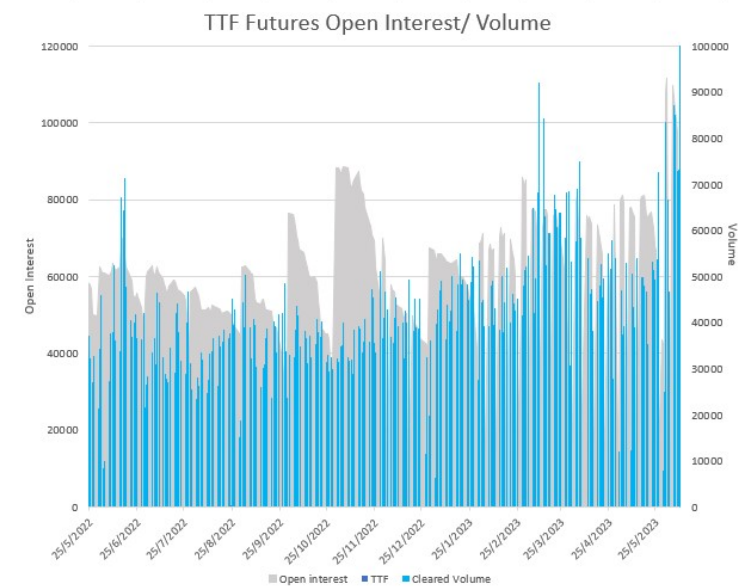
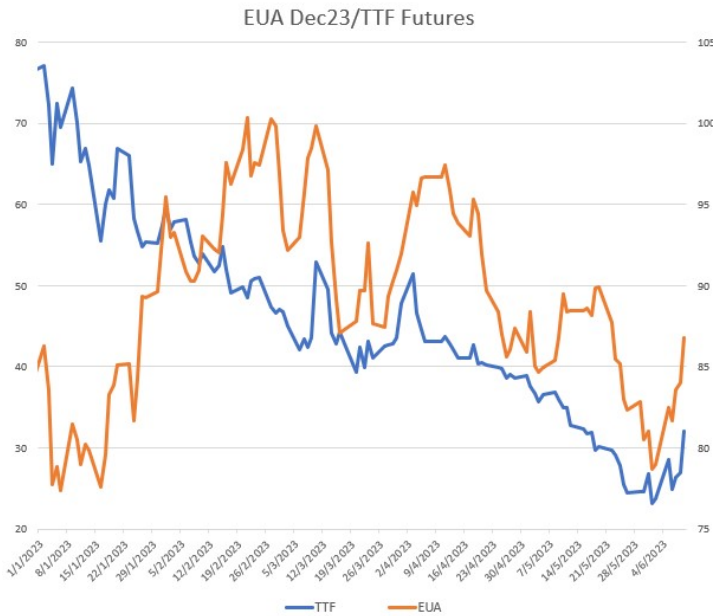
(CarbonPulse): Zimbabwe is preparing to host a voluntary carbon markets forum as it targets creating a pan-African registry linked to the country's Victoria Falls Stock Exchange (VFEX). The first-ever Africa Voluntary Carbon Credits Market Forum, to be held July 3-9 in Victoria Falls, will welcome speakers including Zimbabwean President Emmerson Mnangagwa and Kenyan President William Ruto. Attendees and speakers from Ethiopia and Uganda have also been confirmed. Funded by a diverse group of stakeholders, including other African government officials, private-sector and international organisations, NGOs, and climate change experts, the forum has secured \$1.5 mln for its operations. The event aims to foster understanding, strategic collaborations, and partnerships that will boost environmental management, conservation strategies, and stimulate the growth of robust sectors from the trade.

(CarbonPulse): The number of Australian Carbon Credit Units (ACCUs) issued in the first quarter of 2023 fell by nearly half compared to the same period last year, according to the Clean Energy Regulator, though it estimated that the market is well supplied to 2030. The regulator's quarterly report, released Friday, showed that some 1.8 million ACCUs were issued in the first three months of 2023, 45% fewer than in the same period in 2022. However, the regulator expects to issue just over 18 mln ACCUs this year, a modest increase compared to the 17.7 mln units that were minted in 2022. In addition, there is a historical supply of 23.8 mln ACCUs that have been carried over from previous years circulating the market. The regulator said the reforms to the Safeguard Mechanism, which are expected to deliver some 200 mln tonnes of emissions abatement by 2030, is expected to drive a material increase in ACCU demand.

(CarbonPulse): Japan's main bourse will set up a carbon market that initiates trading of domestically issued J-Credits around October this year, it announced Friday. Tokyo Stock Exchange (TSE) will establish a carbon credit market based on the knowledge and market operation experience gained from a demonstration project commissioned by the Ministry of Economy, Trade, and Industry (METI) last year, exchange operator Japan Exchange Group (JPX) said in a statement released Friday. Under the current plan, the exchange will start to accept applications for registration as market participants from July onwards, and the trading of carbon credits, initially for J-Credits, will begin around October this year after a network connectivity test. The schedule is in line with the introduction of the GX League, a national emissions pricing scheme promoted by the Japanese government to achieve carbon neutrality, with trial trading scheduled for FY2023 and full-scale operation for FY2026.

Indicated Markets

Energy prices extended their gains for a third day, with July TTF natural gas gaining 8.2% by midday before soaring by as much as 24% in the afternoon amid heavy short covering, sources said. The contract settled 19% higher at €32.049/MWh on ICE. The front-month contract has wiped out its losses from Tuesday's 13% drop and is at its highest in nearly four weeks. Cal-24 German baseload power was 7.6% higher at €134.50/MWh on EEX at the close, while cal-24 API2 coal gained 3.5% to \$111.00/tonne on ICE. The Correlation between TTF and EUA prices are back with March to date Correlation at 0.82. The disconnect in energy prices caused by the Russian war seems to have recovered with EUA prices once again moving in tandem with TTF prices. January to date TTF/EUA Correlation was 0.0006



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