



Carbon Weekly Report

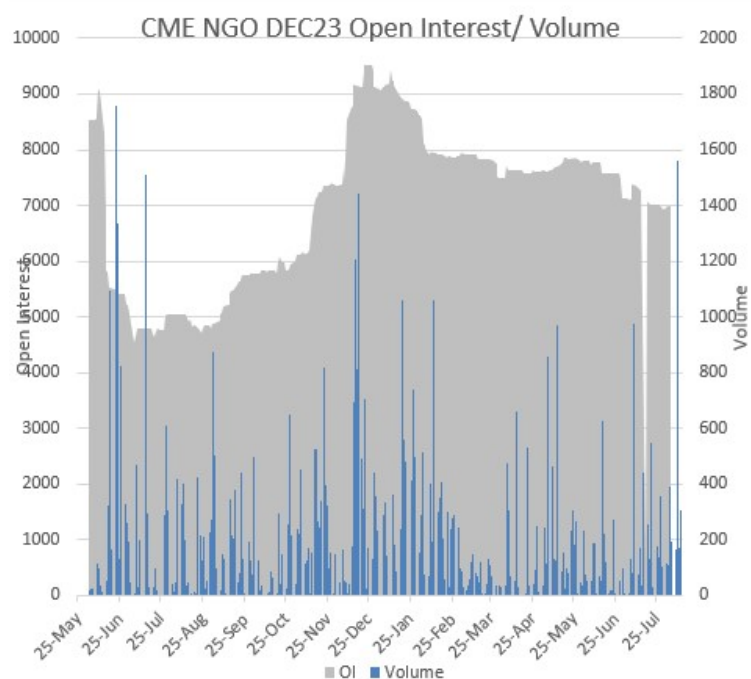
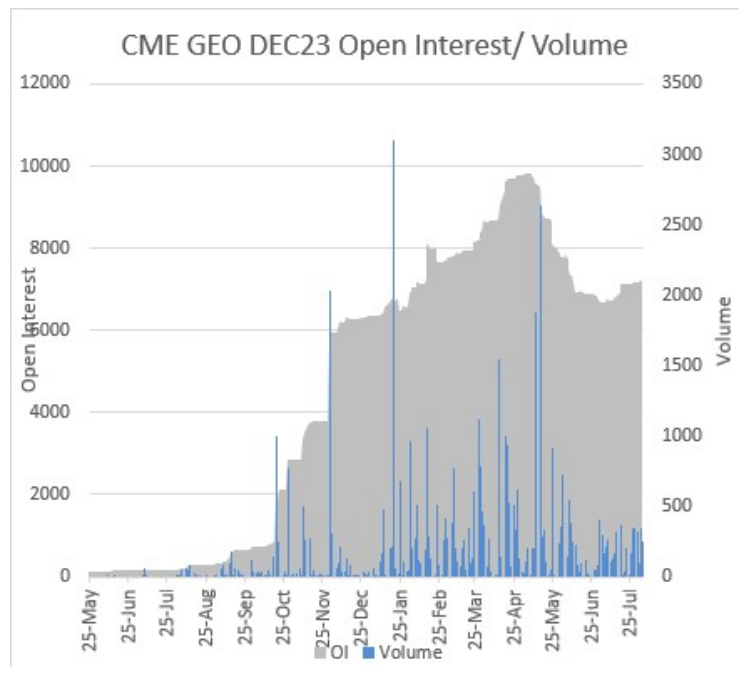
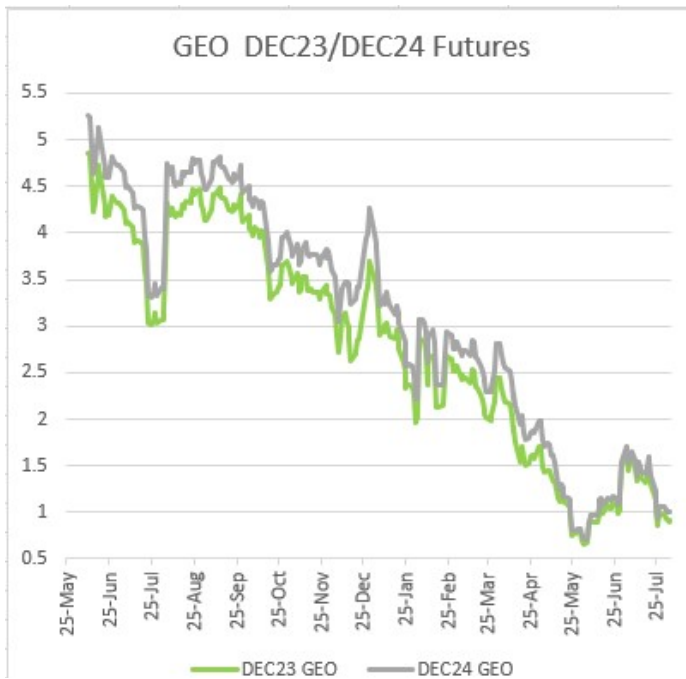
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18/08/2023

Voluntary Markets

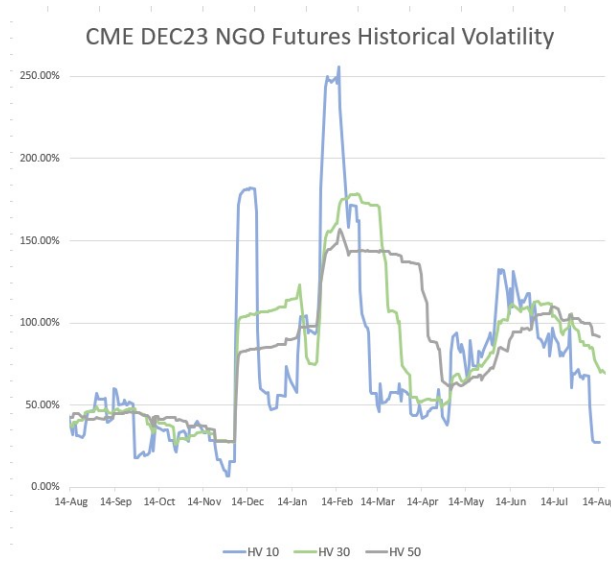
CME Futures

(FIS View): 488kt traded on the NGO Dec23 contract for the week, with the contract settling down to at \$1.58. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 is flat at 6.94Mt. 91kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.84, down \$0.05 from the previous week. Open Interest flat at 7.12Mt.



CME NGO Historical Volatility

10 day volatility down to 57%. 30 day volatility flat decreased to 69% and 50 day volatility at 87%



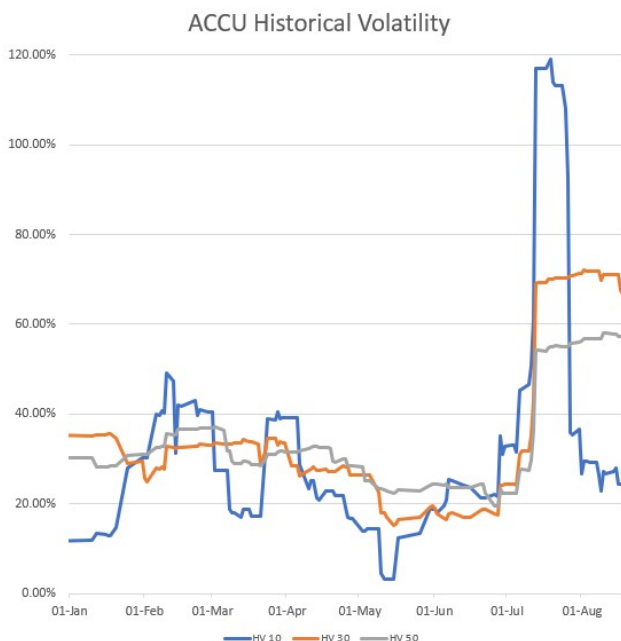
Source: Bloomberg

Block Trades on CME (w/c 18th Aug)

CME NGO Dec25, 2.60, 25kt
 CME GEO Dec24, 0.95, 25kt

ACCU & NZU Market

The Clean Energy Regulator has highlighted auditing requirements on human-induced regeneration (HIR) projects, following a prominent scientist claiming his research was being misrepresented by the regulator to support its adjudication of the method. It said the gateway audits will provide additional information and assurance to satisfy the regulator that all gateway checks requirements, including forest and potential forest cover attainment, under the HIR method have been met for all the carbon estimation areas (CEAs) included in relevant reports. The spot price for ACCUs stood at A\$31.50 on Monday. Spot ACCUs derived from HIR projects were trading at A\$35.75. With the Generic-HIR spread at A\$4.25.



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

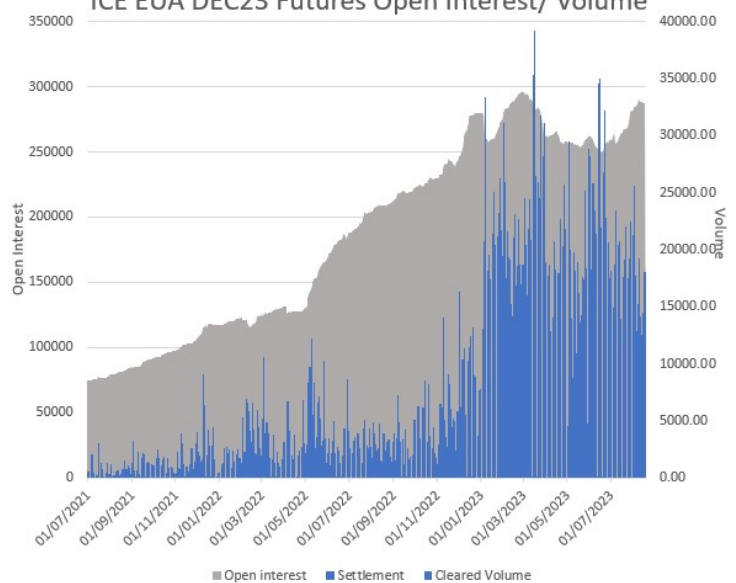
EUAs

European carbon prices dropped sharply on Friday, trimming the week's gain to just 1.5% as selling picked up after prices had reached a 13-day high on Thursday, with traders speculating whether the traditional August rally had run out of steam early or if the slump was merely due to short-term profit taking. EUAs continued to decline well into the afternoon, dropping below €88.00 in the aftermath of the auction, and reaching the day's low of €87.27 in mid-afternoon. The market then staged a modest recovery, stabilising at between €87.80 and €88.20 for the final two-and-a-half hours of the day. The benchmark contract settled 0.9% lower at €88.01, with volume on ICE totalling a little more than 14 million EUAs. Other futures contracts added almost 12 mln allowances. EUAs posted a 1.5% weekly gain, after having been as much as 3.7% higher on Thursday morning.

ICE EUA DEC23 Futures



ICE EUA DEC23 Futures Open Interest/ Volume



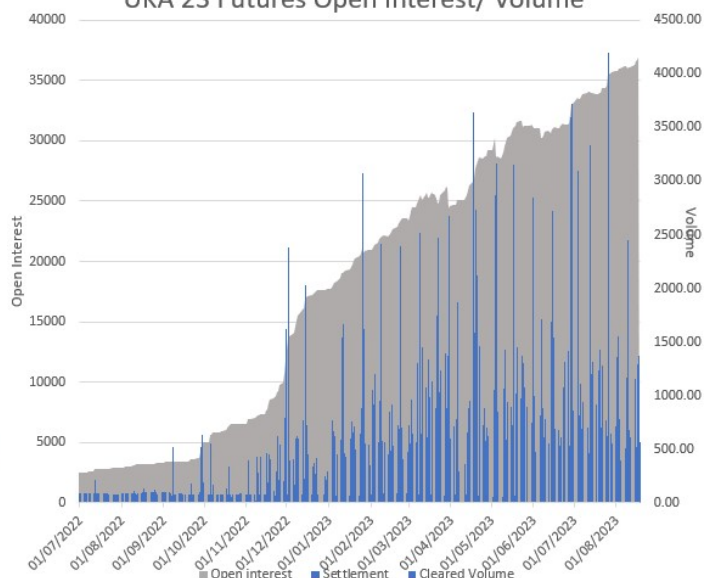
UK ETS

UK Allowances continued their rally for a fourth day. The Dec-23 contract began the day below Thursday's settlement price of £42.16, but moved quickly to the upside and reached a late high of £43.85, the most in 13 days. The benchmark contract settled 2.9% higher at £43.39, with volume of 563,000 tonnes. The UKA-EUA spread narrowed for a fourth day, shrinking to -€37.17 at the settlement. Front-December UKAs posted their first weekly gain since the end of June, rising 7.6% from the previous Friday.

UKA DEC23 Futures



UKA 23 Futures Open Interest/ Volume



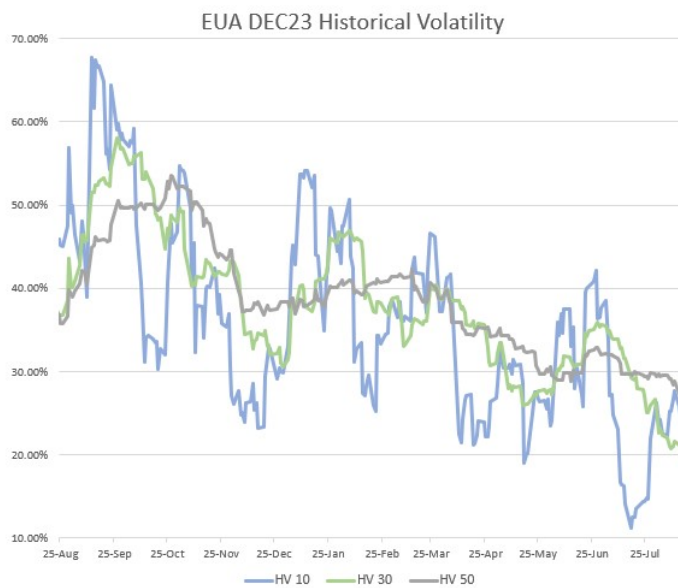
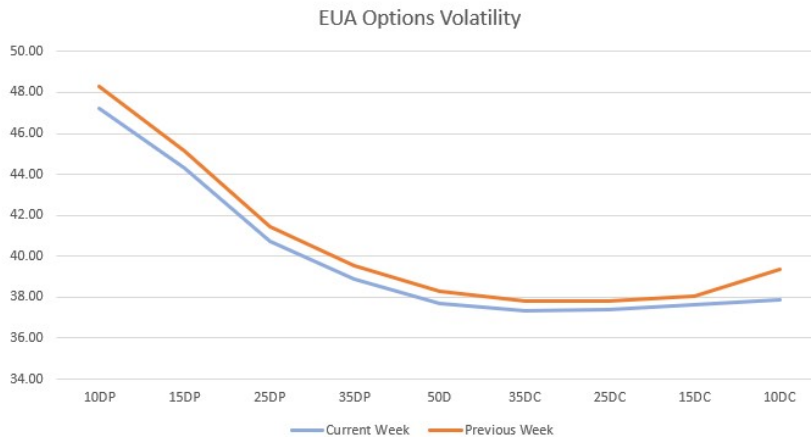
EUA Options Market

Put skew up by flat for the week and Call Skew up 2.86% for the week. There was plenty of speculation amongst market participants over the fate of this year's August rally. Early in the month EUAs had fallen by as much as 5% from the July 31 settlement price, but the last few days had seen the market turn around and the benchmark contract was as much as 3.7% above the end-July level on Thursday morning. The average price increase over the month of August was 8% between 2015 and 2022, ICE data show, reflecting the period when auction volumes are halved.

Volatility Surface: 18/08/2023

TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	47.24	44.28	40.72	38.89	37.68	37.31	37.41	37.63	37.88
WoW Change	-1.03	-0.86	-0.70	-0.65	-0.61	-0.50	-0.43	-0.44	-1.51
Previous Week	48.27	45.14	41.42	39.54	38.29	37.81	37.84	38.07	39.39

Source: CarbonPulse



Source: Refinitiv

Source: Bloomberg

Market News

(AFR): AGL Energy has struck a deal with the Victorian government to keep the Loy Yang A coal-fired power station running until 2035, despite pressure from its biggest shareholder, software billionaire Mike Cannon-Brookes, to shut the generator earlier and align with the Paris climate accord. The news came as EnergyAustralia said it would shift its large coal-fired generator in NSW into a back-up role and cease running it as a baseload plant well ahead of its 2040 closure date, as it adjusts its operations to meet climate goals.

(CarbonPulse): Australia is moving forward with its plan to implement a carbon border tax to reach net zero emissions by 2050. The government is reviewing the tax with a report due in 2024, Australia Minister for Climate Change and Energy Chris Bowen said on Tuesday. Bowen's speech highlighted that Australia's review of the CBAM will focus on addressing carbon leaks in the cross-border trade of steel and cement.

(CarbonPulse): Australia's carbon market saw a large uptick ACCUs issued Monday as the crediting backlog of HIR projects continues to wash out. 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.

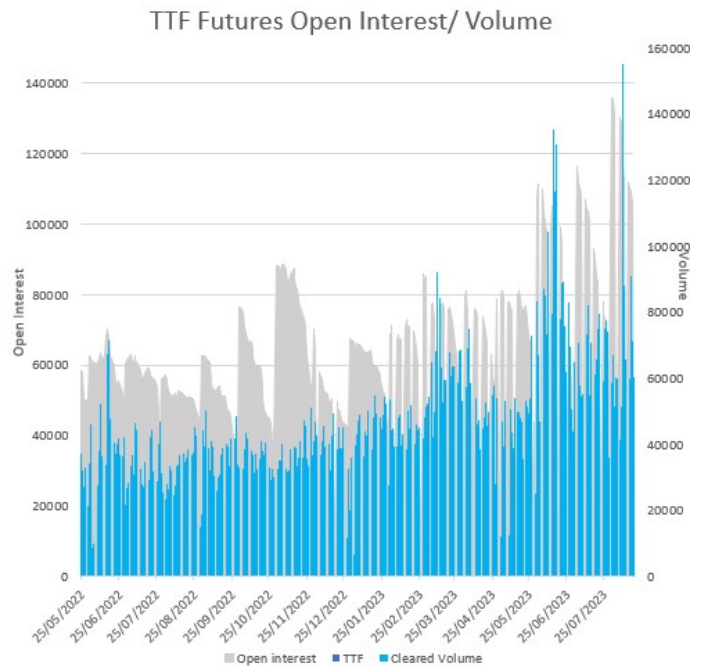
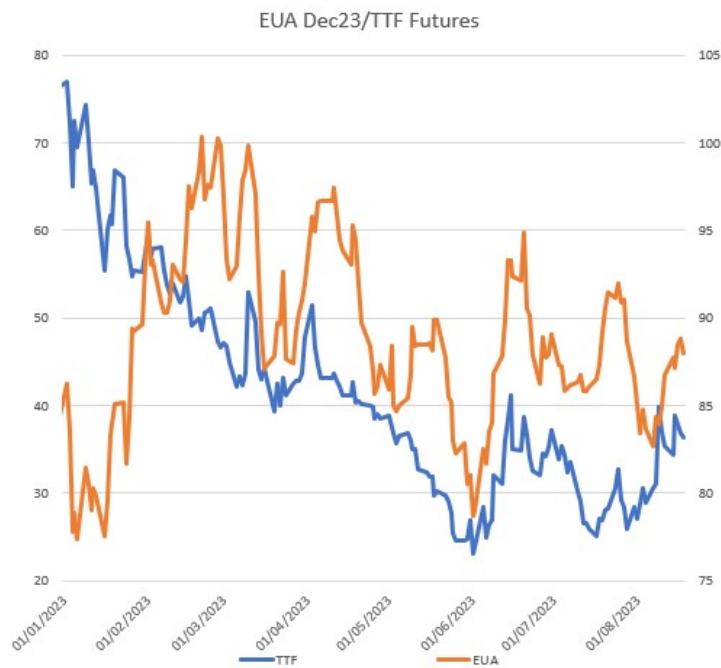
(CarbonPulse): The New Zealand government has awarded NZ\$33.3 million (\$19.8 mln) in funding to projects across the nation in its latest Government Investment in Decarbonising Industry (GIDI) round. This is the fifth GIDI round, awarding cash to 17 industrial energy users to replace fossil fuel-based equipment and energy sources with energy efficient equivalents, and is expected to reduce emissions by 67,000 tonnes CO₂e a year, the government said in a statement.

(CarbonPulse): The Clean Energy Regulator has highlighted auditing requirements on HIR projects, following a prominent scientist claiming his research was being misrepresented by the regulator to support its adjudication of the method. The CER noted on Friday that as of May 6, 2023, all offset reports for HIR projects that are subject to regeneration and forest cover attainment checks, known as gateway checks, will now also have what it called a section s215 gateway audit. It said the gateway audits will provide additional information and assurance to satisfy the regulator that all gateway checks requirements, including forest and potential forest cover attainment, under the HIR method have been met for all the carbon estimation areas (CEAs) included in relevant reports. In short, the checks will confirm a project has reached a suitable level of forest regeneration to earn ACCUs.

Source: Bloomberg

Indicated Markets

Energy markets were mixed at the close. September TTF natural gas prices peaked early, rising as much as 4.3% but settled 1.1% weaker at €36.410/MWh on ICE. Traders continued to await developments from Australia, where LNG workers are in talks with producers to avert strike action. “The collective wage negotiations at operators of LNG plants in Australia resulted in no breakthrough this week, and are to continue next week,” analysts at Commerzbank said in a weekly report. Cal-24 German baseload power fell as much as 0.9% in the morning but clawed back the losses to stand 1.4% higher at €142.75/MWh on EEX at the close. Cal-24 API2 coal was last quoted at \$124.00-\$130.00/tonne on ICE, after settling on Thursday at \$125.55/tonne.



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