



Carbon Weekly Report

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21/07/2023

Voluntary Markets

FISe Silent Auction for Friday 28th July will be:

Auction 1: GS7152 MW Wind Energy by Green Infra Wind Energy Limited, V21, 100kt

Auction 2: VCS2402 Linshu Biogas Recovery and Power Generation (CORSA), V20,100kt

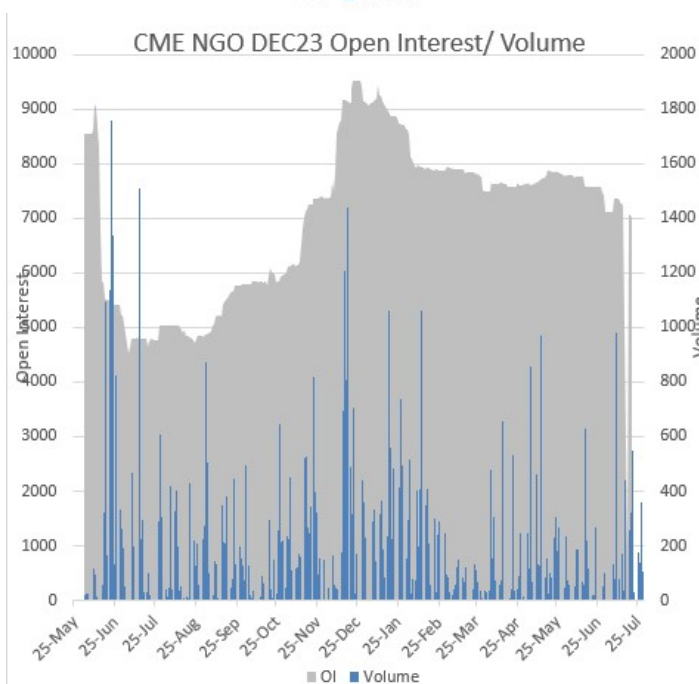
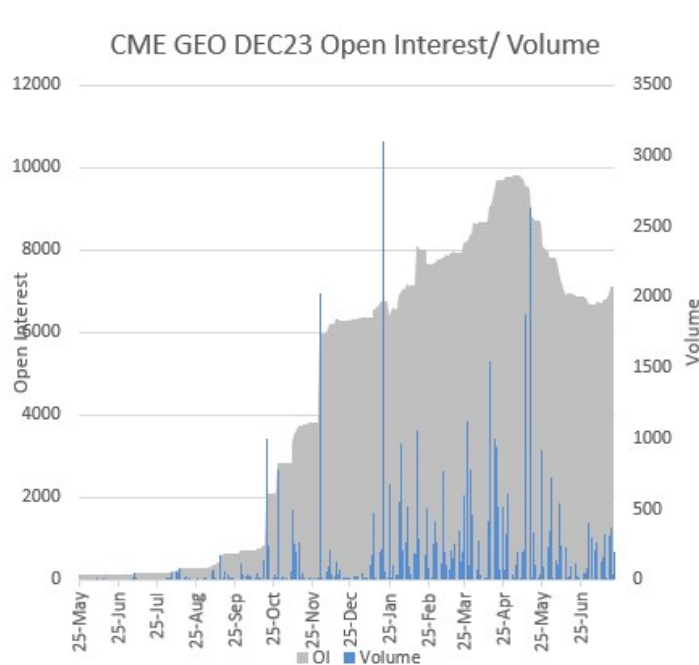
The total Auction Volume will be 100,000 tonnes.

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

For any further information please contact the FISe team

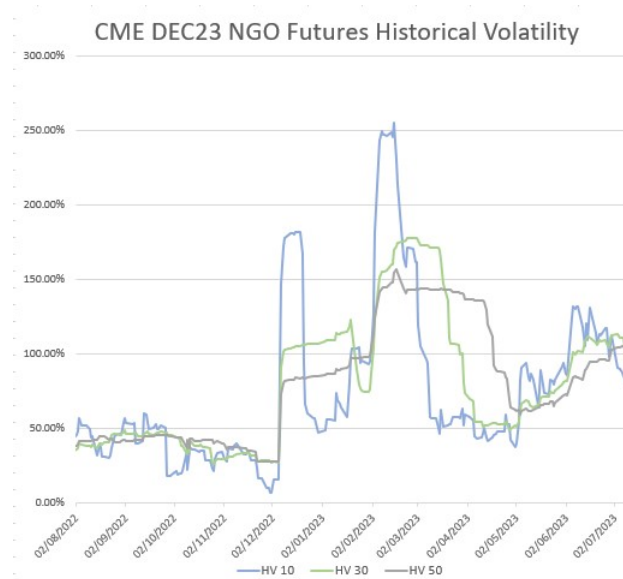
CME Futures

(FIS View): 869kt traded on the NGO Dec23 contract for the week, with the contract settling down \$0.09 at \$2.40. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 has decreased 200kt to 7.02Mt. 929kt traded on the GEO Dec23 contract for the week



CME NGO Historical Volatility

10 day volatility increased to at 91%. 30 day volatility decreased to 94% and 50 day volatility at 101%



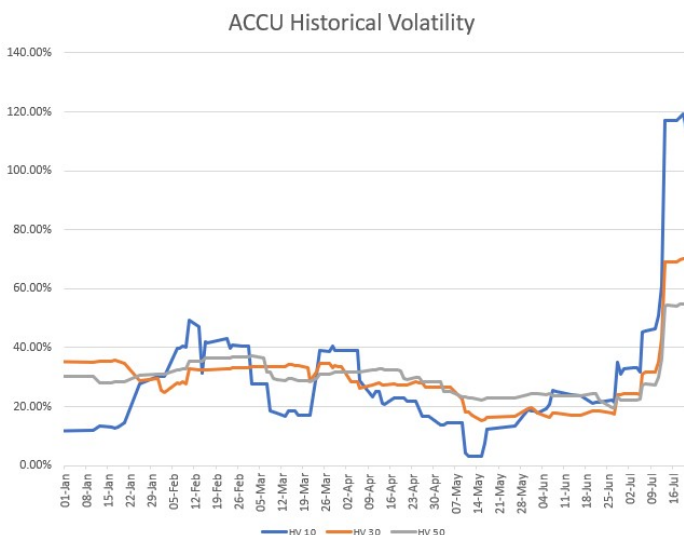
Source: Bloomberg

Block Trades on CME (w/c 21th July)

- 00:05:32 CME NGO Dec23/Dec24, -0.3(2.49/2.81)
- 03:21:38, GEO, Dec23, \$1.45, 225kt
- 03:20:19, NGO, Dec23, \$2.50, 95kt
- 03:20:19, NGO, Dec23/24, -\$0.35, 25kt
- 22:04:09, NGO, Jul23/Dec23, -\$0.10, 50kt
- 03:20:19, NGO, Dec23/24, -\$0.35, 25kt
- 02:38:40, NGO/GEO, Dec23, -\$1.15, 25kt
- 00:38:48, NGO/GEO, Dec23, -\$1.10, 150kt

ACCU & NZU Market

The Clean Energy Regulator issued 295,000 ACCUs across 29 projects in its latest update, up compared to the previous release of 183,000 units. The spot price for ACCUs on Monday morning stood at A\$28.50 (\$19.18), according to brokers Jarden, up 3.5% week-on-week. ACCUs sourced from HIR projects meanwhile were trading for A\$33, up 7% week-on-week.

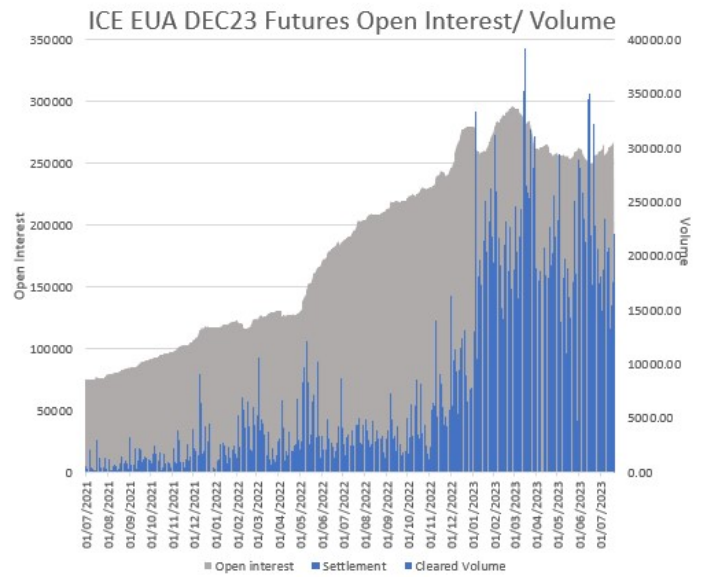
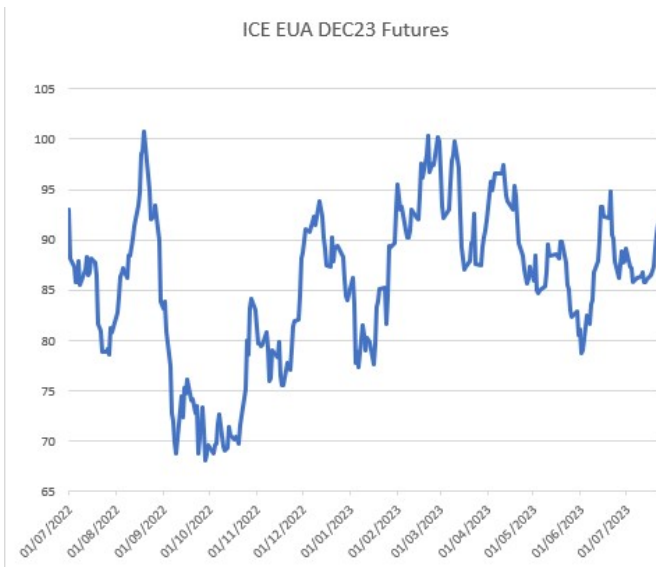


ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Compliance Markets

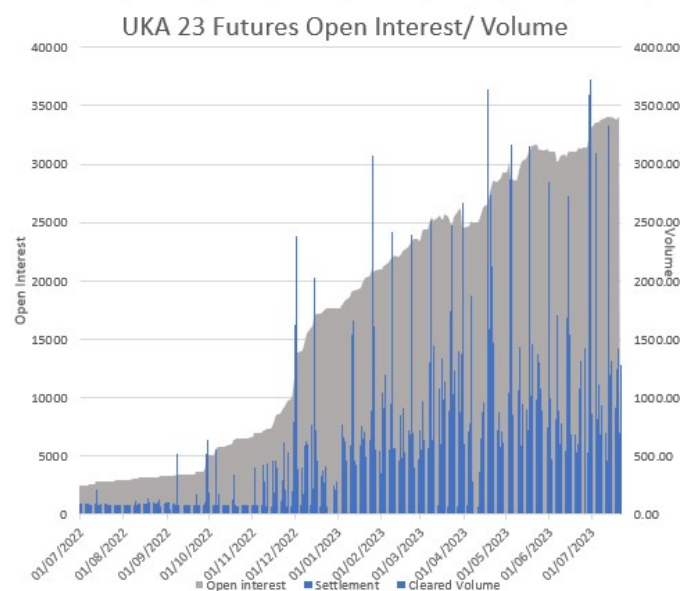
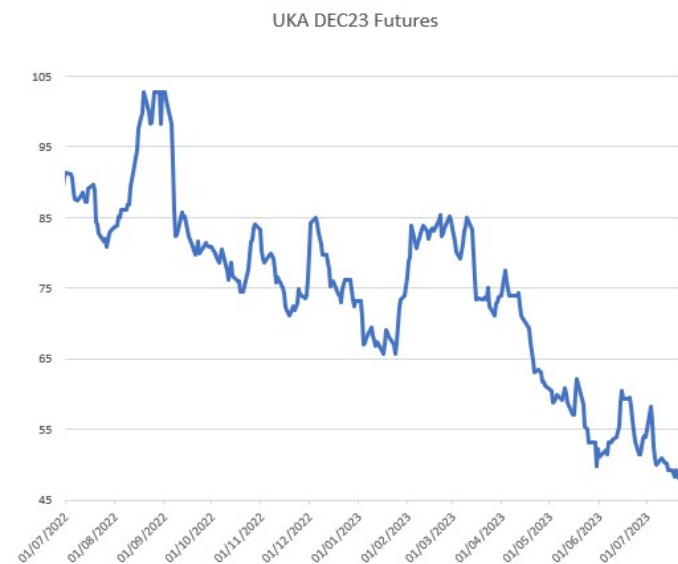
EUAs

European carbon prices rose 6.3% this week, reaching their highest in a month on Friday as buying continued ahead of August’s annual drop in auction supply, further widening the EUA premium to UK Allowances, while energy prices gave up early gains amid profit-taking ahead of the weekend. Dec-23 EUAs set an early low-high trading range in the first hour of trading, dropping to €90.80 before rallying to €91.70 and stabilised at either side of €91.10 up to the daily auction deadline. The sale cleared 35 cents under the spot market value at 0900 GMT, though failed to have any significant impact on the price action. This week’s average auction-spot differential was -€0.10, in line with the year-to-date average of -€0.08. After the sale prices resume their climb, testing €91.80 repeatedly before going on to set an interim high of €92.19 shortly before midday, and going on to reach a one-month high of €92.30 in the early afternoon. After the previous week’s five-day trading range had shrunk to a 20-month low €3.26, this week’s range was €7.26. Volume in the front-December totalled 19 million EUAs, with other contracts adding a further 4.6 mln allowances.



UK ETS

UK Allowance prices extended their weakening trend, shrugging off any bullish influence from rising EUA prices. Dec-23 UKA prices drifted to a low of £48.00 in the early afternoon, the lowest intraday price since Aug. 20, 2021, before settling at £48.06 for a weekly loss of 4.3%. UKA prices have now fallen for five weeks in a row, declining by a total of 19% since June 16. The UKA discount to EUAs grew by 25% over the course of the week, ending at a record -€35.88.



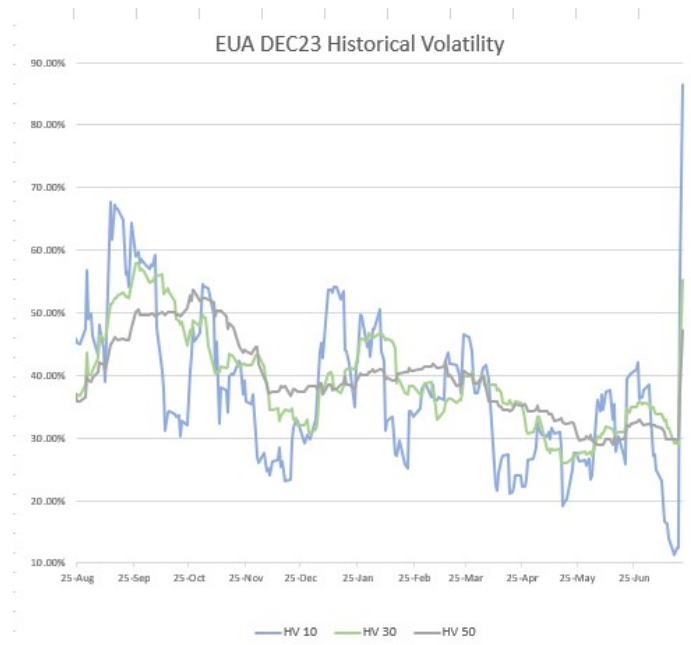
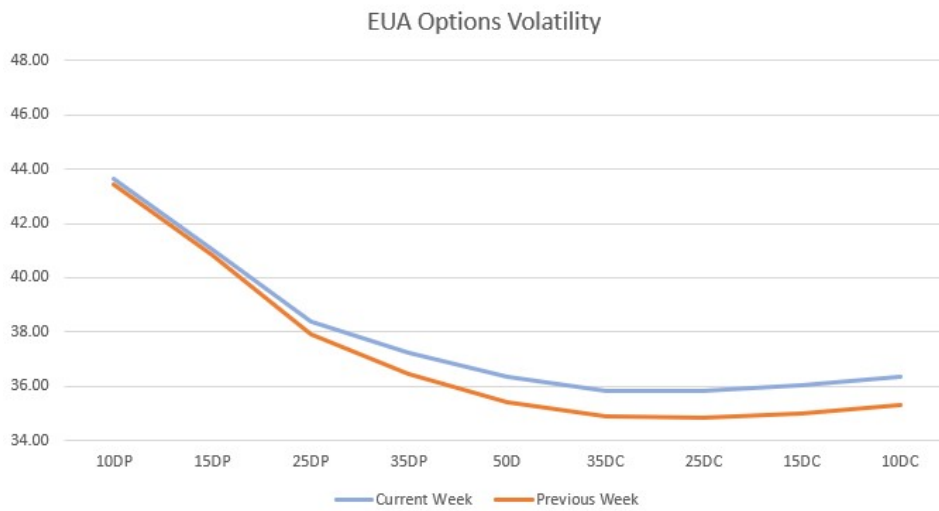
Source: Refinitiv

EUA Options Market

Put skew flat for the week and Call Skew up 3.07% for the week. Volume in the front-December totalled 19 million EUAs, with other contracts adding a further 4.6 mln allowances. Several sources wondered whether the early anticipation of the traditional August rally may mean there will be less support for prices when auction volumes are cut in 7 days' time.

Volatility Surface: 21/07/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	43.62	41.06	38.40	37.21	36.33	35.82	35.82	36.04	36.37
WoW Change	0.16	0.21	0.49	0.75	0.90	0.95	0.99	1.04	1.08
Previous Week	43.46	40.85	37.91	36.46	35.43	34.87	34.83	35.00	35.29

Source: CarbonPulse



Source: Refinitiv

Source: Bloomberg

Market News

(Bloomberg): The expansion of the European Union's carbon market to cover the maritime sector is set to cost shipping giants Mediterranean Shipping Company and A.P. Møller-Mærsk a combined €300 million (\$330 million) in emission allowances next year and over €5 billion by the end of the decade. Despite the International Maritime Organization's new, more ambitious emissions reduction target, the EU will be the first jurisdiction to price emissions from shipping, which make up about 3% of global CO2 emissions.

(CarbonPulse): Australia has committed A\$50 million (\$33 mln) to support clean energy supply chains in the Indo-Pacific the government announced over the weekend, as the issuance of Australian Carbon Credit Units (ACCUs) rose, according to a regulatory update. The contribution is part of the Quad Energy Supply Chain Diversification Programme, established in May by quad partners Australia, Japan, India, and the US. A statement from Climate Change and Energy Minister Chris Bowen's office said Australia's funding would go towards supporting an initial round of studies to accelerate the development of investment-ready projects in the region. It said this could include products and activities like solar ingots, wafer production, or battery cell component manufacturing.

(CarbonPulse): Standard Chartered's Vietnam branch has offered to provide sustainable products and services for the Southeast Asian nation's future emissions market, according to local media reports, as regulators get on with the task of building a carbon exchange. The bank on Thursday co-arranged a workshop on the establishment of a voluntary carbon trading platform in Vietnam, along with several ministries and domestic financial institutions, as well as Singapore-based Climate Impact X, of which Standard Chartered was a co-founder. "The establishment of voluntary carbon credit exchanges is a strategic move that will support Vietnam in achieving net zero emissions by 2050," Nguyen Thuy Hanh, deputy general director of Standard Chartered Vietnam, told the event, according to Vietnam Investment Review.

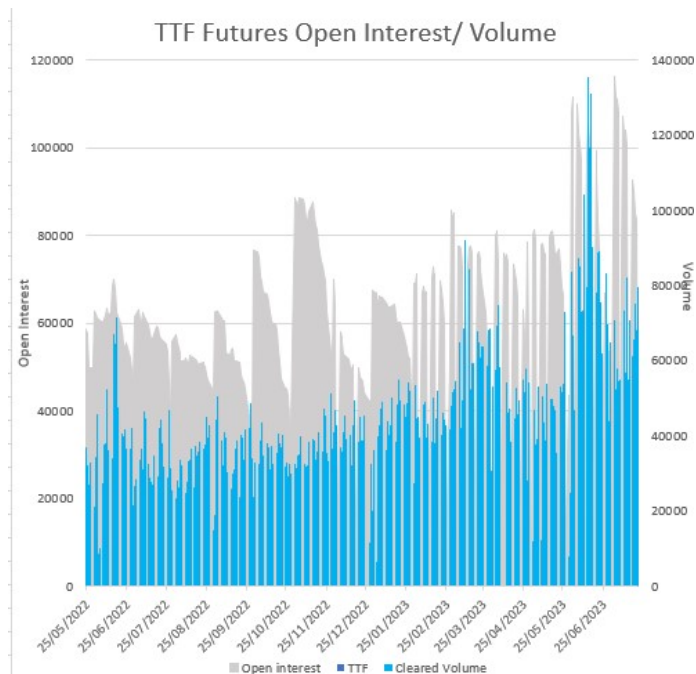
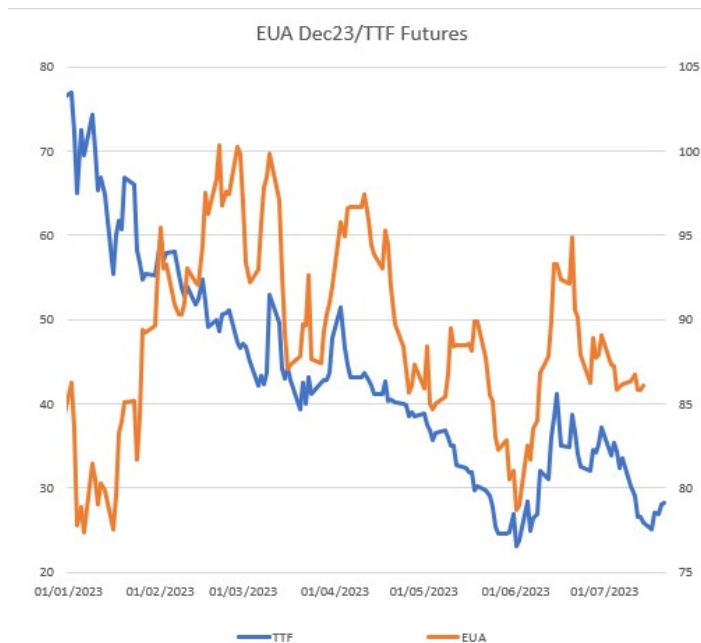
(CarbonPulse): The New Zealand government has partnered with the country's largest dairy cooperative, committing NZ\$90 million (\$56 mln) in co-funding to Fonterra to cut coal use at six of its dairy factories, which is expected to cut manufacturing emissions in half by 2030. Fonterra has agreed to use the funding to carry out a complex range of projects across the six factories that still use coal boilers, resulting in approximately 2.1 MtCO_{2e} in emissions reductions – the equivalent of taking 120,000 cars of the road – according to the government. It said the NZ\$90 mln was being sourced from the Government Investment in Decarbonisation Industry, paid for by the NZ ETS. That funding is expected to cut emissions by some 800,000 tonnes per year.

(CarbonPulse): Australia can expect to see a voluntary biodiversity market emerge in the not-too-distant future whether the government is successful at passing its nature repair market legislation or not, experts told a conference this week. Last month the government's nature repair market legislation, designed to create a framework for a voluntary government-backed nature restoration scheme, was put on ice, after the Senate committee scrutinising the bill was granted further time to consult. This was interpreted by some as being the end of the matter, given the wide-ranging issues some environmental groups and academics had with the existing legislation, particularly around biodiversity certificates generated under the scheme being used for offsetting purposes.

Source: Bloomberg

Indicated Markets

Energy markets were firmer on the Friday morning, but gave up their gains as the end of the week approached. August TTF natural gas was headed for sixth straight gain in the morning, adding as much as 10% to €30.890/MWh at one point on ICE. However, prices came off sharply amid profit-taking in the afternoon to settle at €28.164/MWh for a daily gain of 0.5%. Likewise, cal-24 German baseload power added as much as 3.6% in the morning, before falling back to stand 1.1% lower at €141.800/MWh on EEX at the close. Cal-24 API2 coal added 4.9% to \$121.00/tonne on ICE, giving a weekly gain of 19%.



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