



# Carbon Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

## 28/07/2023

### Voluntary Markets

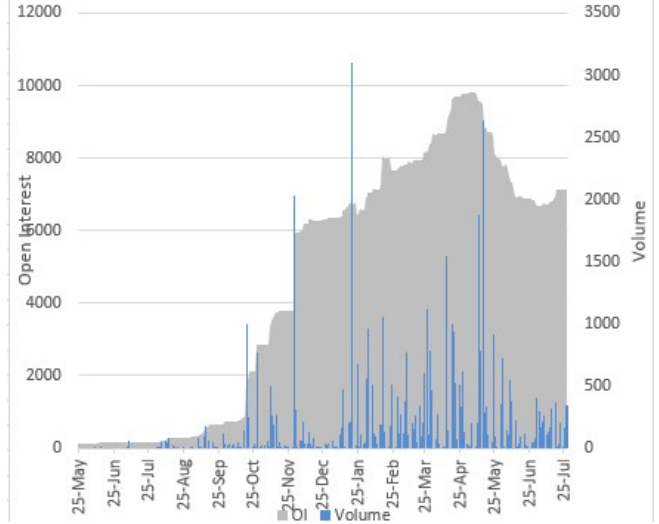
#### CME Futures

(FIS View): 915kt traded on the NGO Dec23 contract for the week, with the contract settling down \$0.49 at \$1.91. Activity on the Further dated future contracts was muted. Open Interest on the GEO Dec23 has decreased to 6.95Mt. 976kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.97, down \$0.33 from the previous week. Open Interest flat at 7.15Mt.

#### GEO DEC23/DEC24 Futures



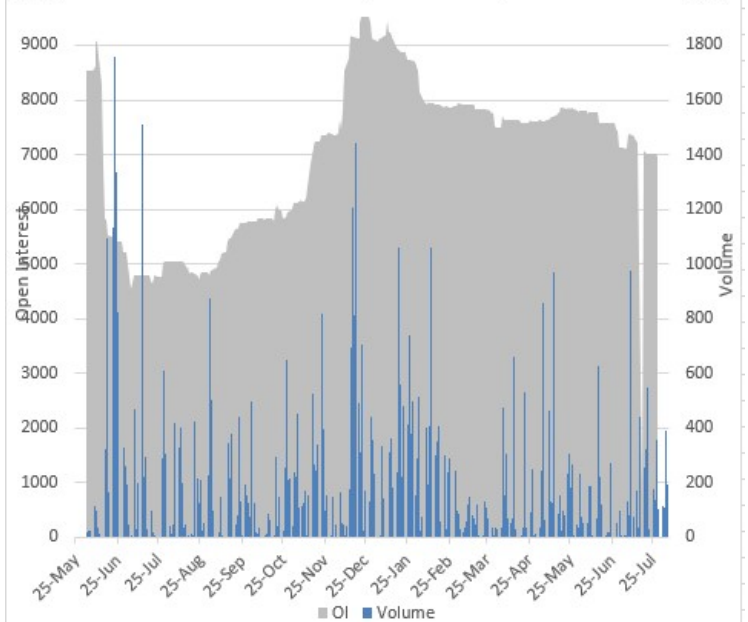
#### CME GEO DEC23 Open Interest/ Volume



#### CME NGO DEC23/ DEC24 Futures



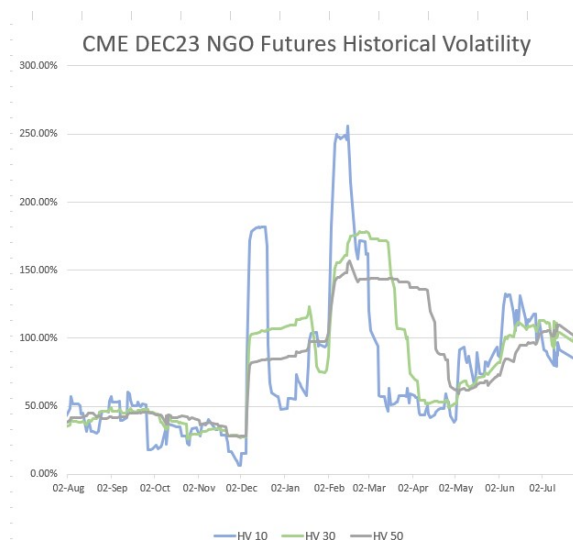
#### CME NGO DEC23 Open Interest/ Volume



Source: Refinitiv

## CME NGO Historical Volatility

10 day volatility decreased to at 68%. 30 day volatility flat at 96% and 50 day volatility at 102%



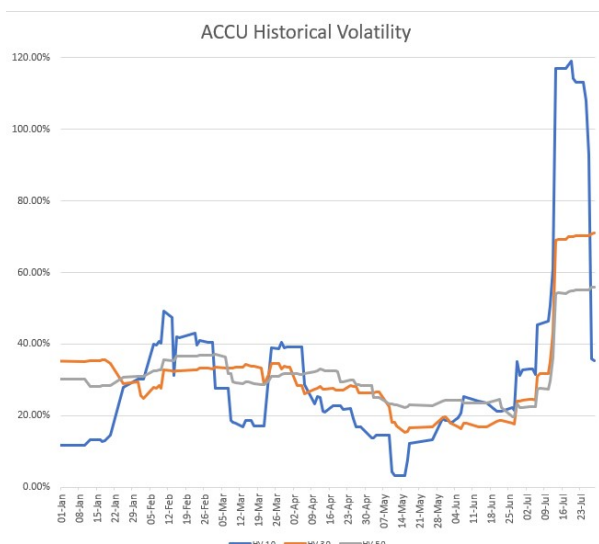
Source: Bloomberg

## Block Trades on CME (w/c 28th July)

- 23:15:32, NGO, Dec23, \$2.00, 50kt
- 02:16:10, NGO, Dec23, \$2.16, 10kt
- 01:41:02, NGO, Dec23, \$2.26, 20kt
- 01:15:11, NGO, Dec24, \$2.60, 20kt
- 00:05:32 CME NGO Dec23/Dec24, -0.32 (2.49/2.81)

## ACCU & NZU Market

The Australian state of Victoria has announced it will ban gas connections in new homes and public buildings from next year as it races to meet its ambitious 2035 and 2045 emission reduction targets, while the spread between generic and HIR ACCUs widens. Meanwhile, the price for generic ACCUs stood at A\$28.75 on Friday, according to the Jarden platform, up 50c week-on-week. HIR ACCUs were trading at A\$33, representing a 14.7% spread between the two ACCU types.



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

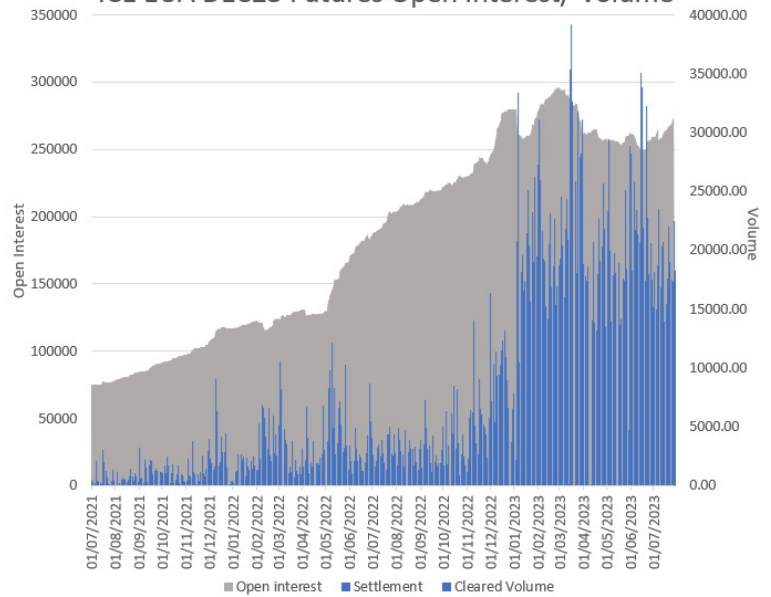
## EUAs

EUAs continued their retreat from a mid-week five-week high on Friday to record a 3% weekly loss, even as the August halving of auction supply looms. Dec-23 EUAs dropped from their €90.91 open within the first few minutes but quickly stabilised near €90 before the day's auction. Germany's sale cleared at a hefty 46-cent discount to the prevailing market, similar to the previous day's sale and reflecting a gradual weakening of auction clearance spreads throughout the week. Bid coverage was its highest all week, however, at 1.94, only slightly below the 2.01 year-to-date average. But secondary prices dropped in the wake of the sale, with the benchmark December contract reaching a low of €88.15 in the early afternoon before levelling off. The front-year EUA futures eventually settled at €88.68, down 2.6% on the day and 3% compared to last Friday's settlement. Volume was a sparse 18.3 million on the Dec-23s with a further 5.3 mln changing hands on ICE's other EUA contracts

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume



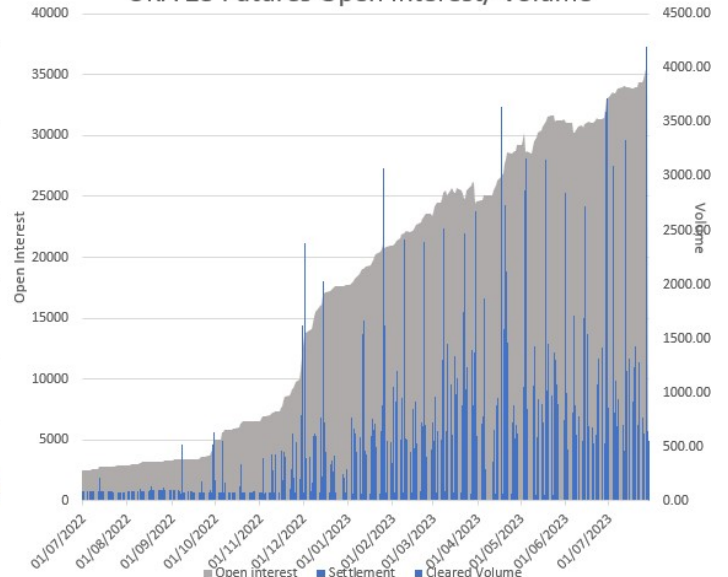
## UK ETS

, front-year UKA futures were down 1.6% on the day at £46.98 on ICE, on volume of 243,000 and putting the UKA-EUA spread slightly wider at -€36.24.

UKA DEC23 Futures



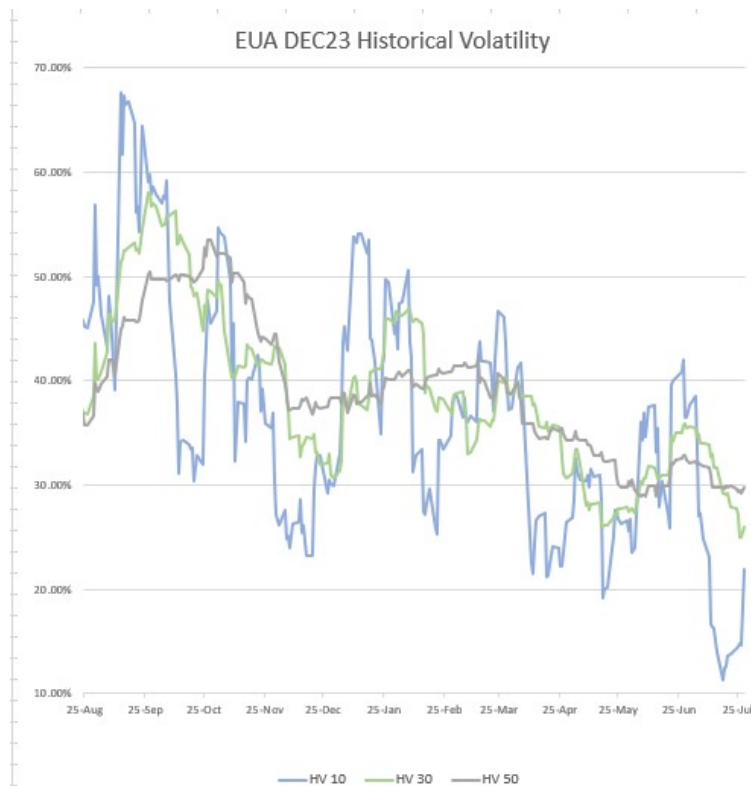
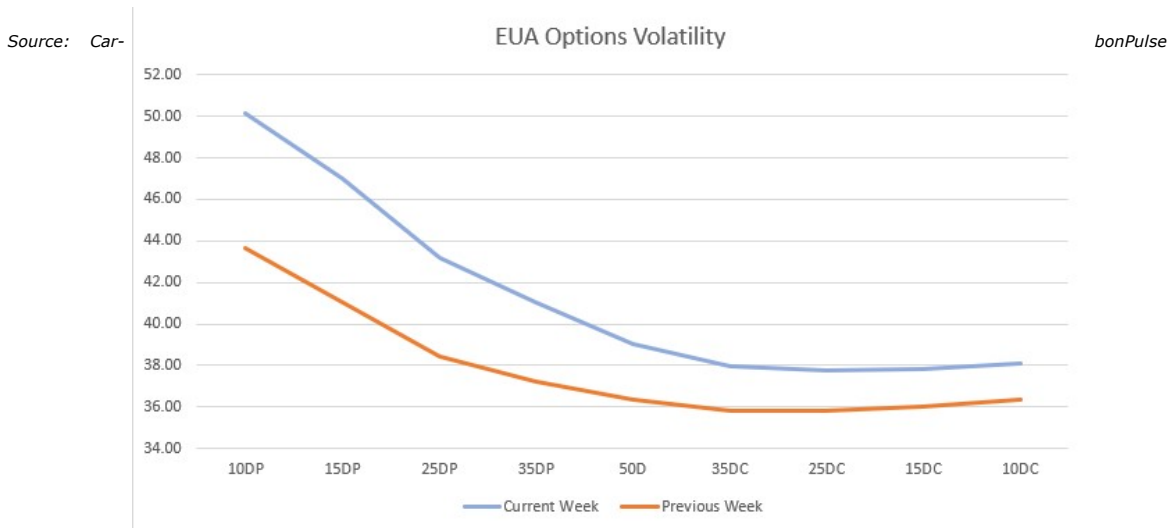
UKA 23 Futures Open Interest/ Volume



# EUA Options Market

Put skew up by 15% for the week and Call Skew up 4.72% for the week. There remains just one full-sized EUA sale – on Monday – before auction volumes are halved for the whole of August. The upcoming Monday sale plus the addition of Poland’s fortnightly auction on Wednesday mitigates the drop in weekly supply, however, with volume dropping by around a fifth to 9.91 mln next week. Weekly EUA supply beyond that then drops to 4.96 mln, 6.3 mln, and 4.96 mln before climbing back to 7.73 mln and a public holiday-curtailed 8.22 mln in early September before supply climbs back above 11 mln again.

Volatility Surface: 28/07/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	50.15	47.00	43.19	41.01	39.06	37.98	37.76	37.85	38.09
WoW Change	6.53	5.94	4.79	3.80	2.73	2.16	1.94	1.81	1.72
Previous Week	43.62	41.06	38.40	37.21	36.33	35.82	35.82	36.04	36.37



Source: Refinitiv

Source: Bloomberg

## Market News

(CarbonPulse): The Australian state of Victoria has announced it will ban gas connections in new homes and public buildings from next year as it races to meet its ambitious 2035 and 2045 emission reduction targets, while the spread between generic and HIR ACCUs widens. Meanwhile, the price for generic ACCUs stood at A\$28.75 on Friday, according to the Jarden platform, up 50c week-on-week. HIR ACCUs were trading at A\$33, representing a 14.7% spread between the two ACCU types.

(Bloomberg): A governance body set up to establish a benchmark for high-quality carbon offsets has released the final details for its new standard. The Integrity Council for the Voluntary Carbon Market published the framework it will use to assess the quality of categories of carbon credits, such as those for cooking stoves and planting trees. It builds on the March release of the ICVCM's 10 so-called core carbon principles, or CCPs, and a framework to assess the eligibility of programs like Verra and Gold Standard. ICVCM said Thursday that it's now accepting applications from programs and expects the CCP label to start being applied later this year. Some types of carbon credits have already been ruled out such as those from projects that "lock in fossil fuel emissions or technologies."

(Financial Times): Anglo-Australian miner Rio Tinto said it would miss its 2025 decarbonisation target unless it turned to its "last resort" of buying carbon credits, as it reported its lowest first-half earnings in three years. Rio announced a \$1.2bn pre-tax impairment charge on Wednesday, including writing off the entire value of its Yarwun alumina refinery in Gladstone, Australia, due to the country's new carbon credit legislation and the difficulty of decarbonising the facility. Rio's first-half earnings were lower than the previous year — and the lowest in three years — due to softer commodity prices. Net profit was \$5.1bn for the period, compared with \$8.9bn the previous year.

Bloomberg - Climate Change Minister James Shaw announces decision on unit limits and price control settings for the New Zealand Emissions Trading Scheme for 2023–28. Changes will be effective for the Dec. 6 auction. Government has accepted the Climate Change Commission advice to raise the auction floor and cost-containment reserve trigger prices more sharply. Auction price floor settings will rise in December to NZ\$60 from NZ\$33.06. A two-tier cost containment reserve trigger price will also be introduced in December, with the Tier 1 cost containment reserve trigger price rising to NZ\$173 from \$82. There will be 17.6m fewer NZU auctioned over 2023-28 when compared to the current settings.

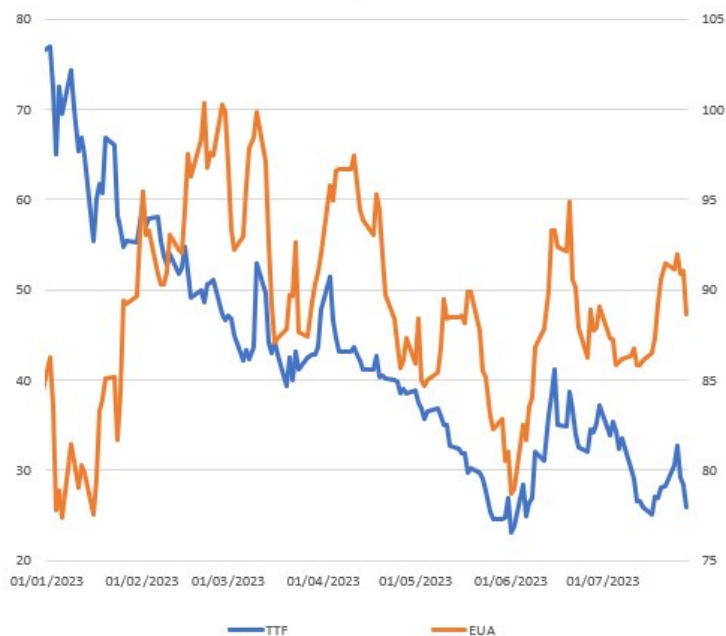
(CarbonPulse): The CER issued 295,000 ACCUs across 29 projects in its latest update, up compared to the previous release of 183,000 units. Separate regulatory data showed just 17,200 ACCUs were delivered to the government under contract between June 2 and July 3. A landfill gas project owned by the Port Macquarie Hastings Council delivered the bulk of the abatement, handing over 14,100 units to the government.

Source: Bloomberg

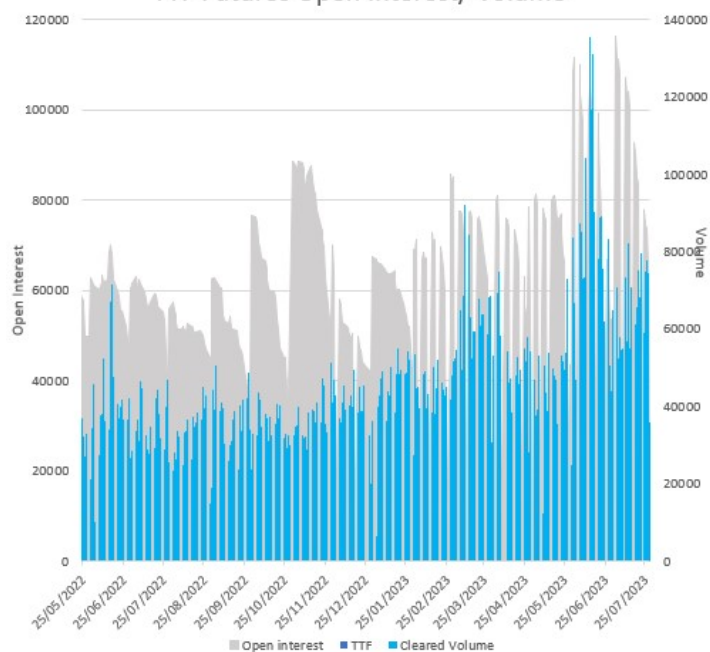
## Indicated Markets

Wednesday's high-point also coincided with a peak to a rally in prompt gas prices, with ICE's August TTF gas contract since falling back from levels above €32/MWh amid building LNG supplies and signs of the southern European heatwave easing. The August TTF contract, which will expire on Monday, ended down 7.7% on the day at €25.550/MWh. Cal-24 German baseload power settled down 3.9% at €137.55/MWh on EEX, while cal-24 API2 coal on ICE last traded at \$120/tonne compared to Thursday's \$126.13/tonne settlement.

EUA Dec23/TTF Futures



TTF Futures Open Interest/ Volume



## Contact

**Anand Ravindran**

AnandR@freightinvestor.com

+65 9782 2445

**Michael Derrett**

MichaelD@freightinvestor.com

**Oliver Kinkade**

OliverK@freightinvestor.com

+44 (0) 207 090 1120

**Theodore Goulios**

TheoG@freightinvestor.com

+65 6535 5189

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [freightinvestorservices.com](http://freightinvestorservices.com)