



# Carbon Weekly Report

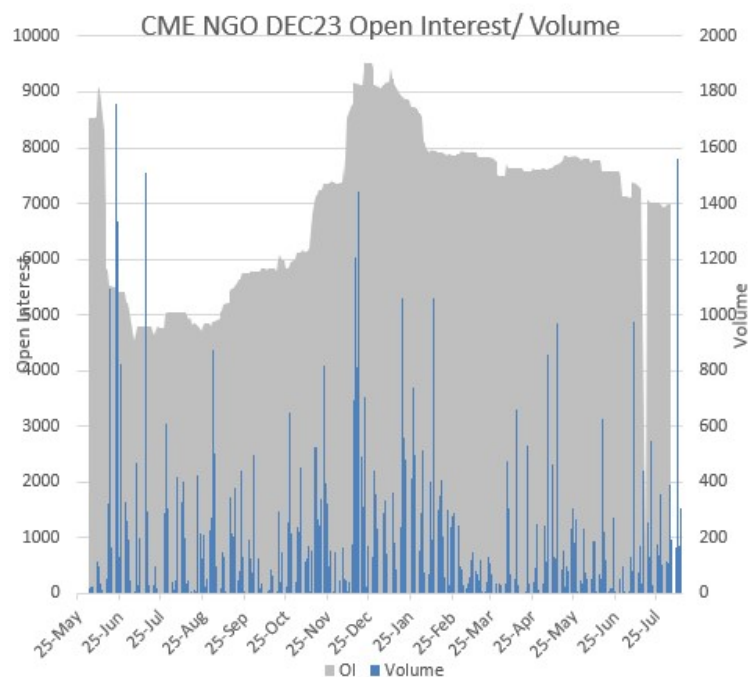
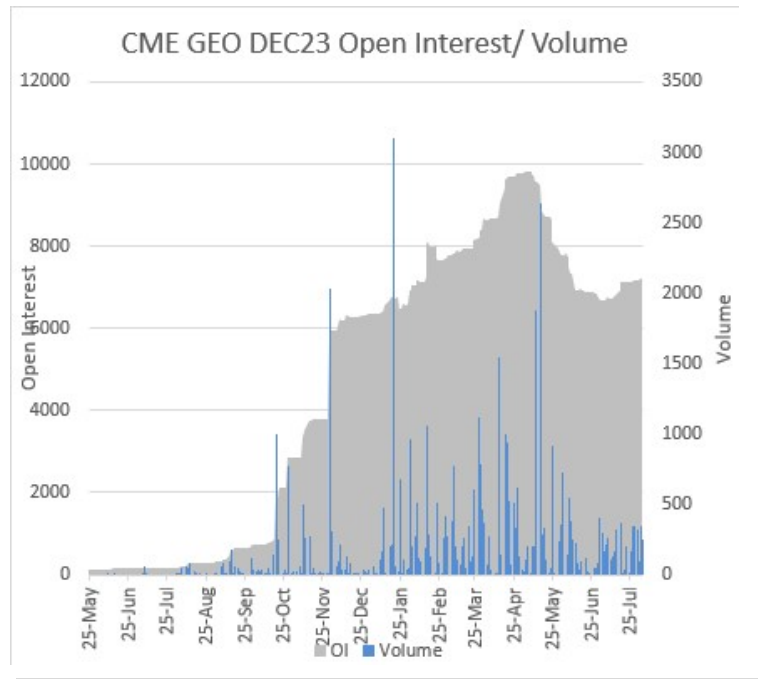
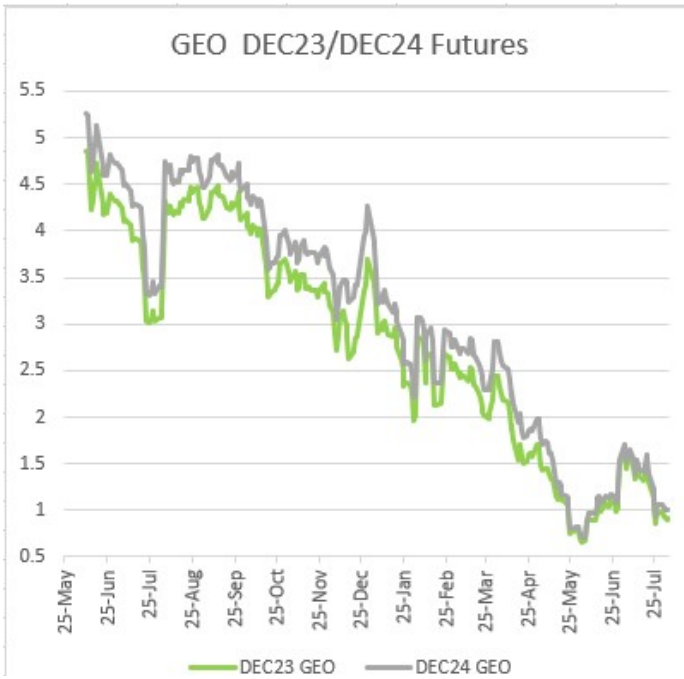
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## 11/08/2023

### Voluntary Markets

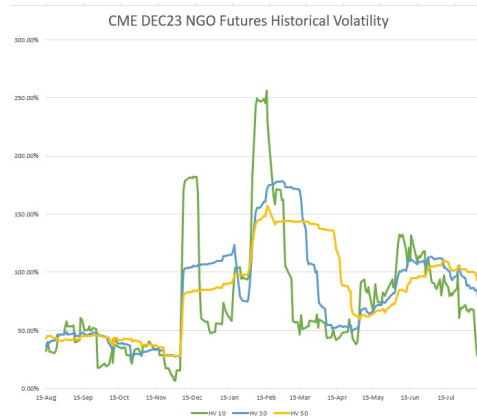
#### CME Futures

(FIS View): 617kt traded on the NGO Dec23 contract for the week, with the contract settling down \$0.05 at \$1.85. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 is flat at 7.00Mt. 710kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.89, down \$0.02 from the previous week. Open Interest flat at 7.11Mt.



## CME NGO Historical Volatility

10 day volatility decreased to 27%. 30 day volatility decreased to 77% and 50 day volatility at 92%



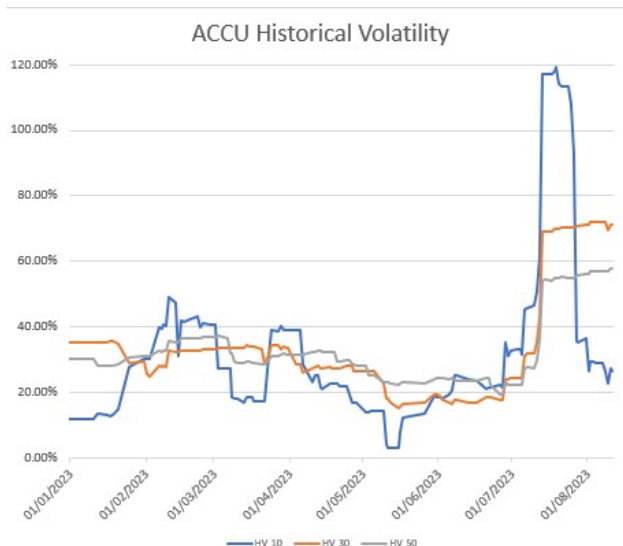
Source: Bloomberg

## Block Trades on CME (w/c 11th Aug)

23:59:06, NGO, Dec25, \$3.15, 30kt

## ACCU & NZU Market

The Clean Energy Regulator on Monday issued 787,000 units to 53 projects, a large increase compared to the 169,000 ACCUs issued in last week's update. It brings the total number of ACCUs issued under the scheme to 130.9 mln. Nearly half of the ACCU issuance, or 334,000 units, went to 13 of LMS Energy's landfill gas projects across the country. Spot HIR ACCUs were trading at a A\$5 premium to Monday compared to generics, which were trading at A\$32, representing a 15% spread between them.

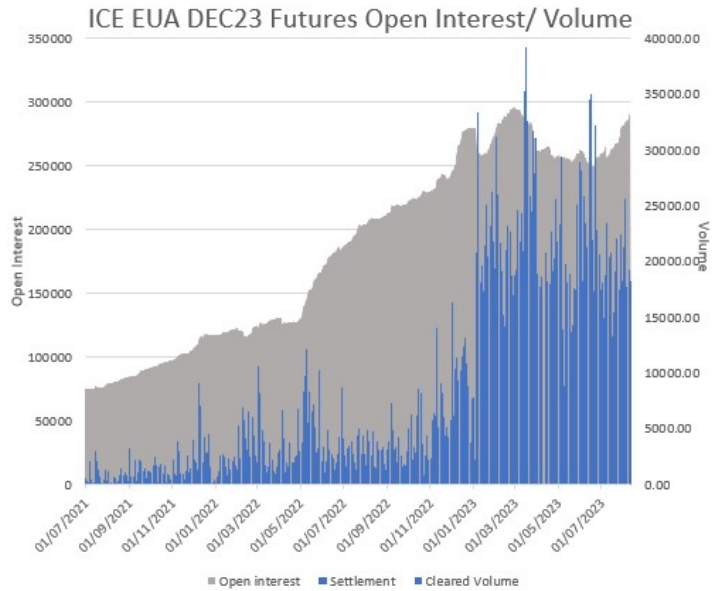
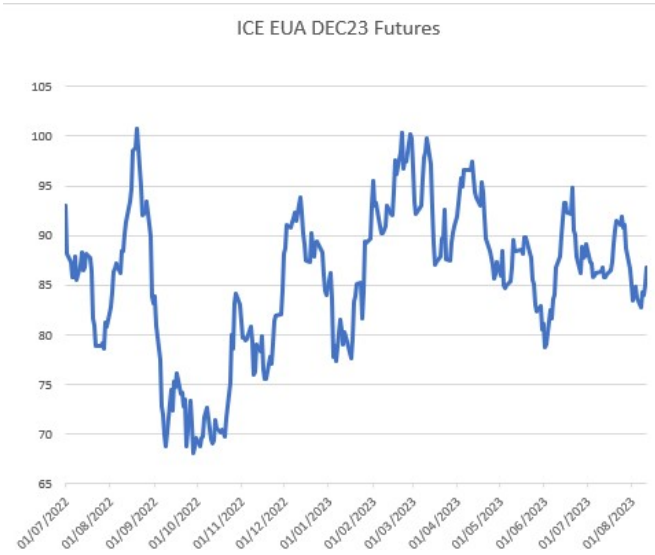


ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

# Compliance Markets

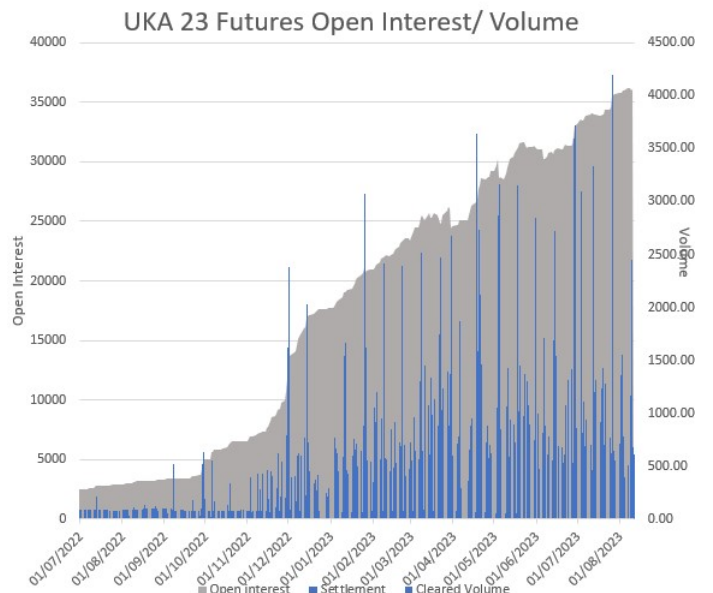
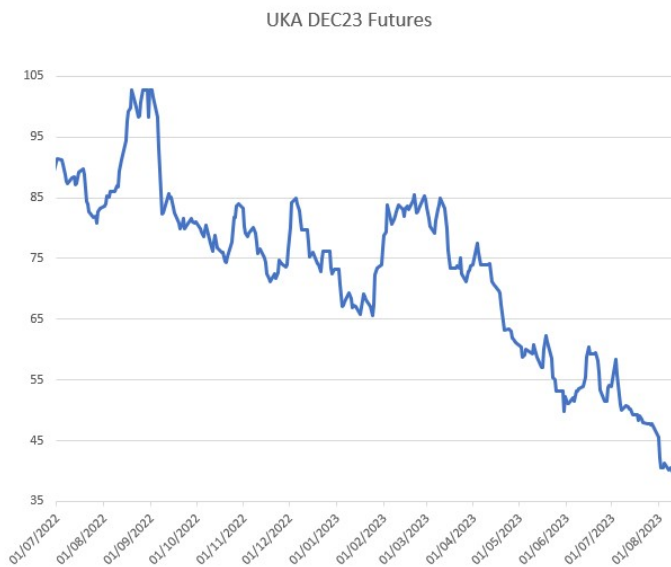
## EUAs

European carbon permit prices rose to their highest in eight days on Friday, bringing the benchmark contract level with prices at the end of July after a 3.7% weekly gain amid a resumption of buying activity based on technical and fundamental indicators. The weekly German EUA sale cleared level with the spot market price at 0900 GMT, leading to a slight drop in prices before the market resumed its upward momentum, establishing itself above €86.00 shortly before midday. The benchmark contract settled 2.2% higher at €86.73, with Dec-23 volume totalling more than 12 million EUAs. Other futures added a total of 1.9 mln allowances. The final hour saw prices remain close to the day's high, with the final trade taking place at €86.80.



## UK ETS

UK Allowances traded at and below the £40 mark for the first half of a quiet day that saw trade in the benchmark contract total 462,000 tonnes. Levels improved in the afternoon as Dec-23 UKAs traded up to a late high of £40.62 and settled 1.4% higher at £40.31. Front-December volume totalled 602,000 tonnes. The British contract notched a 2.2% five-day loss, its sixth successive weekly decline. The UKA-EUA spread ended the week at -€40.02, a new record discount, as UKA prices fell to the equivalent of 54% of the corresponding EUA price. Technical signals continue to point to a bearish short-term outlook for EUAs

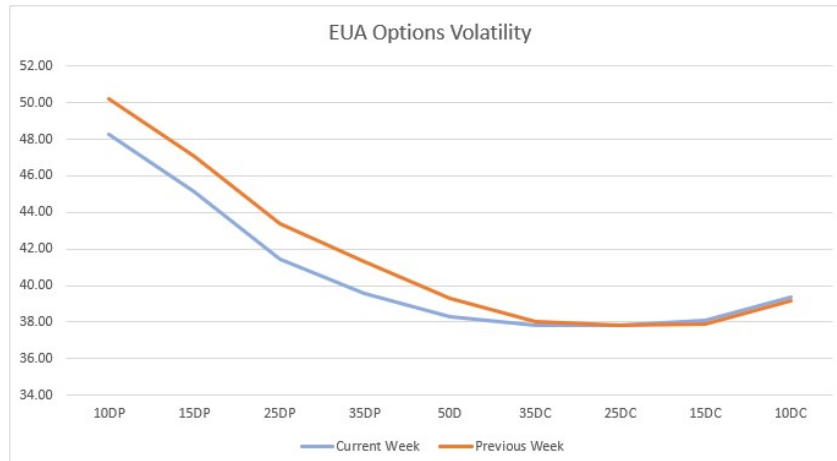


Source: Refinitiv

# EUA Options Market

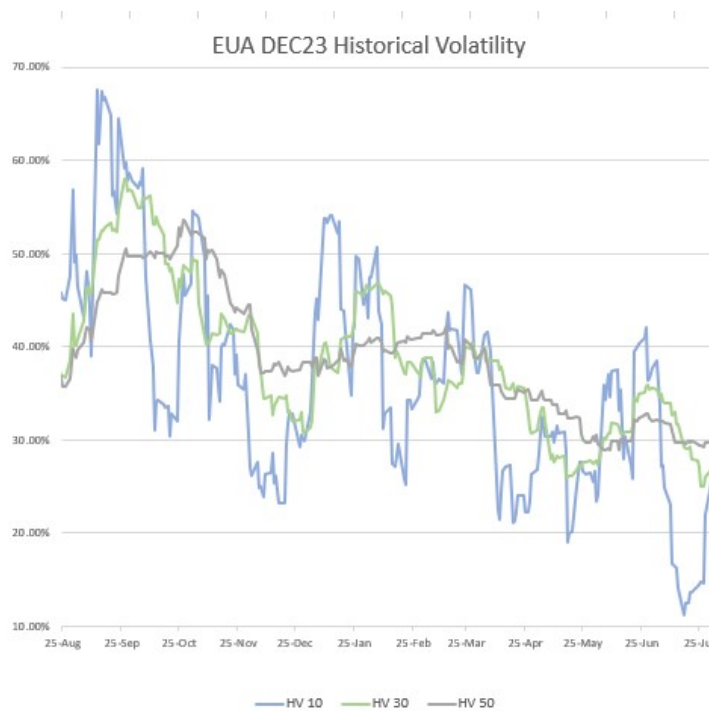
Put skew down 3.92% the week and Call Skew up flat for the week. Front-December EUAs ended July at €86.67 and since then the market has traded below that level – until today. Front December EUAs have ended August higher every year except 2019 and 2022 as auction supply is halved. Traders suspected that the market’s renewed strength – prices rose as much as 5% from their Monday low – may have persuaded speculative investors to cut some of their short positions over the last couple of sessions, underpinning the market’s strength.

Volatility Surface: 11/08/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	48.27	45.14	41.42	39.54	38.29	37.81	37.84	38.07	39.39
WoW Change	-1.97	-1.95	-1.97	-1.74	-0.98	-0.24	0.02	0.15	0.21
Previous Week	50.24	47.09	43.39	41.28	39.27	38.05	37.82	37.92	39.18



Source: CarbonPulse

Source: Refinitiv



Source: Bloomberg

## Market News

(CarbonPulse): The New Zealand government has awarded NZ\$33.3 million (\$19.8 mln) in funding to projects across the nation in its latest Government Investment in Decarbonising Industry (GIDI) round. This is the fifth GIDI round, awarding cash to 17 industrial energy users to replace fossil fuel-based equipment and energy sources with energy efficient equivalents, and is expected to reduce emissions by 67,000 tonnes CO<sub>2</sub>e a year, the government said in a statement.

(MT Newswires): Some 2.1 million carbon offsets were retired by four carbon credit registries in the week of July 24 to July 30, down by around 39% when compared with the previous week and approximately 60% lower when compared to the same period of the previous year. Retirements of carbon credits occurred in a mixture of geographies, including in China, Peru, Indonesia and Brazil.

(CarbonPulse): One of Japan's largest oil refiners has teamed up with an international aquaculture accelerator to explore the potential of blue carbon in the country, seeking the creation of domestically issued blue credits. While the supply of J-Blue Credits is still relatively scarce given the limited number of eligible projects under the domestic scheme, demand for such offsets is growing in the fledgling market. In FY2022, carbon credits from five certified blue carbon projects in Japan were transferred to 29 entities at an average price of 99,051 yen (\$694), much higher than the 3,000-yen level for renewables-based J-Credits. J-Blue Credits are currently not included in the J-Credit scheme, but are expected to be so in time.

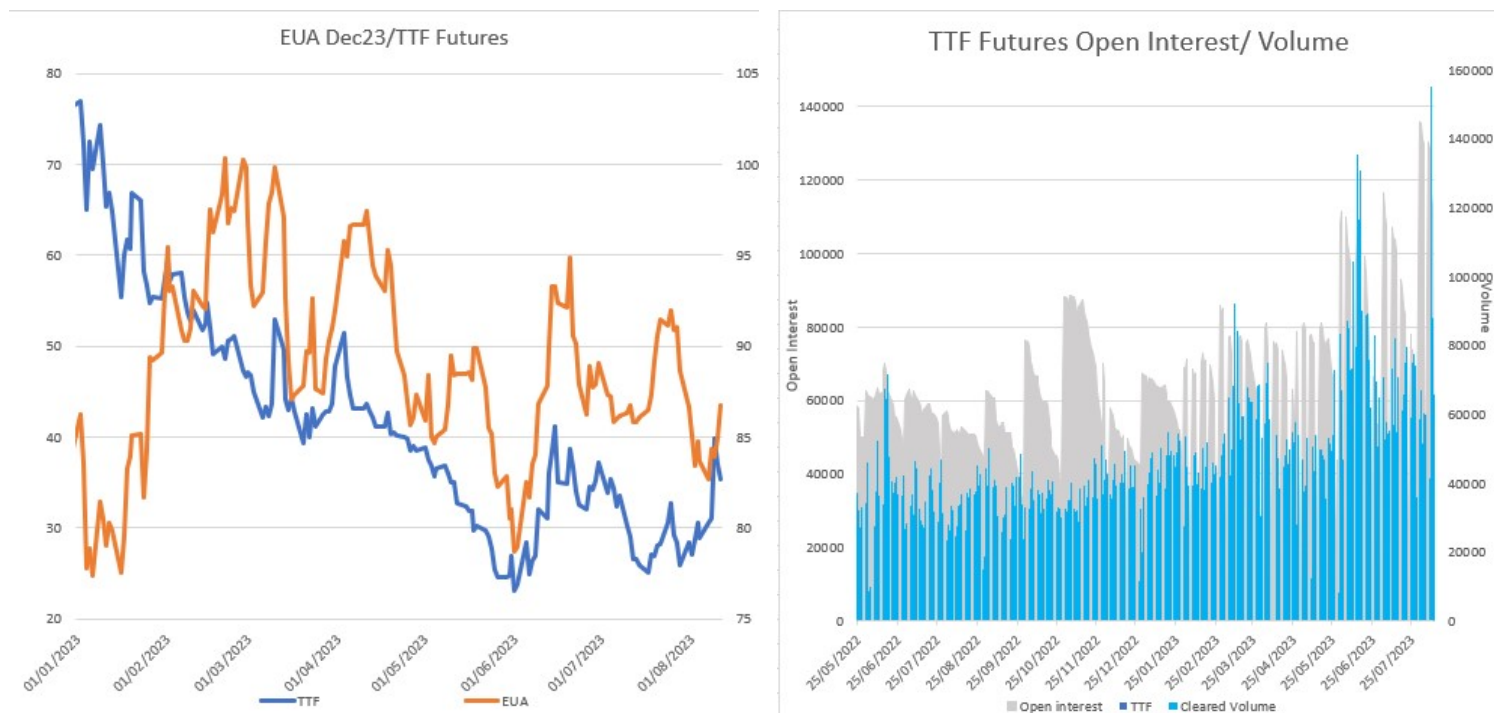
(CarbonPulse): NZU prices have steadily declined the week following the government's announced overhaul of the ETS price controls and settings, as foresters and farmers lament the government's management of the scheme. The spot price for NZUs finished the day at NZ\$57, down 12% week-on week. The NZU 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.

(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.

*Source: Bloomberg*

## Indicated Markets

Energy markets were little changed for most of the day as gas traders continued to monitor media for news on Australian gas worker strikes that could hit LNG exports. September TTF natural gas moved between €36.000-€38.000 on ICE during the early part of the day, before settling down to trade either side of €36.800/MWh through till the late afternoon. A late drop ahead of the settlement window saw the contract settling 4.7% lower at €35.300/MWh. Cal-24 German baseload power clawed back early losses to stand 0.8% higher at €136.95/MWh on EEX at the close, while cal-24 API2 coal advanced 1.4% to \$126.50/tonne on ICE.



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