



Carbon Weekly Report

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15/09/2023

Voluntary Markets

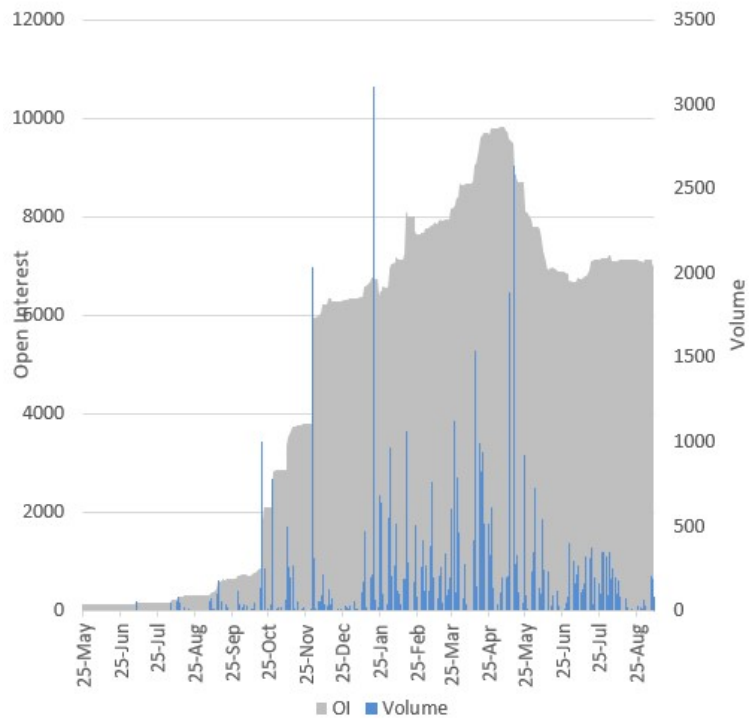
CME Futures

(FIS View): 349kt traded on the NGO Dec23 contract for the week, with the contract settling at \$1.76. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 is flat at 6.40Mt. 343kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.70, down \$0.12 from the previous week. Open Interest down slightly at 6.89Mt.

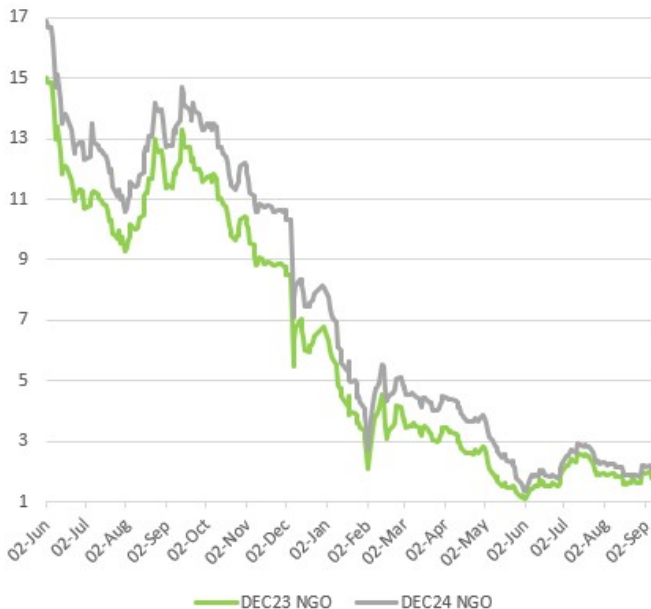
GEO DEC23/DEC24 Futures



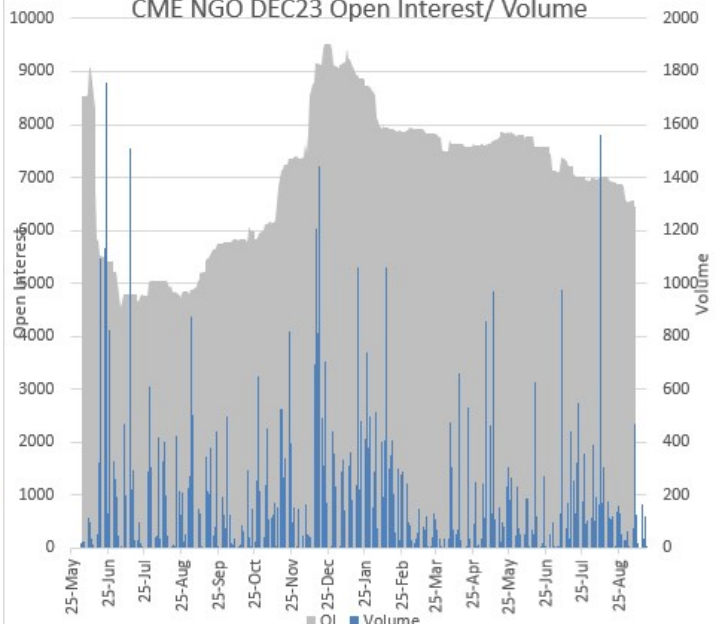
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

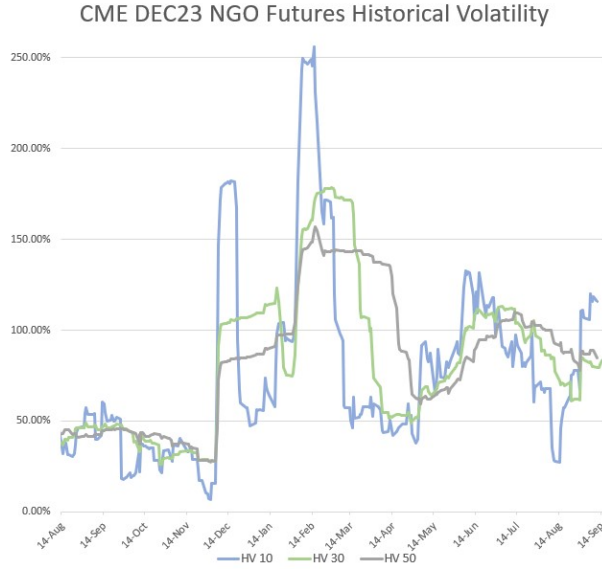


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility at 72%. 30 day volatility flat increased to 83% and 50 day volatility at 80%.
 NGO Dec23 contract is up \$0.06 for the week, settling at \$1.76

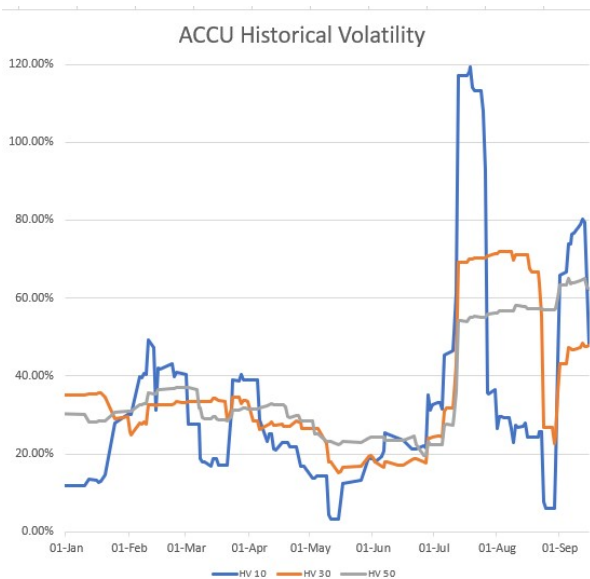


Source: Bloomberg

Block Trades on CME (w/c 15th Sep)

No Block Trades

ACCU & NZU Market



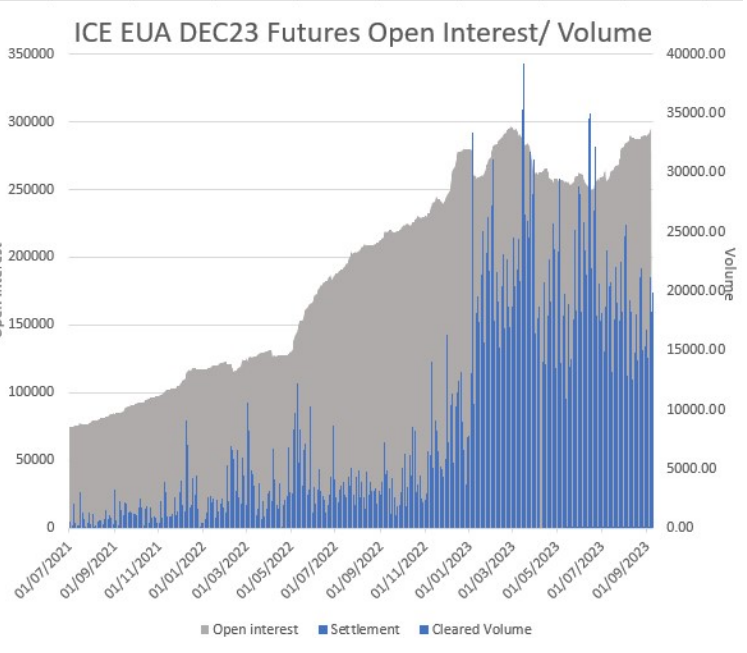
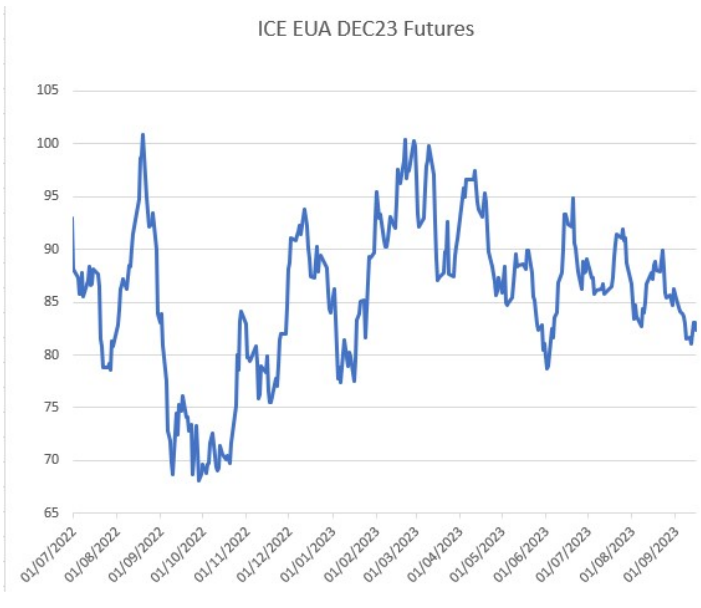
ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Source: Bloomberg

Compliance Markets

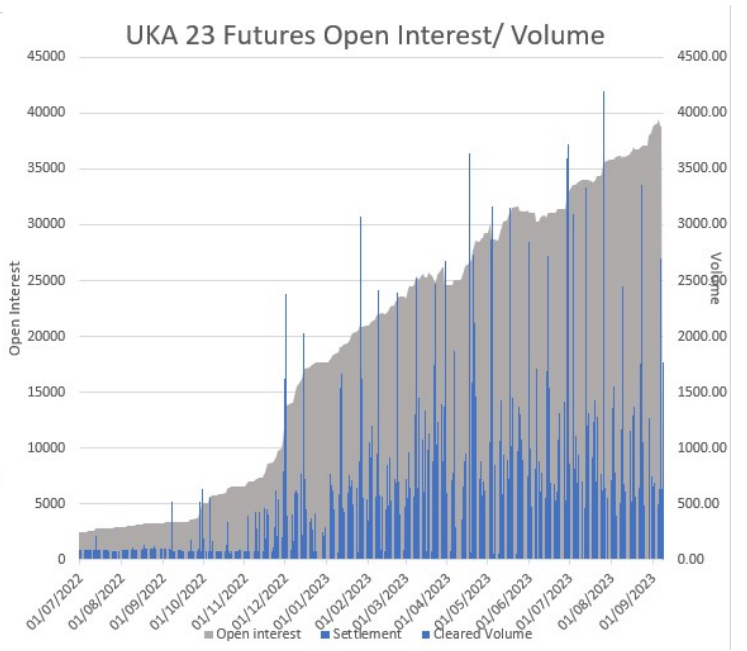
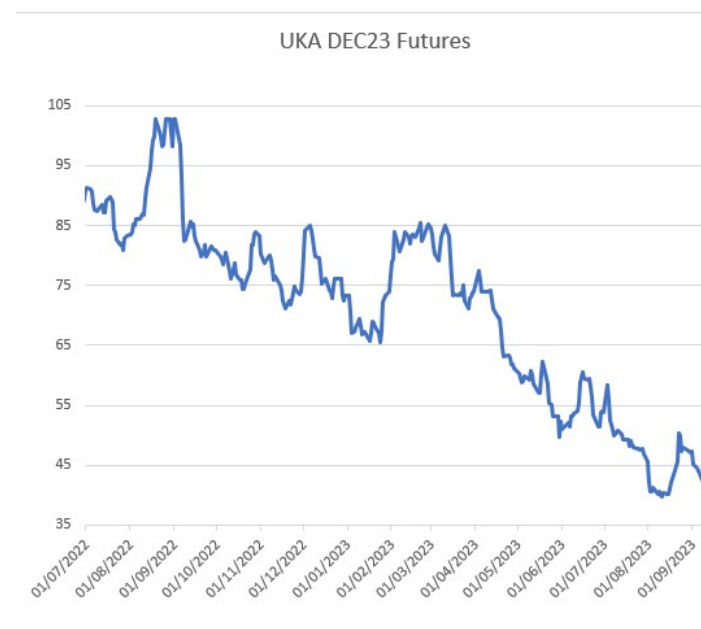
EUAs

EU carbon prices ended the week up 1% from the previous Friday, erasing much of their recent advance as the short squeeze triggered by Wednesday's Commitment of Traders report faded and was replaced by a robust sell-off, while UK prices set a new record low and fell 10% from last Friday's settlement. The daily auction cleared 3 cents above the spot market value at 0900 GMT, and after a pause as the volumes were distributed and hedged, the rally in secondary market prices resumed. The market reached a one-week high of €84.09 just before 1100 GMT – one cent higher than Thursday's peak – selling then began to dominate the price action, driving prices to a low of €81.75 within three hours. Levels steadied in the final hour, moving between €82.00 and €82.40, before ending the week at €82.10. The benchmark contract settled 1% lower at €82.31 on the day, but returned a gain of 1% from last Friday's settlement. At the day's high the market had been set to record a 3.2% weekly increase. Trading volume in the front-December contract totalled just over 18 million EUAs, with other contracts hosting a combined 5.1 mln in allowance volume.



UK ETS

UK Allowances extended their decline for an 11th straight session in thin trade on Friday. The Dec-23 contract fell steadily throughout the day, reaching a new record low of £38.00 at the end of the session. UKAs have fallen by as much as 10% since last Friday. The contract settled 1.8% lower at £38.32. Volume was light at 572,000 tonnes. The UKA-EUA spread widened marginally at -€37.80 at the settlement.



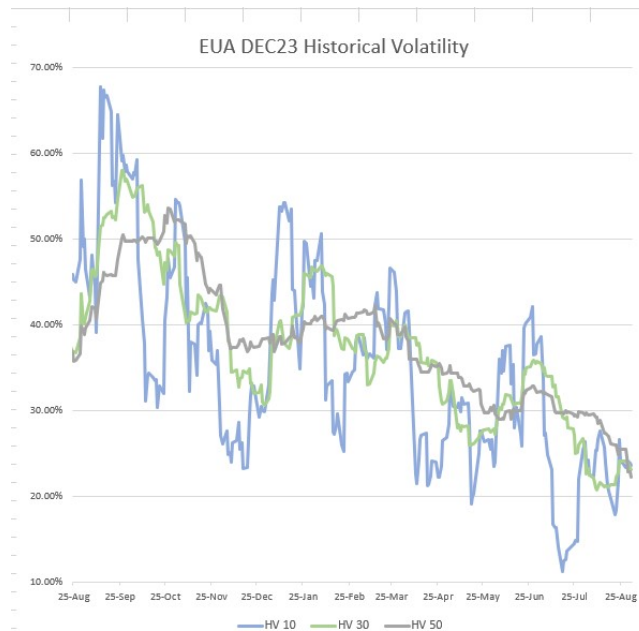
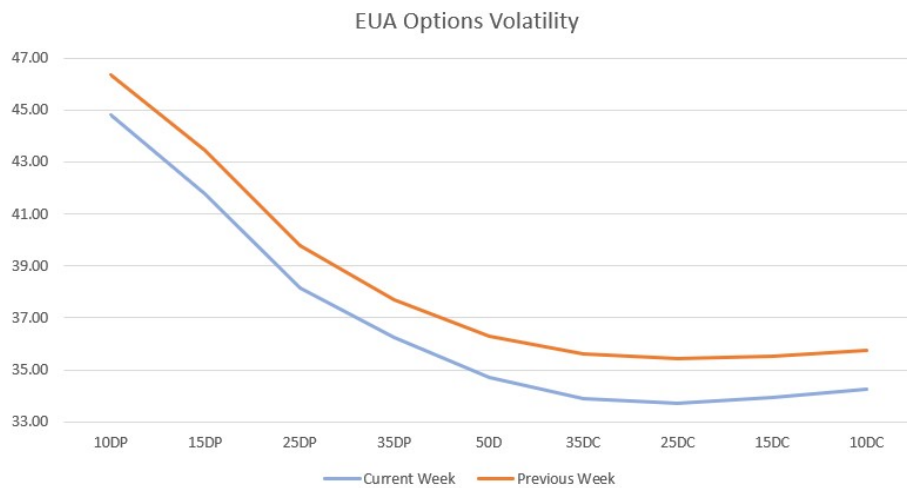
Source: Refinitiv

EUA Options Market

Put skew down 3.36% and call skew down 4.20% for the week. Trading volume in the front-December contract totalled just over 18 million EUAs, with other contracts hosting a combined 5.1 mln in allowance volume. The late drop in prices was attributed variously to sharp falls in crude oil and equity markets by some participants.

Source: CarbonPulse

Volatility Surface: 15/09/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	44.80	41.78	38.14	36.27	34.73	33.89	33.72	33.94	34.24
WoW Change	-1.56	-1.68	-1.64	-1.45	-1.56	-1.71	-1.72	-1.58	-1.50
Previous Week	46.36	43.46	39.78	37.72	36.29	35.60	35.44	35.52	35.74



Source: Refinitiv

Source: Bloomberg

Market News

(CarbonPulse): The Clean Energy Regulator has issued almost 1.4 million Australian Carbon Credit Units (ACCUs) for a second consecutive week as one developer received more than 500,000, while the spot price for generic units has crept below A\$29. In the secondary market, ACCUs drifted over the past week, with the generic spot contract last seen traded at A\$28.75 on Tuesday, down from A\$31 a week ago. HIR spot ACCUs held on to their premium, trading on Wednesday afternoon at A\$34 in 35,000 units, a dollar below last week's level.

(CarbonPulse): A senior leader at Shell on Friday appeared to reinforce the company's support for purchasing nature-based carbon credits, despite the oil major having dropped public targets for its credit-buying programme. But it was only late last month that the company confirmed it had also quietly dropped its plans to spend up to \$100 million a year to build a pipeline of carbon credits for the company's 2050 net-zero goal to generate 120 mln nature-based credits annually by 2030. However, in a statement made on Friday, a senior executive re-emphasised the company's focus on nature-based carbon credits and appeared to continue to back its NBS pipeline

(CarbonPulse): Standards body Verra on Sunday announced a suite of planned initiatives to position itself as an impactful leader in a scaled-up voluntary carbon market. Citing research from Trove finding the market needs a further \$90 billion in capital by 2030 to play its part in meeting the global 1.5C target, Verra – beleaguered as criticism against some of its methodologies has grown widespread in recent months – said it is seeking “operational excellence” to effectively scale its impact. “We have an enormous responsibility in the marketplace, and we take it seriously,” Verra said in a statement. It has conducted a “listening tour” of over 30 organisations and a stakeholder process yielding more than 500 responses to hammer out a roadmap for how it will move forward.

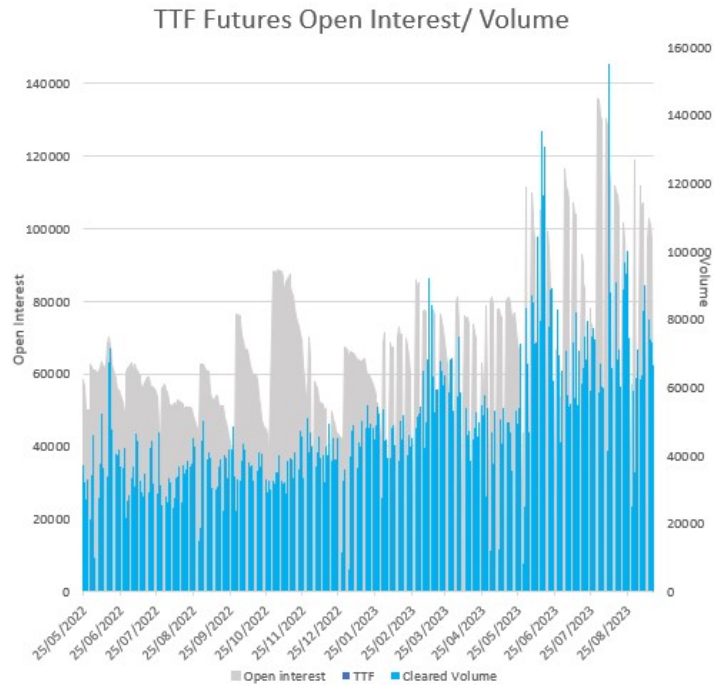
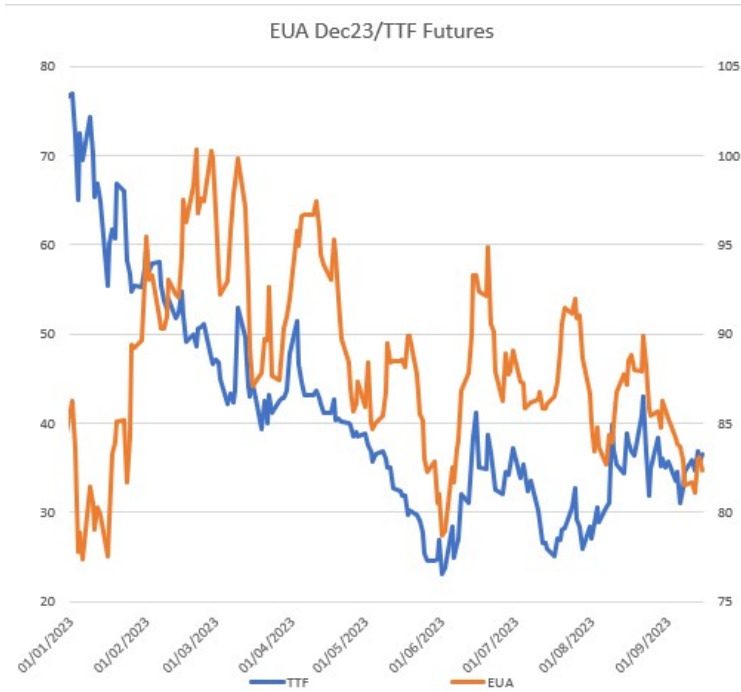
(CarbonPulse): Australia announced on Friday it has cancelled its more than 700 million remaining Kyoto Protocol-era carbon credits to make sure no future government will be able to use them towards the country's commitments under the Paris Agreement. “While the Albanese government has always been committed to not using these carryover credits – their permanent cancellation means no future government can use this loophole to meet their climate targets either,” a press release from Climate Change Minister Chris Bowen said. The country made waves at UN climate talks in 2018, when the conservative Coalition government of the day made it clear that they would consider using some of their hundreds of millions of Kyoto-era Assigned Amount Units (AAUs) towards its 2030 Paris target despite widespread international disapproval.

(CarbonPulse): The UK government will provide £500 million to keep the largest steel plant in the country open and to reduce its carbon footprint by switching its energy source from coal to electricity, the British government said in a statement on Friday, although doing so will likely lead to thousands of job losses. Tata Steel's Port Talbot steelworks in South Wales released 6.6 million tonnes of CO2 in 2021, and 5.7 mln in 2022 against an annual free UK ETS allocation of 5.8 mln, making it the market's biggest emitter, followed by the Scunthorpe plant belonging to British Steel owned by China's Jingye. “The UK government is backing our steel sector, and this proposal will secure a sustainable future for Welsh steel and is expected to save thousands of jobs in the long term,” business and trade minister Kemi Badenoch said in the statement.

Source: CarbonPulse

Indicated Markets

Energy prices were weaker during the morning, before reversing their losses later on as crude oil prices surged to their highest in more than a year as the outlook for supply this winter tightened. Front-month Brent dropped heavily late in the session, however. TTF natural gas erased early losses as near-term supply tightened. Maintenance in the North Sea Troll gas field has been extended to Sep. 16, while exports from Chevron’s Australian plants continued despite ongoing strikes and a production interruption. October TTF gas was 1% weaker midday, but turned around to settle 2.7% higher at €36.483/MWh on ICE, while cal-24 German baseload power edged up by 0.1% to €129.26/MWh on EEX at the close. Cal-24 API2 coal last traded up 0.5% at \$130.25/tonne on ICE



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