



Carbon Weekly Report

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04/08/2023

Voluntary Markets

FISe Silent Auction for Friday 11th August will be:

ACR656, US Whirlpool HFO Amana 656 (CORSA), V19, 100kt

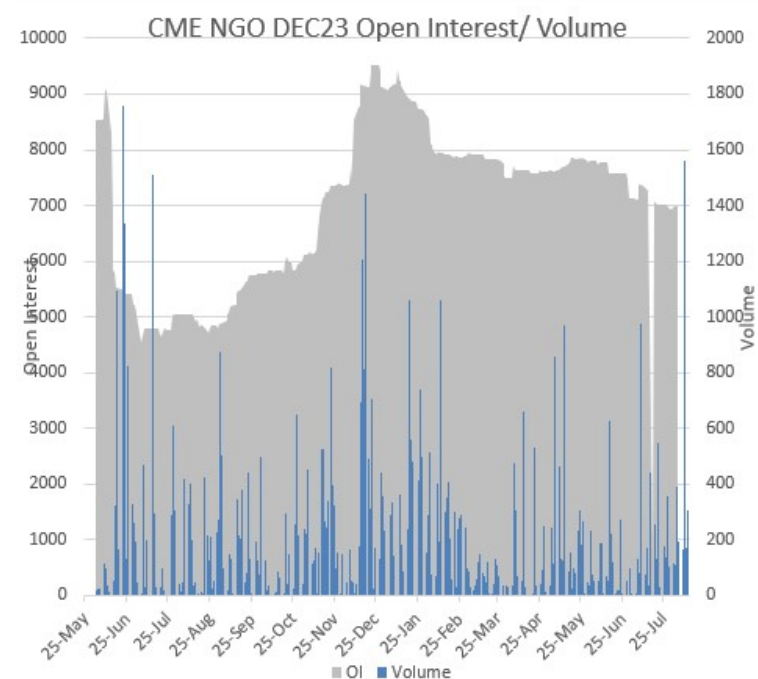
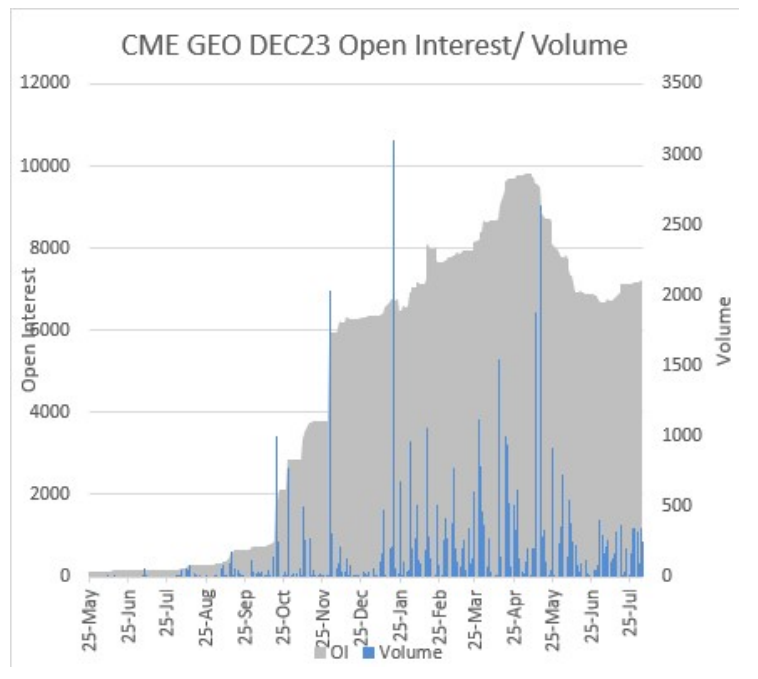
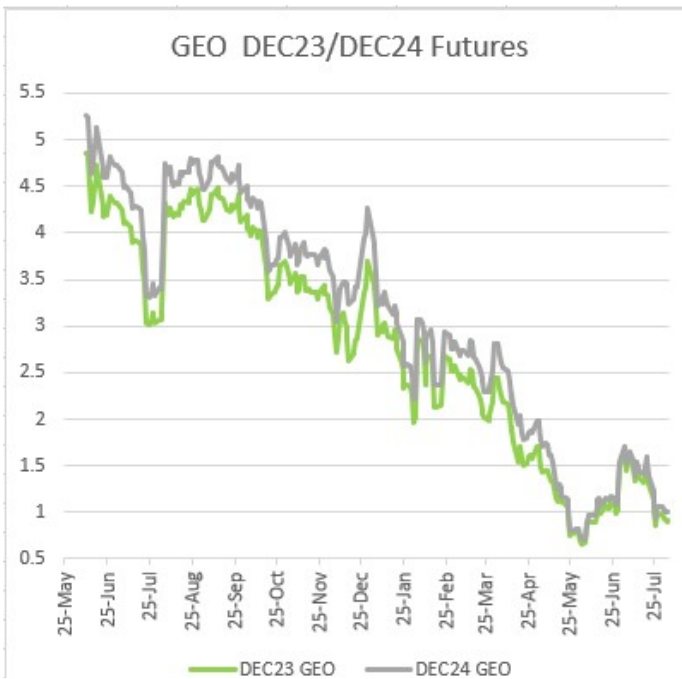
The total Auction Volume will be 50,000 tonnes.

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

For any further information please contact the FISe team

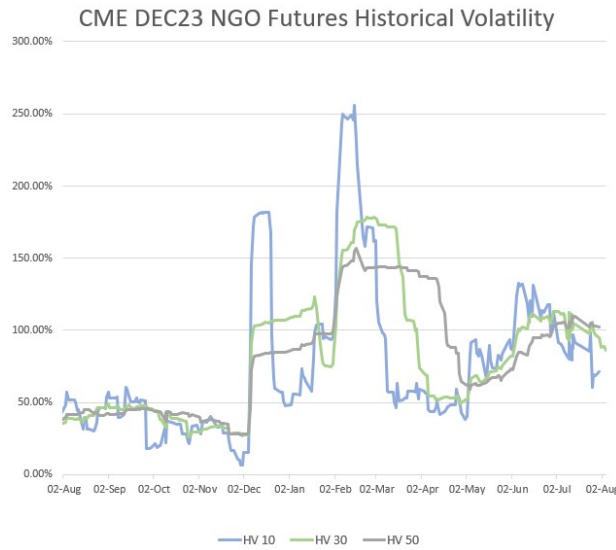
CME Futures

(FIS View): 2387kt traded on the NGO Dec23 contract for the week, with the contract settling flat at \$1.90. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 is flat at 6.98Mt. 1208kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.91, down \$0.06 from the previous week. Open Interest flat at 7.09Mt.



CME NGO Historical Volatility

10 day volatility flat at 68%. 30 day volatility flat decreased to 86% and 50 day volatility at 99%



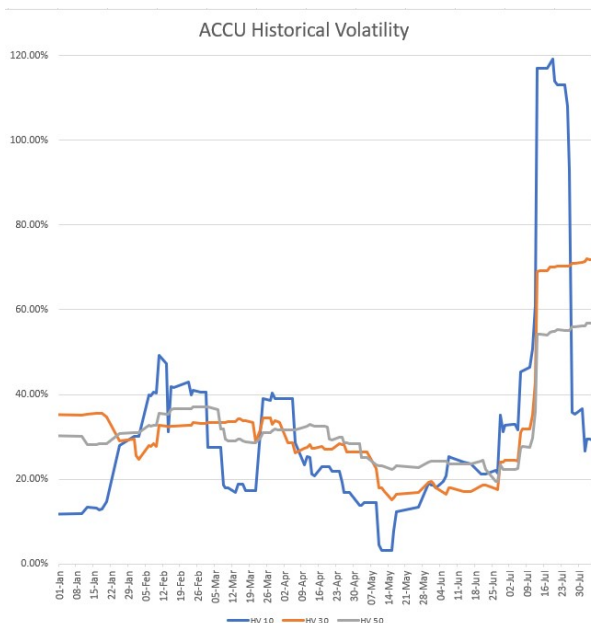
Source: Bloomberg

Block Trades on CME (w/c 04th Aug)

No Block Trades

ACCU & NZU Market

Separately, the CER issued roughly 169,000 ACCUs to 13 projects in its latest update Monday, up slightly compared to the 157,000 units issued in its previous update. The Martin family’s SouthGlen HIR project in Queensland was issued the single largest batch of ACCUs, receiving around 36,000 units. The spot price for ACCUs stood at A\$30.25 on Monday according to brokers Jarden, up 3.3% week-on-week. Spot ACCUs derived from HIR projects were trading at A\$34.50, up around 4% week-on-week.

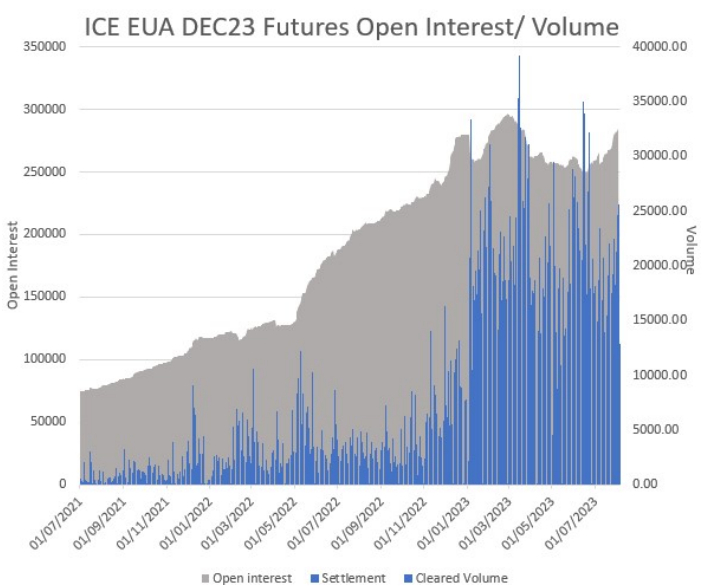
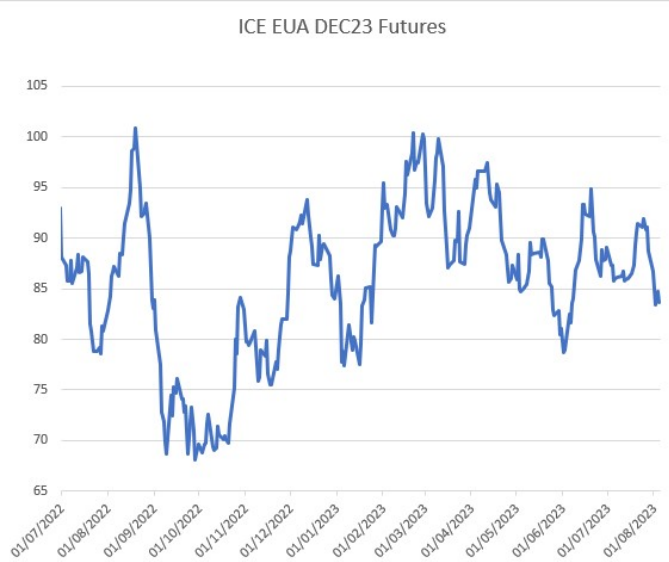


ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Compliance Markets

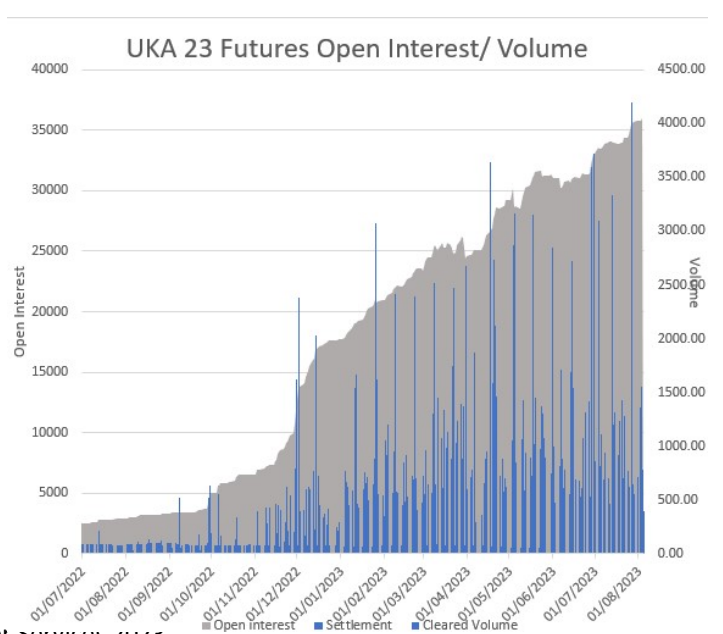
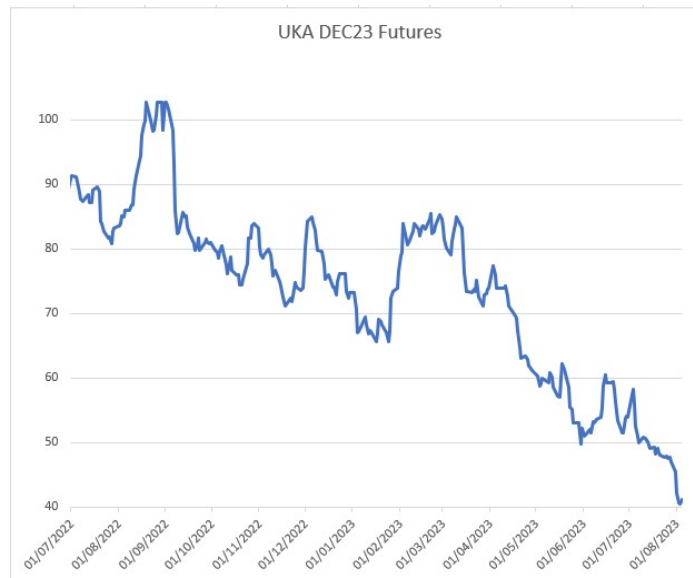
EUAs

European carbon ended the week on a bearish note as prices erased Thursday's gains to post a 5.7% weekly decline as trading activity diminished sharply after the busiest Monday-Thursday in nearly two months. The benchmark contract settled 1.3% lower on the day at €83.65, dropping €5.03 compared to last Friday's settlement. Front-December volume totalled nearly 13 million EUAs, the lowest daily total on ICE since May 29. Other contracts traded a combined total of just 1.9 mln allowances.



UK ETS

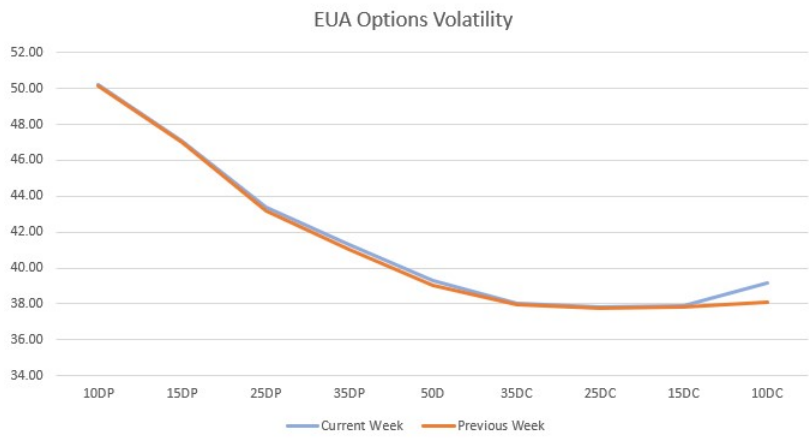
UK Allowances consolidated, with prices holding above £40.00 after briefly dipping below that level on Thursday. The Dec-23 contract showed modest strength throughout the day, gaining steadily to reach a high of £41.37 at the close. The benchmark settled 1.7% higher at £41.23, with trading volume of just 395,000 UKAs. UKAs ended the week more than 13% lower than the previous Friday, the largest five-day decline since September 2022 and the third weekly fall of more than 13% this year. The UKA-EUA spread narrowed slightly to -£35.92 from its record midweek levels.



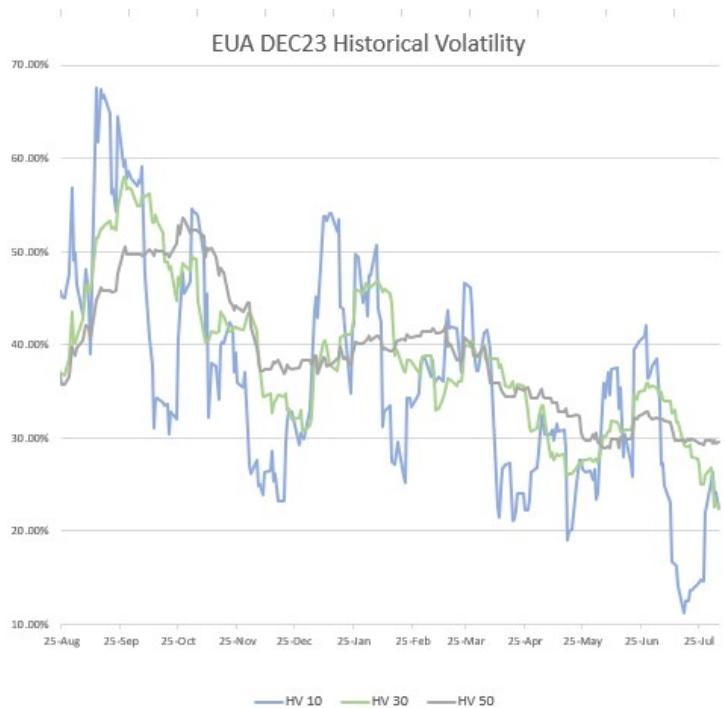
EUA Options Market

Put skew up by flat for the week and Call Skew up 2.86% for the week. Sources said activity was likely to die down in the coming fortnight as the holiday season reached its peak, and that lower volume and activity could amplify any moves.

Volatility Surface: 04/08/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	50.24	47.09	43.39	41.28	39.27	38.05	37.82	37.92	39.18
WoW Change	0.09	0.09	0.20	0.27	0.21	0.07	0.06	0.07	1.09
Previous Week	50.15	47.00	43.19	41.01	39.06	37.98	37.76	37.85	38.09



Source: CarbonPulse



Source: Refinitiv

Source: Bloomberg

Market News

(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."

(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.

(CarbonPulse): The prices of most standardised voluntary carbon market contracts fell over the past week with volume concentrated on project specific nature-based projects, one exchange noted, as the market digested the publication of a much-awaited set of guidelines for carbon credit supply. Volume also shifted away from technology-focused contracts towards project-specific, nature-based products, according to Xpansiv. "CBL VCM activity was concentrated in project-specific nature credits, flipping the month's dominant tech and standardised instrument trends," the company said in a market commentary. Project-specific credits comprised 78% of last week's volume following three consecutive weeks where they accounted for less than 5%, the firm added.

(CarbonPulse): NZU prices have steadily declined the week following the government's announced overhaul of the ETS price controls and settings, as foresters and farmers lament the government's management of the scheme. The spot price for NZUs finished the day at NZ\$57, down 12% week-on-week. The NZU price has drifted downward following the price spike that hit the market when the government announced it would bring the ETS price controls and settings in line with the Climate Change Commission's recommendations. While the market broadly welcomed the news, some noted the ETS review and the redesign of the permanent forestry category currently underway, alongside the upcoming election, would continue to fuel uncertainty in the market.

(Deloitte): A new Deloitte report released on the 27 Jul, predicts retail consumer carbon offset purchases will grow to a staggering US\$115 billion market in developed economies by 2030. Deloitte's Financial Services Industry Predictions report says: Carbon offsets will increasingly be embedded in many purchasing decisions that retail consumers make each day. An international survey found that two-fifths of consumers would pay a higher price for climate-focused products. Demand for offsetting will likely grow as younger people, who often voice a preference for sustainable products, gain purchasing power.

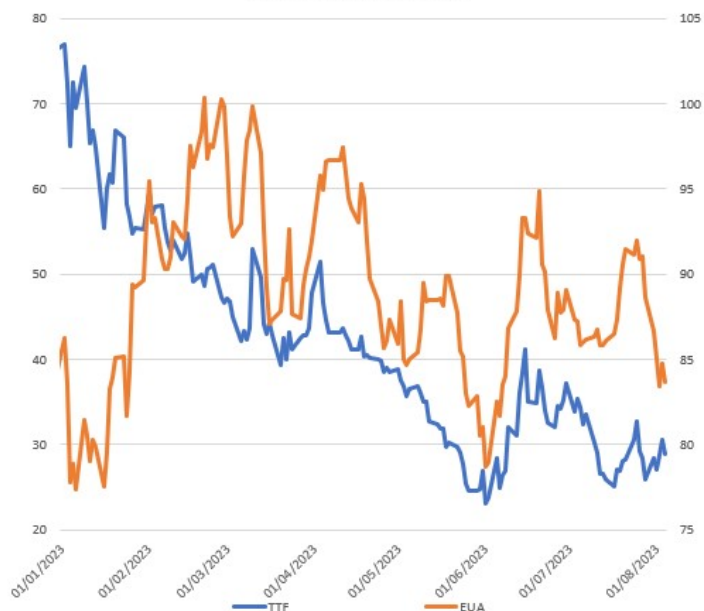
(Carbon Pulse) The European Commission has published a proposal for the bloc's revised EU ETS auctioning regulation that features updated annual volumes to be auctioned for the REPowerEU energy security strategy, with some analysts saying the volume is higher than expected and therefore could be bearish for carbon prices. The total number of EU allowances to be auctioned for RepowerEU from 2023 to 2026 will be 267 million.

(Bloomberg) UK Prime Minister Rishi Sunak will outline plans to bolster energy security on Monday amid growing disagreement over the government's environmental policies. Sunak will announce measures to help the North Sea oil and gas industry adapt to the transition to net zero greenhouse gas emissions. Sunak will unveil multi-million-pound funding for a carbon capture project in Scotland that could help support oil and gas production. Meanwhile the govt have made it cheaper to pollute having released more emission allowances than expected

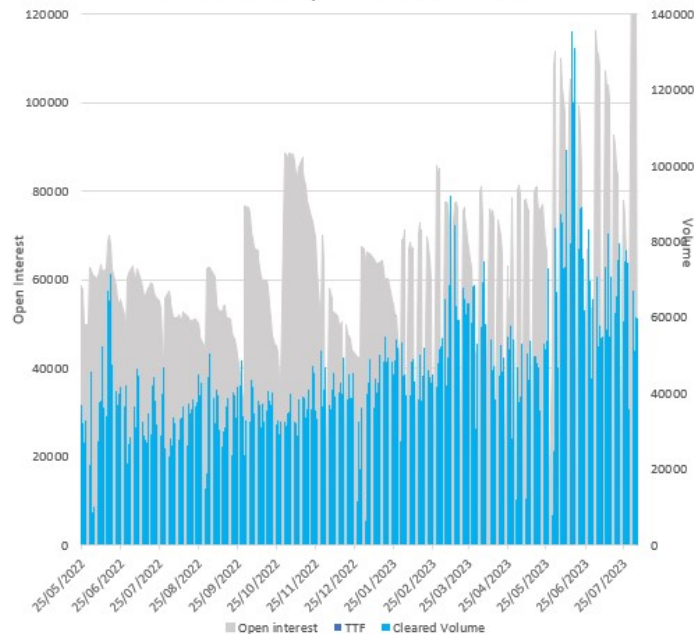
Indicated Markets

Carbon's early stability once again ignored larger moves in natural gas, where the front-month TTF contract fell by as much as 5.5%, further underlining the breakdown in the formerly close correlation between the two markets. The week's five-day correlation between EUAs and front-month TTF was 0.39, compared to 0.8 last Friday. Energy markets weakened on Friday, led lower by natural gas, which fell amid profit taking after Thursday's 6% gain. The September TTF contract settled 5.3% lower at €28.853/MWh on ICE. Cal-25 German baseload power was last traded 2.1% lower at €133.00/MWh on EEX, while cal-24 API2 coal dropped by 0.3% to \$121.00/tonne on ICE.

EUA Dec23/TTF Futures



TTF Futures Open Interest/ Volume



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