



Carbon Weekly Report

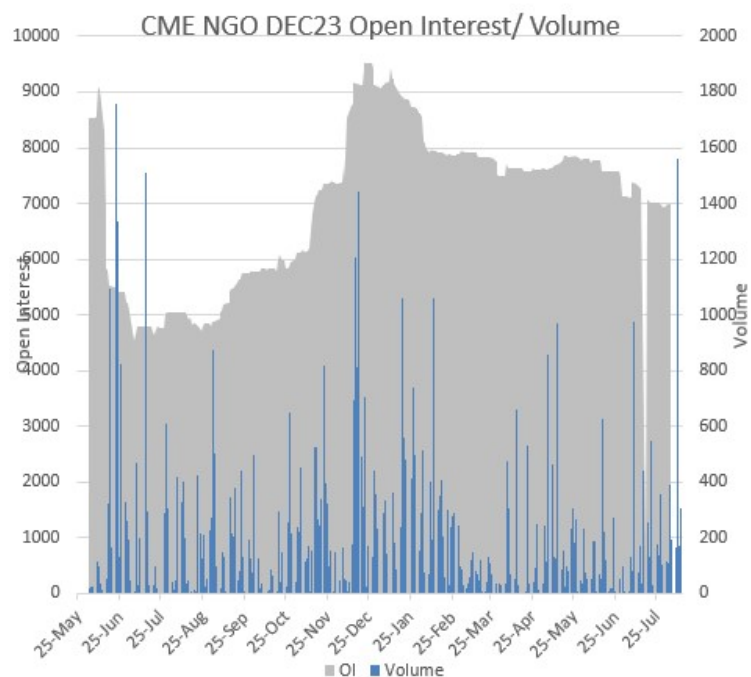
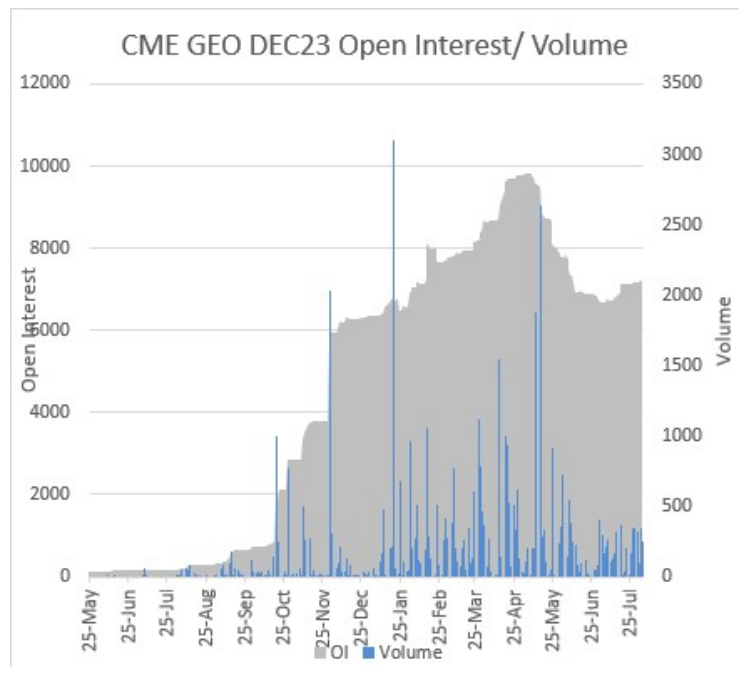
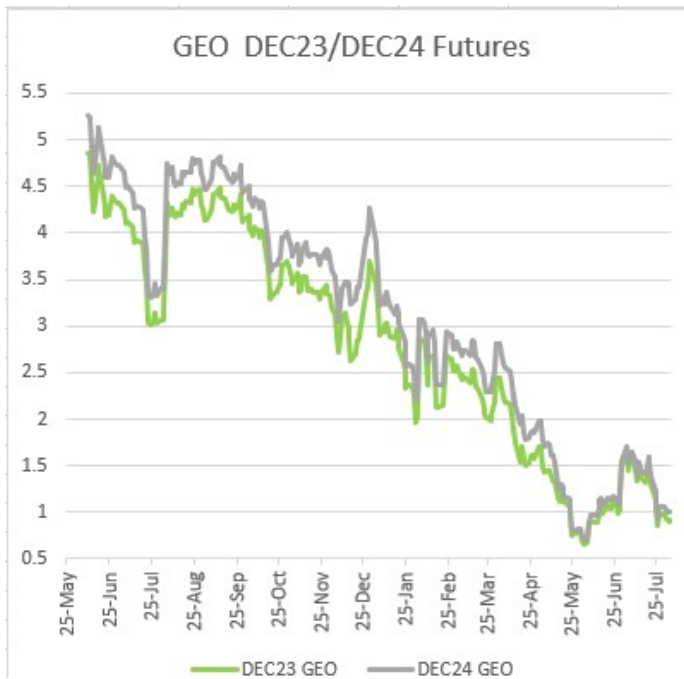
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28/08/2023

Voluntary Markets

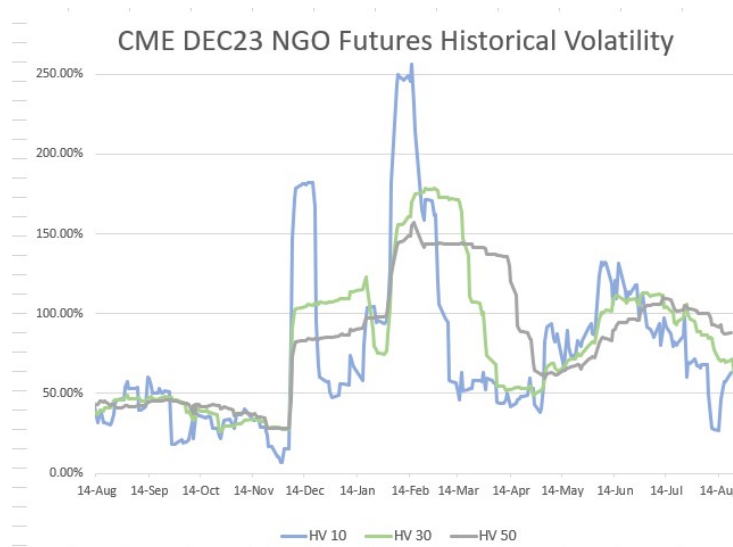
CME Futures

(FIS View): 163kt traded on the NGO Dec23 contract for the week, with the contract settling at \$1.65. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 is flat at 6.88Mt. 43kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.89, up \$0.04 from the previous week. Open Interest flat at 7.11Mt.



CME NGO Historical Volatility

10 day volatility at 77%. 30 day volatility flat decreased to 62% and 50 day volatility at 83%



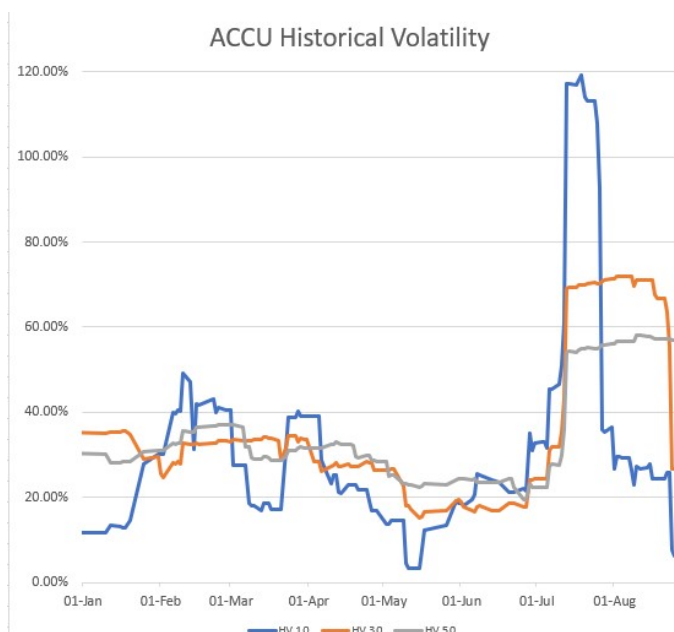
Source: Bloomberg

Block Trades on CME (w/c 25th Aug)

No Block Trades

ACCU & NZU Market

The NZU price was trading up 5.6% on Friday, as parliament’s passing of legislation tightening industrial allocations contributed to a confluence of other indicators driving a less negative sentiment in the market. Spot NZUs were trading at NZ\$66 early on Friday, up NZ\$3.50 compared to Thursday’s closing price, before falling back slightly to NZ\$65.25 in the afternoon. It finished trading at NZ\$65.

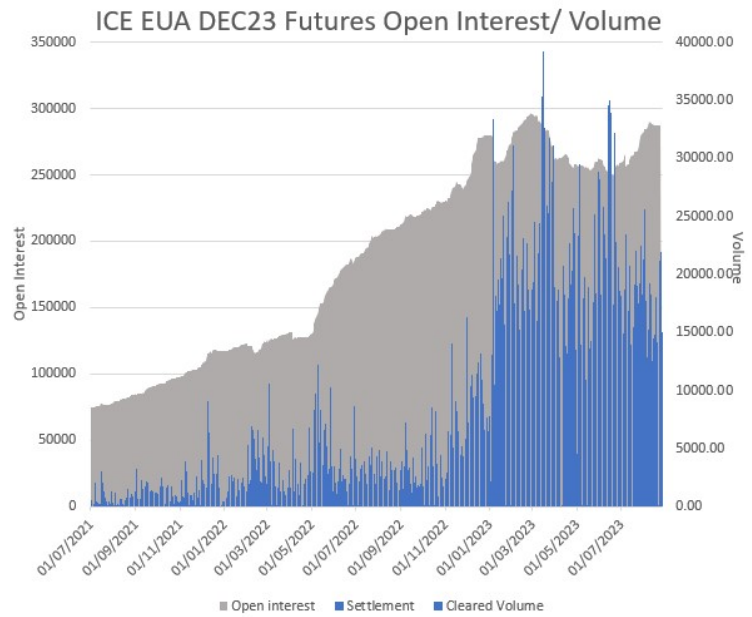
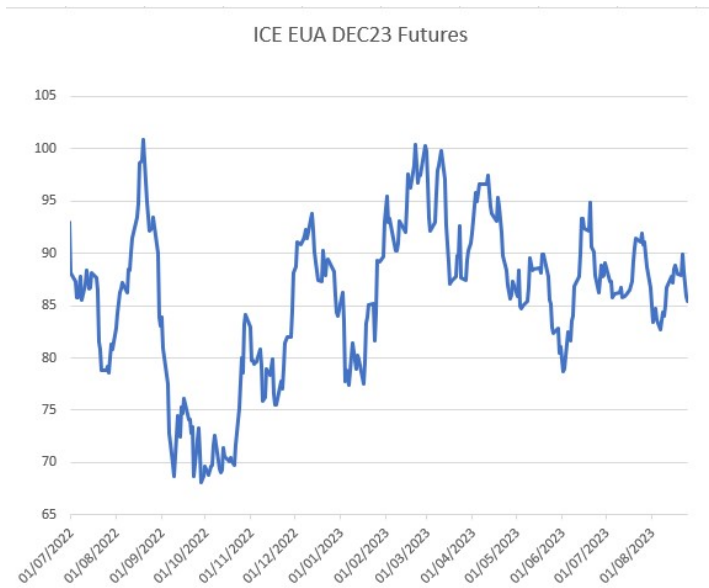


ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Compliance Markets

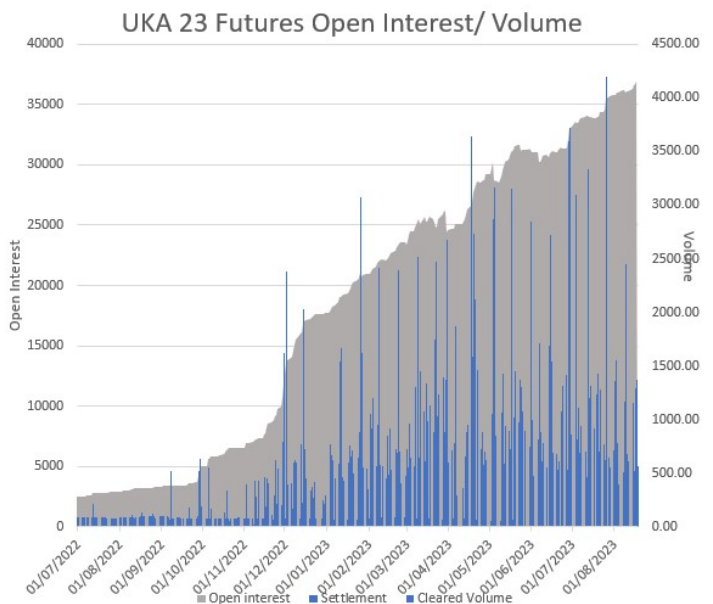
EUAs

European carbon prices dropped for a third day to return a 3% weekly decline on Friday as traders resumed bearish bets after an early bout of profit taking following one of the strongest auction results this year, while energy prices were steadily firmer amid continued worries over Australian LNG output. The weekly German auction cleared a sizeable €0.97 above the prevailing spot market at 0900 GMT, the largest premium since June 23 (€1.19) and the third biggest since at least 2018. The Dec-23 contract settled 0.5% lower on the day at €85.39, a drop of 3% from the previous Friday settlement. Volume in the benchmark contract totalled just over 15 mln EUAs, while other contracts exchanged an aggregate 6.4 mln allowances. The decline in EUA prices since Wednesday led numerous sources to call time on the annual August rally. The frontDecember contract reached a high of €90.44 on Tuesday – representing a 4.3% increase from the end of July – and has fallen by up to 6.6% in the last three days.



UK ETS

UK Allowances resumed their rally after two days of declines, and posted an 11% weekly gain. The Dec-23 contract settled 1.5% higher at £48.03 on ICE, with trade totalling 486,000 tonnes.

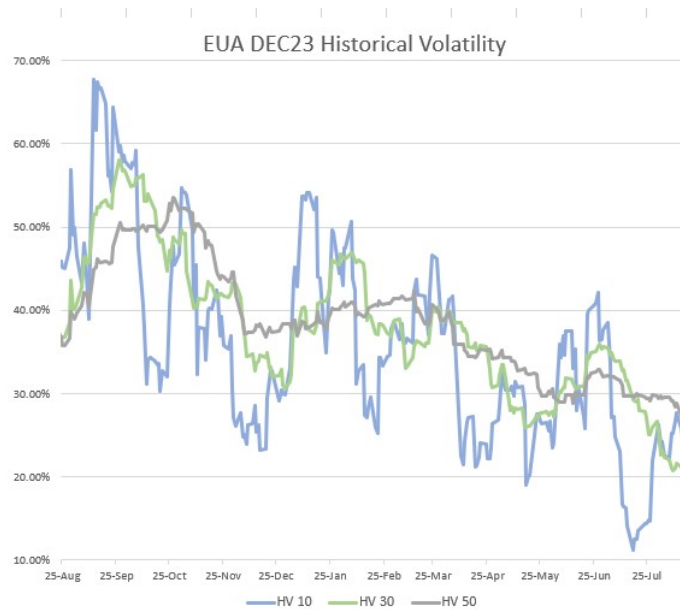
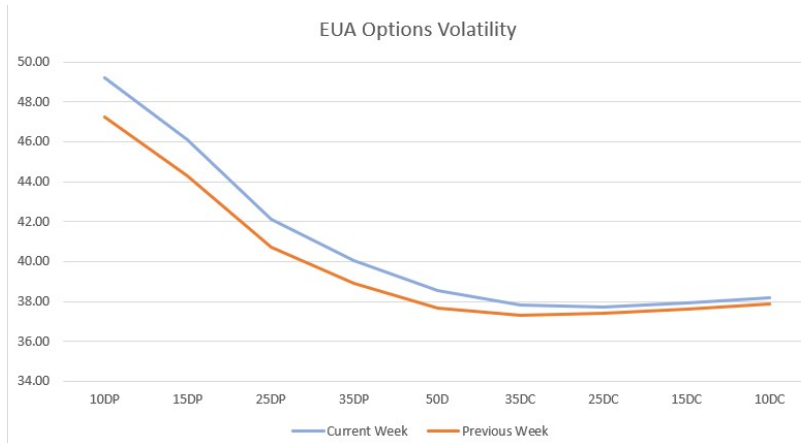


EUA Options Market

Put skew up by 4.23% for the week and Call Skew flat for the week. The decline in EUA prices since Wednesday led numerous sources to call time on the annual August rally. The frontDecember contract reached a high of €90.44 on Tuesday – representing a 4.3% increase from the end of July – and has fallen by up to 6.6% in the last three days.

Volatility Surface: 25/08/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	49.24	46.13	42.14	40.03	38.54	37.83	37.72	37.91	38.20
WoW Change	2.00	1.85	1.42	1.14	0.86	0.52	0.31	0.28	0.32
Previous Week	47.24	44.28	40.72	38.89	37.68	37.31	37.41	37.63	37.88

Source: CarbonPulse



Source: Refinitiv

Source: Bloomberg

Market News

(CarbonPulse): Governments spent a record \$7 trillion in fossil fuel subsidies in 2022, the International Monetary Fund (IMF) has calculated, more than governments spent annually on education and about two-thirds of what they spent on healthcare. Russia's invasion of Ukraine and the economic recovery from the pandemic pushed up energy prices, which led governments around the world to step in to help consumers and businesses pay for their energy bills, a large share of which went to subsidising fossil fuel use. The IMF's data showed that fossil fuel subsidies rose by \$2 trillion over the past two years and accounted for 7.1% of GDP, based on data from 170 countries. Explicit subsidies, which come in the form of direct support to producers or when the retail price is below the fuel's supply cost, more than doubled since 2020. They rose to \$1.3 trillion in 2022, from \$0.7 trillion.

(CarbonPulse): Weekly trading volume in China's emissions market almost doubled from the previous week with a new high in carbon prices, even as traders remain keen to know how the government will solve the surplus problem. Spot Carbon Emissions Allowances (CEAs) closed Thursday on the Shanghai Environment and Energy Exchange at 73.20 yuan (\$10.04), up around 4% from 70.10 yuan a week ago. Nearly 3.2 million permits changed hands over the Aug. 18-24 period, compared to 1.7 mln allowances seen the previous week, exchange data showed. The surge in the trading volume was supported by four block deals, which saw allowances trade in a 50-67.44 yuan range. Block deals can vary greatly in price as some of them are done between subsidiaries in the same group of companies, and tend to change hands at a lower price.

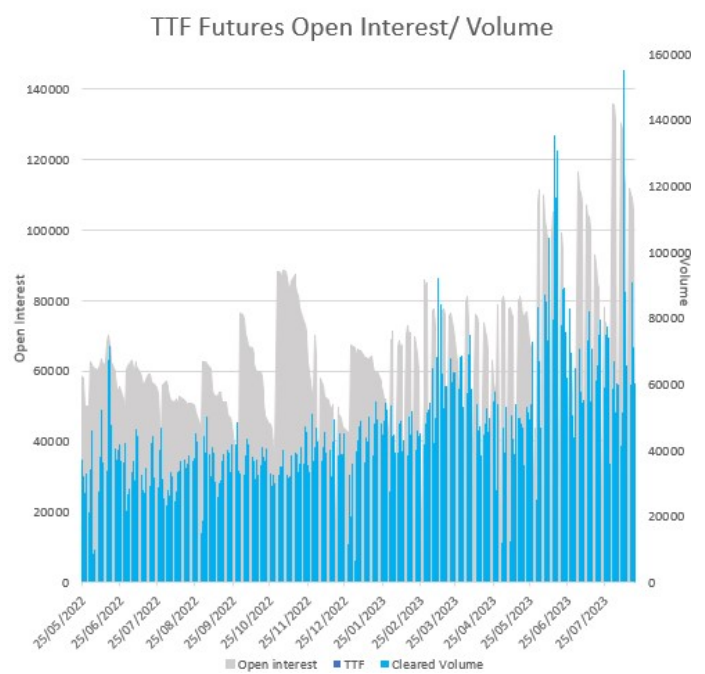
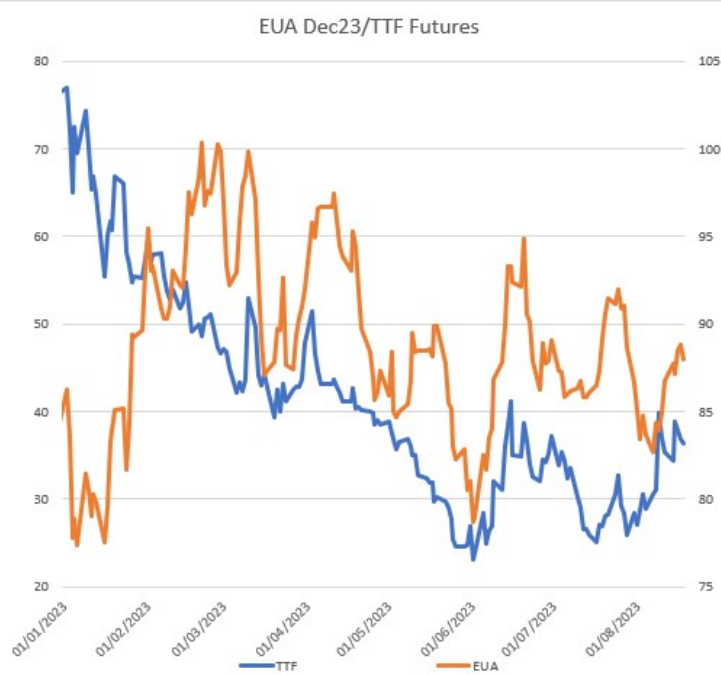
(CarbonPulse): The Australian government is proposing to bar carbon project developments on Native Title land from being registered if proponents have not explicitly obtained consent from all eligible interest holders (EIH). The government on Friday launched a consultation seeking views on how to integrate the recommendations of the Chubb review into Australia's carbon market. The review considered that achieving positive outcomes for First Nations Australians requires the scheme to ensure alignment with free prior and informed consent (FPIC). Current legislation allows 'area based' projects to be conditionally registered without obtaining all EIH consents, including Native Title holders with a registered Native Title body corporate, providing the proponent has the legal rights to run the project, the consultation paper said.

(CarbonPulse): Several carbon offset project developers and proponents have come out to demonstrate the positive impact of REDD+ initiatives in recent days, as researchers on Thursday reiterated their past findings that avoided deforestation baseline assessments are flawed and the resulting credits are largely hot air. On Thursday, Everland released findings from an in-house study that reviewed 53 REDD+ projects across seven countries. The study compared the REDD+ baseline against the actual forest loss in the jurisdictions where the project is located. Everland's study stated that the annual deforestation rate within the jurisdictions was 0.67% on average, whereas within the REDD+ projects, the rate was only 0.06% per year.

(OPIS): The Australian government said on Friday submissions to its public consultation have shown "overwhelming" support for the introduction of a national fuel efficiency standard and the submissions will inform the design of its draft policy to be released before the end of 2023. The government has received around 2,700 submissions from individuals and organizations to its public consultation which closed on May 31. Australia is the only country in the OECD, aside from Russia, that does not have fuel efficiency standards that regulate carbon dioxide emissions from vehicles. On average, new cars in Australia use 40% more fuel than those in the European Union, 20% more than the U.S. and 15% more than New Zealand.

Indicated Markets

Energy prices rallied strongly, led by front-month natural gas, which rose as much as 9%, as traders ramped up their caution after workers at two Australian LNG plants voted to authorise their union to call a strike, even after workers at Woodside’s North West Shelf plant accepted an improved pay offer. September TTF natural gas settled 8.9% higher at €34.777/MWh on ICE, while cal-24 German baseload power last traded 1.6% higher at €135.40/MWh on EEX. Cal-24 API2 coal traded at \$129.00/tonne on ICE. The recent heatwaves that have boosted power demand have combined with volatile natural gas prices to drive some utility demand for EUAs, sources said, but this support is likely to fade as temperatures begin to decline and participants start to eye fundamentals and the macroeconomic outlook.



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