



Carbon Weekly Report

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14/07/2023

Voluntary Markets

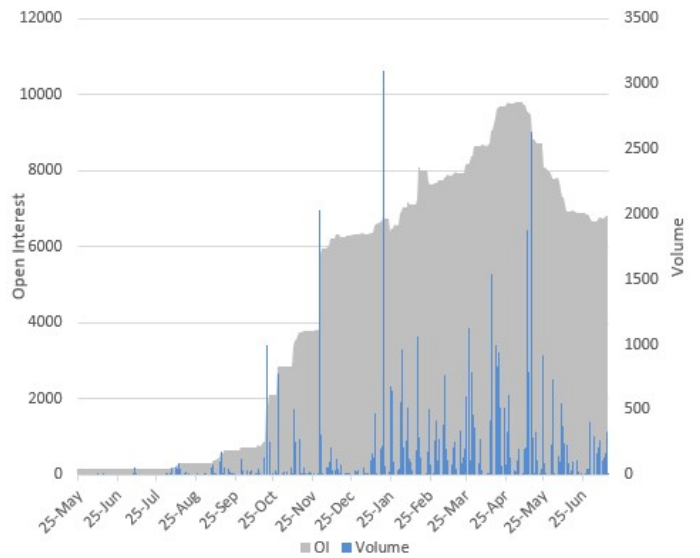
CME Futures

(FIS View): 1293kt traded on the NGO Dec23 contract for the week, with the contract settling up \$0.15 at \$2.54. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 has decreased slightly to 7.21Mt. 732kt traded on the GEO Dec23 contract for the week with the contract settling at \$1.37, down \$0.22 from the previous week. Open Interest remains relatively flat at 6.80Mt.

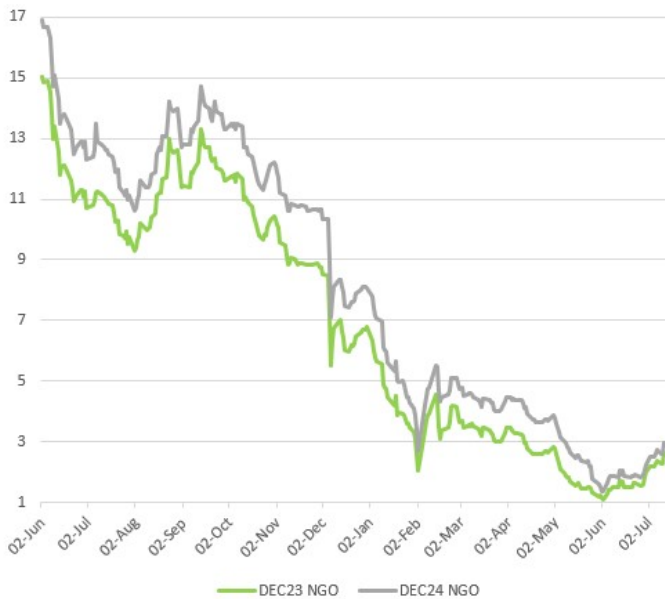
GEO DEC23/DEC24 Futures



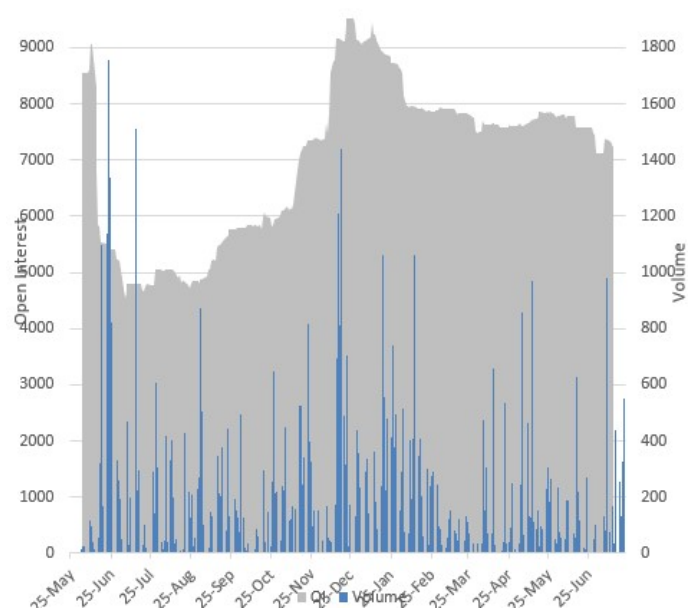
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

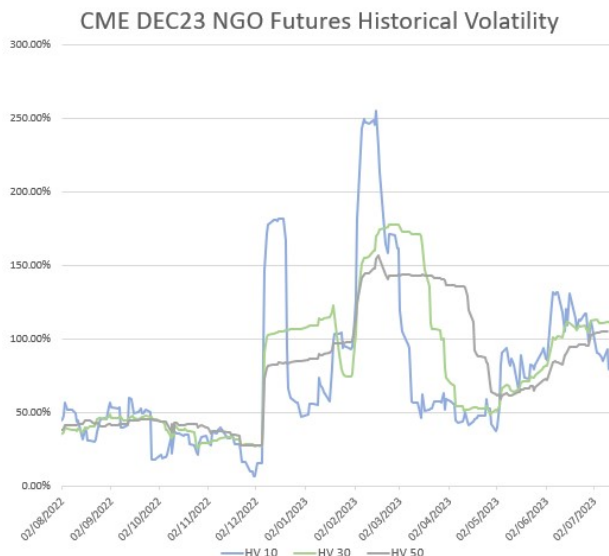


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility increased to at 91%. 30 day volatility decreased to 104% and 50 day volatility at 109%



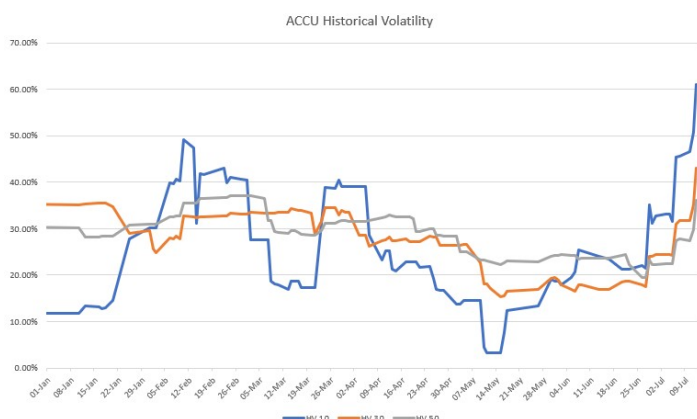
Source: Bloomberg

Block Trades on CME (w/c 14th July)

23:51:02, GEO, Dec23, \$1.44, 25kt	02:35:30, GEO, Dec23, \$1.44, 22kt
23:12:41, NGO, Dec23, \$2.50, 150kt	02:22:14, NGO, Dec23, \$2.29, 35kt
23:19:06, NGO, Dec23, \$2.50, 25kt	02:22:14, GEO, Dec23, \$1.45, 45kt
23:17:30, NGO, Dec23, \$2.50, 25kt	02:19:25, NGO, Dec23, \$2.30, 50kt
23:14:06, NGO, Dec23, \$2.50, 25kt	02:15:01, NGO, Dec23, \$2.29, 17kt
23:18:08, GEO, Dec23, \$1.50, 50kt	
21:03:27, GEO, Dec23, \$1.48, 30kt	
23:18:08, NGO, Dec23, \$2.60, 50kt	
22:48:10, NGO, Dec23, \$2.65, 50kt	
23:23:25, NGO, Dec24, \$3.00, 25kt	

ACCU & NZU Market

The price for spot NZUs rose by NZ\$10 on Monday, following the government agreeing in court to revisit the ETS price controls and settings. Spot NZUs were trading at NZ\$45 on Monday morning before moving up to NZ\$48.50 by the afternoon, 27% above Thursday's closing price before the public holiday last Friday. As of Monday afternoon, 75,000 NZUs changed hands on the CommTrade platform. The price jump follows the government agreeing in the High Court to revisit the current price controls and settings of the ETS, after a climate group brought on a judicial review against its decision last year to leave them largely in place, going against the recommendations of the Climate Change Commission.



ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Compliance Markets

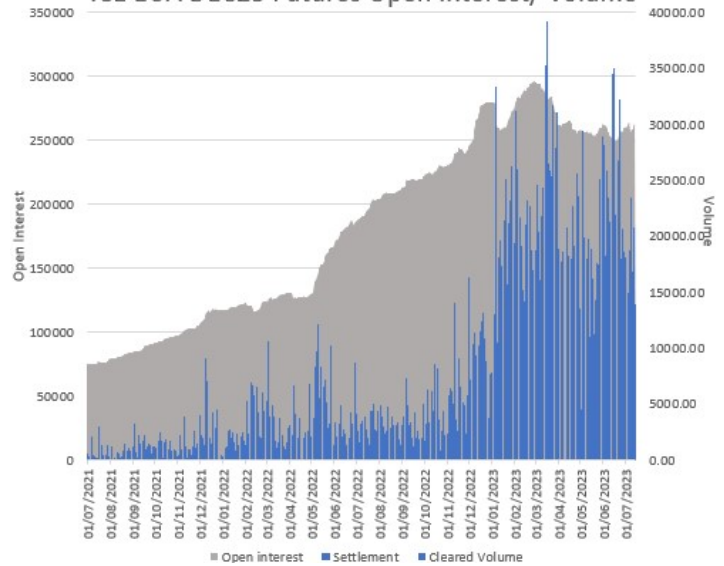
EUAs

EUA prices ended the week virtually unchanged from last Friday's settlement, as an early surge after one of the largest auction premiums this year gave way to an afternoon sell-off amid sharp reversals in natural gas, capping a week in which EUAs traded in their narrowest range in nearly two years. Carbon prices fluctuated between €86.70 and €87.50 in the early afternoon, before dropping sharply in tandem with gas and power, giving up almost all the day's gains and flirting with the morning low as the settlement window opened. The Dec-23 contract settled 0.2% higher at €86.04, giving a week-on-week decline of 0.1%. Volume in the front December totalled 13 million EUAs, with other contracts adding a further 6.1 mln allowances. The five daily settlements this week all fell within a €0.93 range, the narrowest for any week since April 2021. This week's trading range was €3.26, the narrowest weekly high-low since the five days ending Oct 29, 2021. Prices once again struggled to retake the 200-day moving average, which ended the day at €86.65, while the 50-day average was slightly higher at €86.84. Prices rose above both measures in early trading but ended the day below

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume



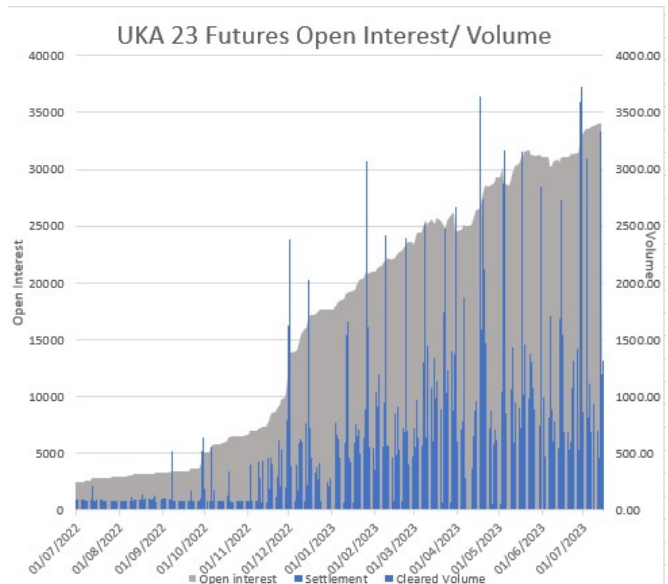
UK ETS

UK Allowance prices a moderate gains in early trading, climbing from £50.49 to a high of £51.10 by midday. However, even as EUA prices climbed to their intraday highs UKAs were falling back, with the British benchmark contract dropping back below £50 in the afternoon. The Dec-23 UKA contract reached nearly two-year intraday low of £48.98, and settled 2.1% lower at £49.20, also a nearly two-year low. Volume was healthy at 1.3 mln UKAs. The UKA-EUA spread widened to -€28.64, around 30 cents less than the record discount logged at the end of June.

UKA DEC23 Futures



UKA 23 Futures Open Interest/ Volume



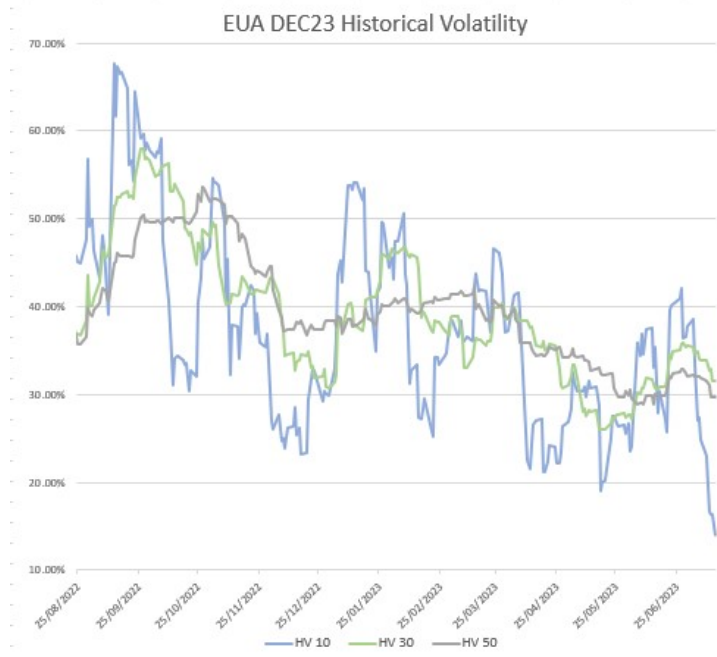
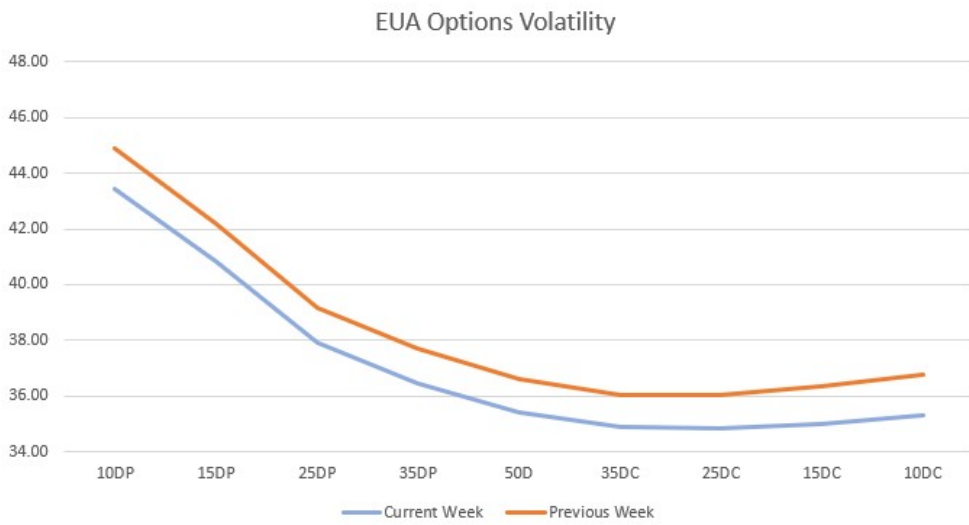
Source: Refinitiv

EUA Options Market

Put skew down 3.23% for the week and Call Skew down 3.97% for the week. The auction cleared 47 cents above the prevailing spot market at 0900 GMT, one of the largest premiums of the year and well above the year-to-date average differential of -€0.09. Only 7 of the 118 sales held so far this year have cleared at the same or higher premiums. Prices reacted sharply, climbing by €0.80 to the day's high of €87.65 within 15 minutes of the auction deadline amid some determined buying, and remained above €87.00 until just after midday.

Volatility Surface: 14/07/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	43.46	40.85	37.91	36.46	35.43	34.87	34.83	35.00	35.29
WoW Change	-1.45	-1.31	-1.26	-1.26	-1.16	-1.14	-1.19	-1.35	-1.46
Previous Week	44.91	42.16	39.17	37.72	36.59	36.01	36.02	36.35	36.75

Source: CarbonPulse



Source: Refinitiv

Market News

(MT Newswires): The number of carbon offsets retired in the first full week of July fell week-over-week. Some 2.1 million carbon offsets were retired by four carbon credit registries in the week of July 3 to July 9, down 49% compared with the previous week and about 35% lower from the same period of the previous year. Retirements of carbon credits occurred in a mixture of countries including in South Africa, the US and India.

(CarbonPulse): The spot price for ACCUs dropped to a near two-year low at market close on Monday before rallying sharply Tuesday off large credit volumes changing hands. The price for generic ACCU dropped to A\$24 at market close Monday the lowest price it has traded at since Sep. 2021. On Tuesday afternoon however, the market rallied, with the price trading 18% higher at A\$28.50 and staying there at market close. The price rebound breaks the steady market decline in recent weeks, which observers attributed to a combination of large ACCU volumes being issued by the regulator, and speculators engaging in risk management across compliance market portfolios.

(CarbonPulse): Australian carbon project developer AgriProve Solutions has been issued ACCUs from one of its hundreds of soil carbon projects, it announced Wednesday. AgriProve Solutions said its First Carbon Project at Mount Tom, near Gladstone, Queensland, had been issued 3,559 ACCUs, representing a carbon sequestration period of two years over 400 hectares.

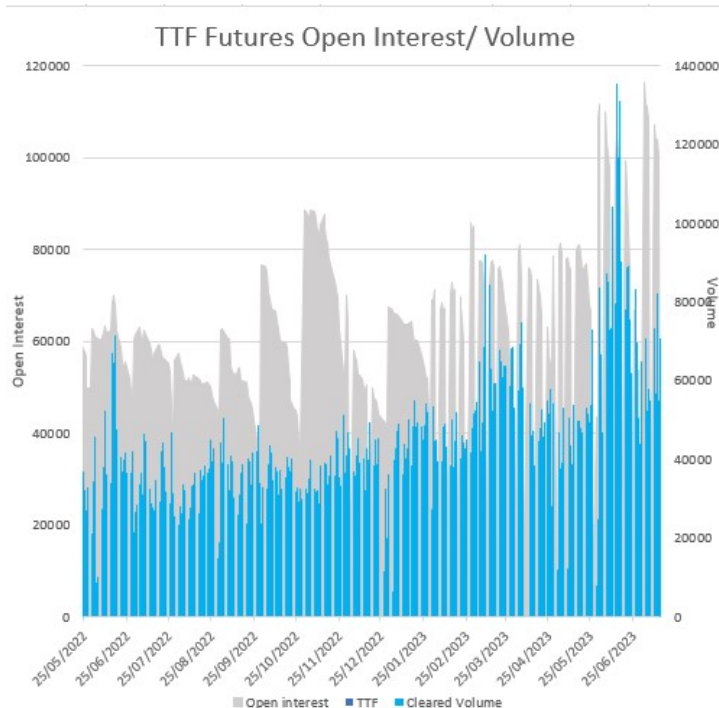
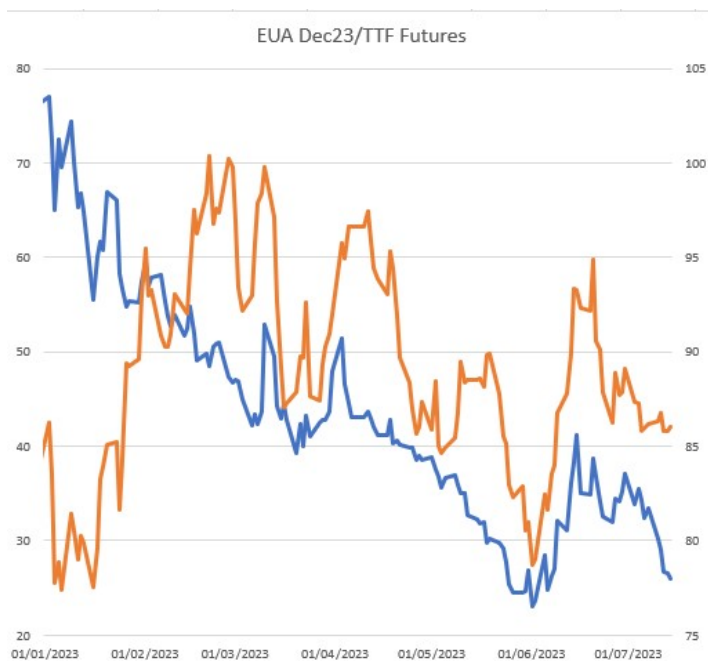
(CarbonPulse): Underground coal mines are expected to bear the highest cost of emission reductions under the reformed Safeguard Mechanism, according to analysis, as the price of ACCUs fell further on Monday. Wood Mackenzie research published late Friday said the legislated baselines for each mining facility under the reformed scheme will be based on a combination of each facility's historic emissions and an industrial average component. It means that underground mines, will face the brunt of the cost of emissions reductions. Wood Mackenzie modelling highlighted that a significant portion of Australia's mines will receive below baseline SMCs, due to the likelihood of their emission falling below their baseline.

(CarbonPulse): The stockpile of privately held NZUs has shrunk by nearly 10 million due to a combination of the May surrender deadline and new issuance averaging rules. Data released by New Zealand's Environmental Protection Agency showed total holdings of NZUs in the national registry as of June 30 was down 5.5% quarter-on-quarter to 160 mln. However, it is still 10 mln units larger than it was this time last year, according to the data. NZU participants shed some 3.9 mln NZUs over the quarter, with their portion of the stockpile falling to 97 mln units, compared to the previous quarter when they held 101 mln. This compares to the 86 mln NZUs participants held this time last year. Meanwhile, speculators saw their holdings fall to 43.8 mln units, compared to 49.3 mln in the previous quarter and mostly unchanged year-on-year

Source: Bloomberg

Indicated Markets

Energy prices saw a strong morning, bolstered by forecasts of record temperatures in southern Europe in the coming days and clawing back some of their weekly losses, but fell back in the afternoon as news emerged that the BBL pipeline will increase gas flows from the UK to the Netherlands by 10% until September. August TTF natural gas rose as much as 8.1% before settling 2.4% lower at €25.957/MWh on ICE. That represents a loss of 22% from last Friday's settlement. Cal-24 German baseload power rose as much as 3.7% in the morning – but still down 5.9% week-on-week – before falling back to trade just 0.3% higher at €132.00/MWh at the close, marking a weekly 9% drop. Cal-24 API2 coal last traded 3.9% higher at \$105.00/tonne on ICE, making a weekly loss of 12%.



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