



Carbon Weekly Report

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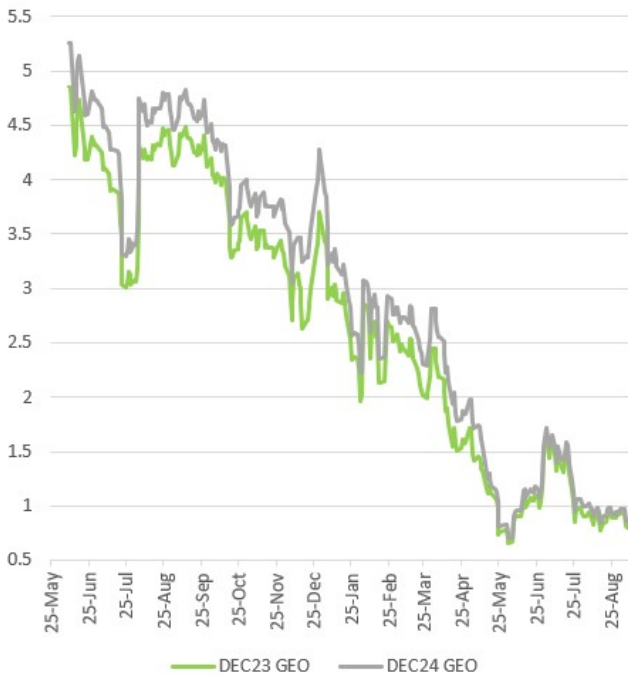
22/09/2023

Voluntary Markets

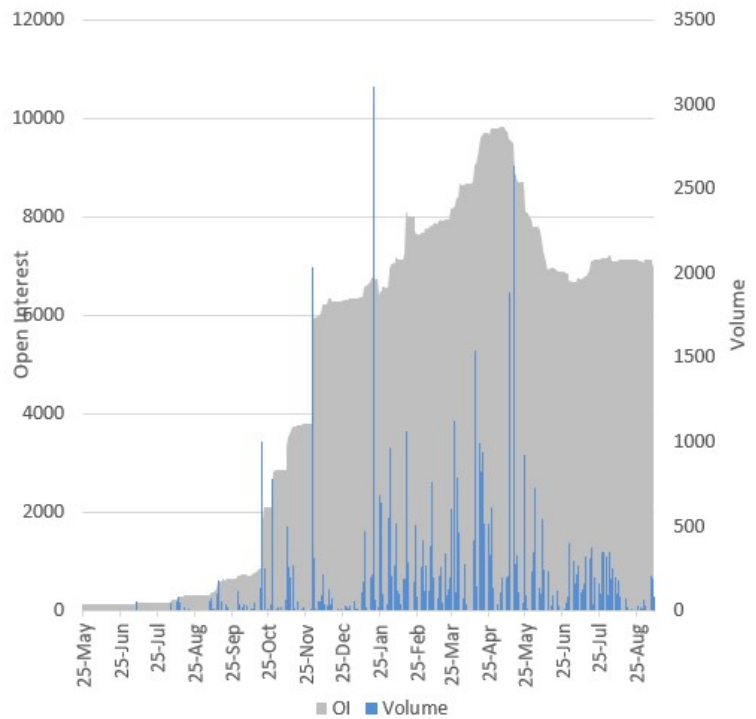
CME Futures

(FIS View): 1322kt traded on the NGO Dec23 contract for the week, with the contract settling at \$2.30. Activity on the Further dated future contracts was muted. Open Interest on the NGO Dec23 is 200kt lower at 6.20Mt. 946kt traded on the GEO Dec23 contract for the week with the contract settling at \$0.76, up \$0.06 from the previous week. Open Interest down from 6.89Mt to 6.59Mt.

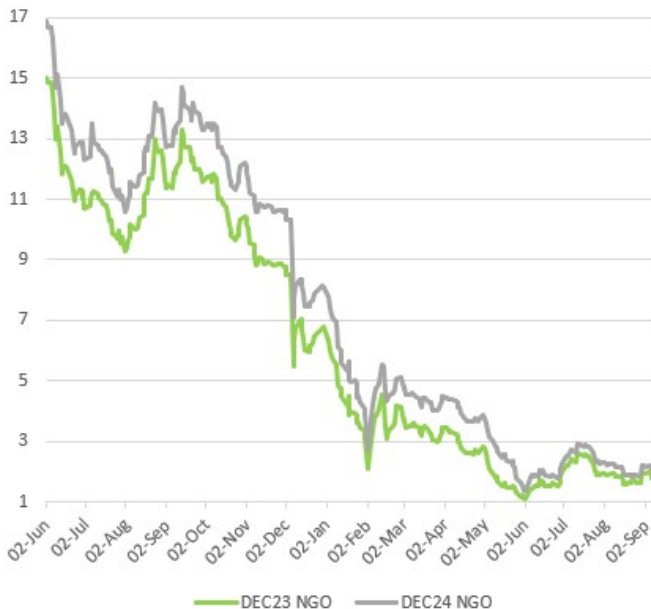
GEO DEC23/DEC24 Futures



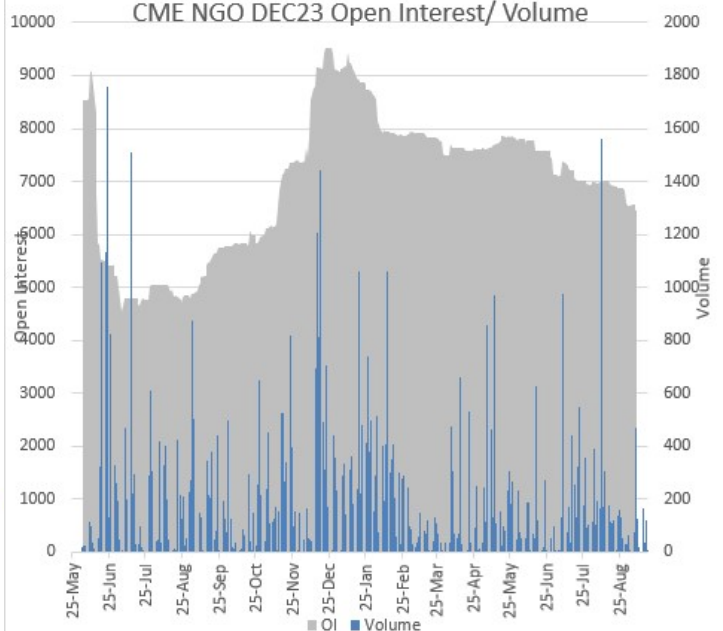
CME GEO DEC23 Open Interest/ Volume



CME NGO DEC23/ DEC24 Futures

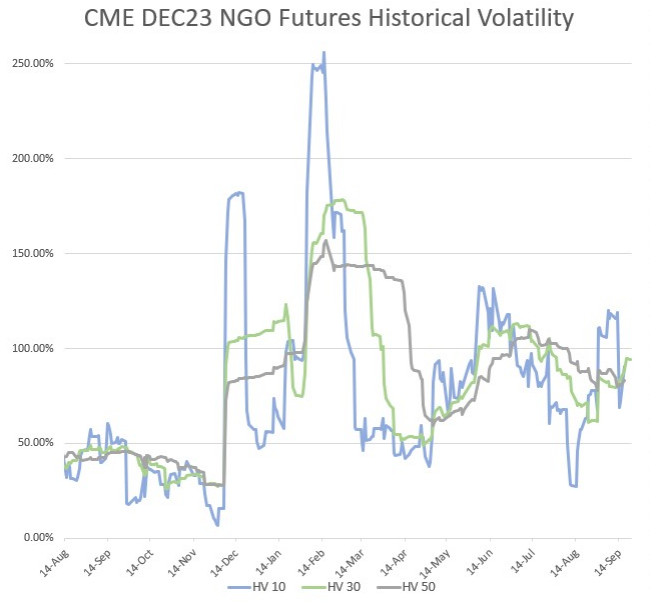


CME NGO DEC23 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility at 81%. 30 day volatility flat increased to 93% and 50 day volatility at 82%.
 NGO Dec23 contract is up \$0.53 for the week, settling at \$2.30



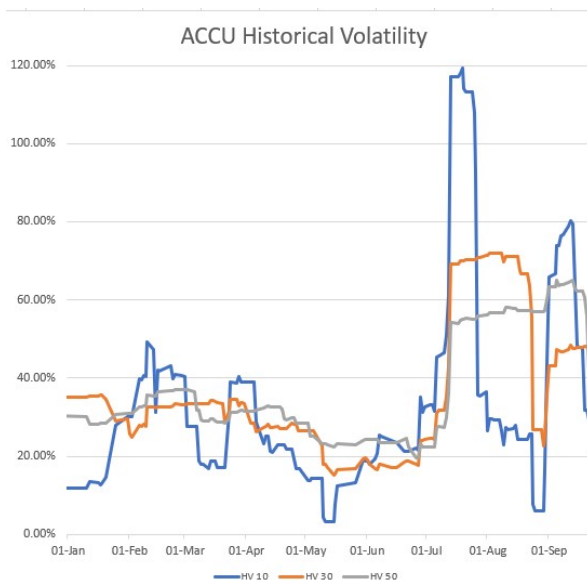
Source: Bloomberg

Block Trades on CME (w/c 22nd Sep)

- 01:27:03 CME GEO Dec24/25, -0.18, 500kt
- 01:27:03 CME GEO Dec24/25, -0.18, 25kt
- 01:29:14 CME GEO Dec24/25, -0.18, 25kt
- 01:54:02 CME GEO Dec24/25, -0.18, 25kt

ACCU & NZU Market

Three soil carbon projects have been issued close to 100,000 Australian Carbon Credit Units (ACCUs), with one of them receiving almost the entire amount, according to the Clean Energy Regulator’s latest update Monday. Most of the soil ACCUs issued were generated by the Burnham family’s Bonnie Doone soil carbon project, which generated some 94,500 units. This year so far has seen some 250,000 ACCUs generated from soil carbon projects under the ACCU scheme The Clean Energy Regulator issued a total of 450,000 ACCUs to 22 projects in its latest update, an increase compared to the 230,00 ACCUs generated in its previous issuance. Nearly half of the units issued, totalling some 185,000 ACCUs, went to eight landfill gas projects operated by LMS Energy.



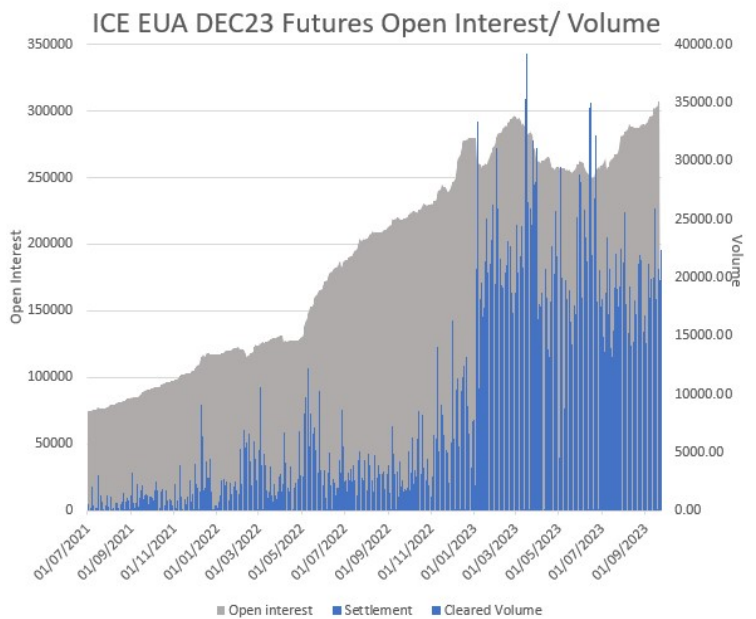
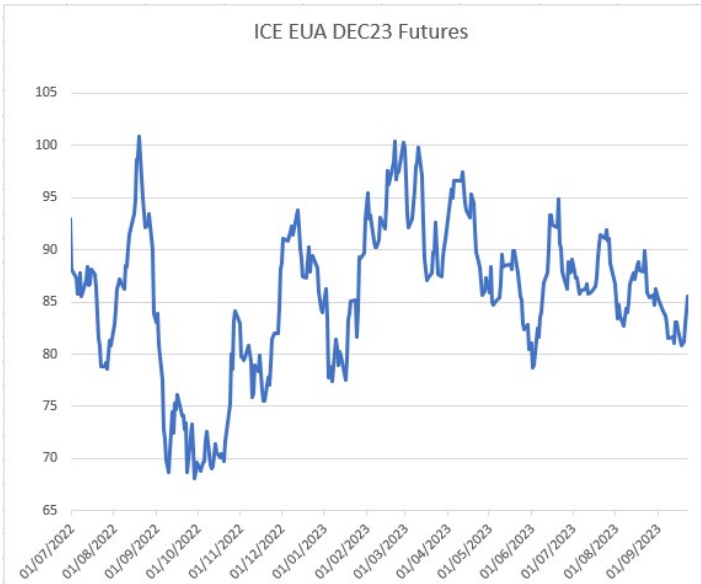
ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Source: Bloomberg

Compliance Markets

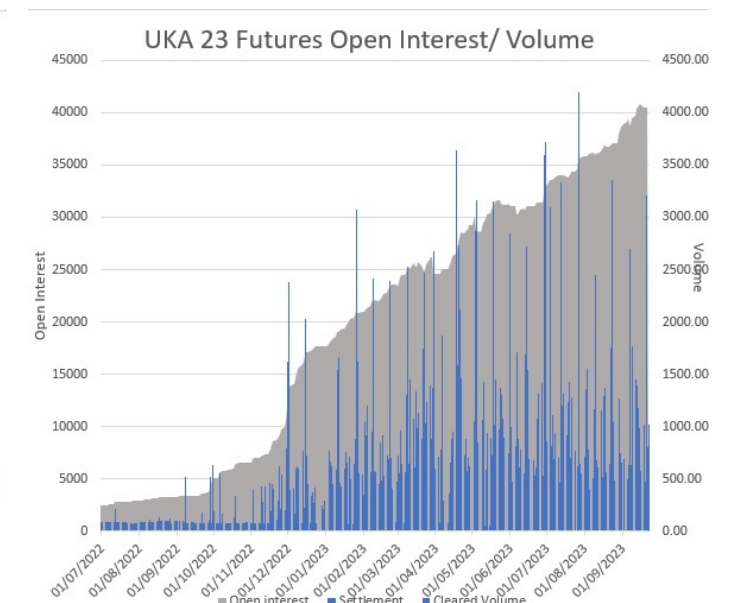
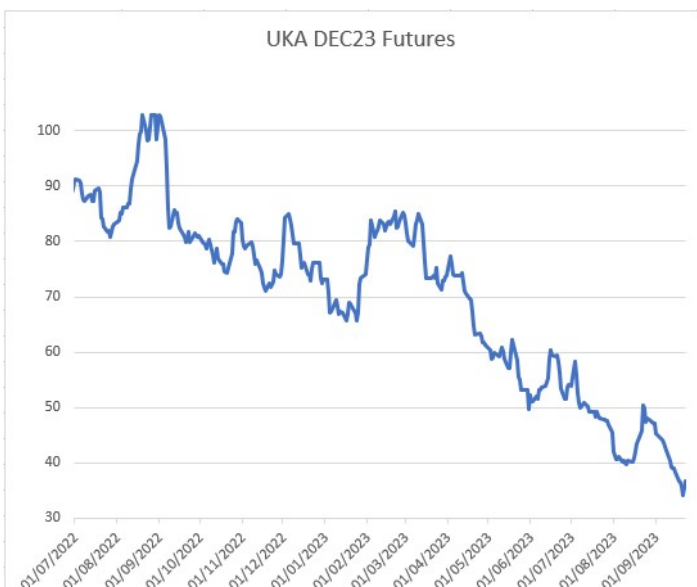
EUAs

EU carbon permits posted their biggest weekly increase in two months on Friday, as prices gained momentum from the combination of a moderate short squeeze and a sharp rise in natural gas prices, while UK Allowance prices ended 14 successive days of declines with a strong bounce-back. The rally paused over the middle part of the day, as it had done on Thursday, before prices kicked on to reach a three-week high of €86.13 in mid-afternoon. Both TTF gas and German power reached their intraday highs at around the same time, underlining the close correlation that carbon and energy markets displayed on Friday. The market eased back to trade either side of €85.50 through to the close of business, with the last trade going through at €85.29. The Dec-23 contract settled 1.6% higher at €85.48, giving a weekly increase of 3.9%, the largest five-day rise since the week ending July 21. Volume in the front-December contract was a little over 22 million EUAs, with nearly 4 mln of that total being traded as blocks on the ICE exchange. Other contracts added an aggregate 4.6 mln allowances.



UK ETS

UK Allowances snapped a three-week losing streak on Friday as prices bounced back from Thursday's record low of £33.50. The Dec-23 contract climbed as much as 9.6% to a high of £37.53 before easing back in the afternoon to settle 7% higher at £36.62, with volume totalling just over 1 mln tonnes. British carbon permits had posted 14 successive losses until Friday, with the price tumbling as much as 26% from the Sep. 1 settlement of £45.21. The UKA-EUA spread narrowed slightly to -€43.36 at the settlement, though British allowances were still just under 50% of the equivalent EU price



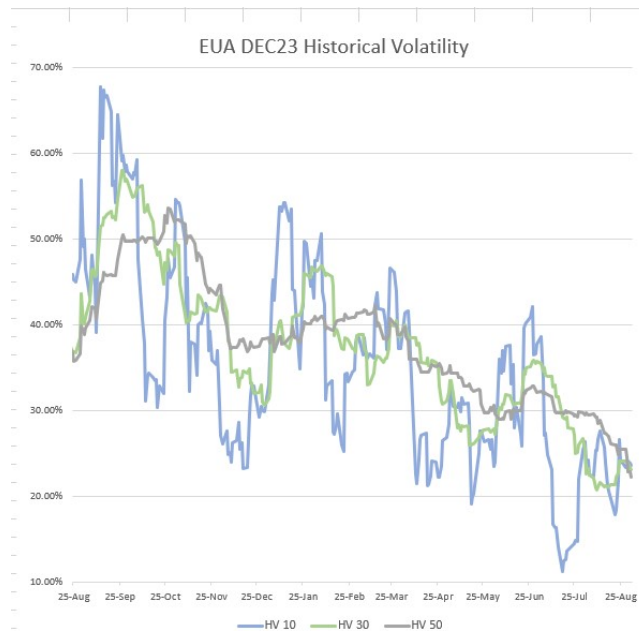
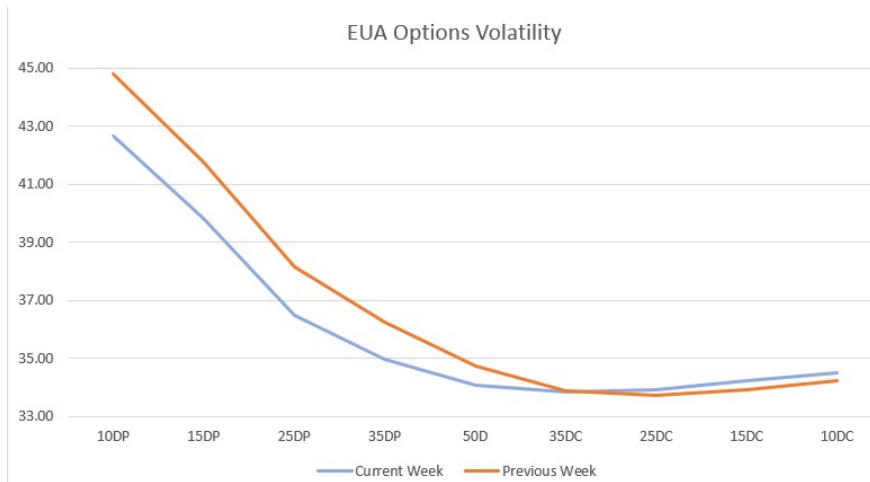
Source: Refinitiv

EUA Options Market

Put skew down 4.78% and call skew up 0.82% for the week. Volume in the front-December contract was a little over 22 million EUAs, with nearly 4 mln of that total being traded as blocks on the ICE exchange. Other contracts added an aggregate 4.6 mln allowances.

Source: CarbonPulse

Volatility Surface: 22/09/2023									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	42.66	39.82	36.48	34.99	34.08	33.85	33.92	34.22	34.52
WoW Change	-2.14	-1.96	-1.66	-1.28	-0.65	-0.04	0.20	0.28	0.28
Previous Week	44.80	41.78	38.14	36.27	34.73	33.89	33.72	33.94	34.24



Source: Refinitiv

Source: Bloomberg

Market News

(CarbonPulse): New Zealand's Labour party will set separate targets for gross emissions reductions and CO2 removals, limit exotic afforestation, and develop a regulatory framework for the voluntary carbon market if it returns to government at next month's elections, it announced Monday. Releasing what it dubbed to be the country's first climate manifesto, Labour said voters could either confront the climate emergency "eyes wide open" by re-electing it, or "bury their head in the sand" by voting for the National party. "New Zealand has an incredibly positive future if we take the climate seriously with real actions to keep reducing our emissions," Prime Minister and Labour leader Chris Hipkins said.

(Reuters): Australia's Fortescue said on Friday it will divert funds that were allocated to carbon offsets towards decarbonisation in a bid to achieve "Real Zero" by 2030. The world's fourth-largest iron ore miner plans to no longer buy carbon offsets. Fortescue, which aims to position itself as a global green energy company, reorganised its business this year into two divisions under energy and metals.

(OPIS): Regulatory integrity and transparency are amongst the key drivers to attract financing into the Australian carbon markets, panellists said on Thursday at the Carbon Market Institute's Annual Emissions Reduction Summit in Sydney. Having regulatory certainty and integrity within a market for challenging activities such as a carbon project is key to ensure that it has no leakage and has certificates that are safe in a registry and with proper oversight for every step along the way, said Francis Hasek, Chief Risk Officer at Viridios Capital. The due diligence is always around the underlying financial modeling that goes with investment opportunity, the people behind it, the strength of their balance sheet, and the regulatory certainty to ensure the integrity of the product, said Ruper Smoker, CEO of Evolution Trustees.

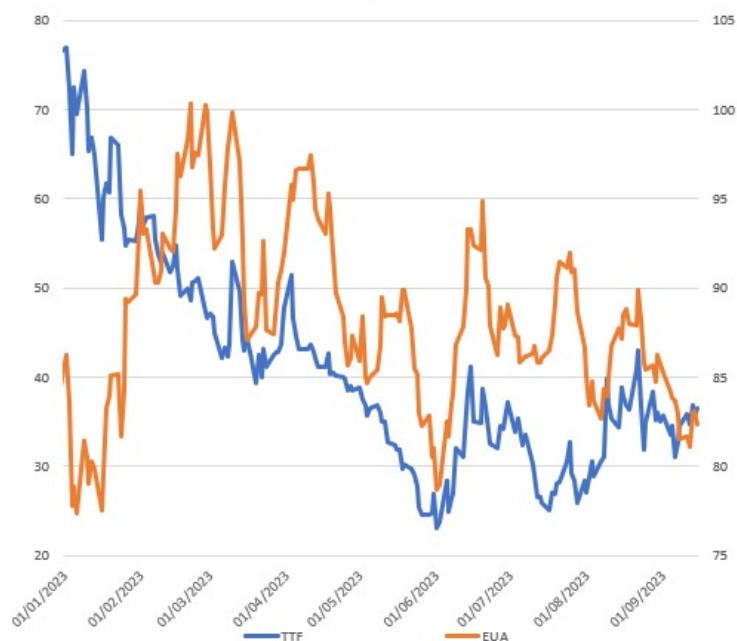
(CarbonPulse): Malta and Spain have urged the EU to add further foreign ports to a list found to have experienced a jump in activity, ahead of the bloc's inclusion of the shipping sector in the ETS from 2024 in a bid to guard against carbon leakage. The East Port Said in Egypt and the Tanger Med in Morocco were identified last month as ports where carbon leakage may be occurring, whereby carbon emissions shift from one area that is subject to carbon pricing to another that is not. Under the draft regulation to be finalised by year-end, these two ports are to be disregarded in emissions calculations in favour of the previous port where a ship was docked, when calculating ETS obligations to help prevent ships altering their routes to minimise their carbon costs.

(CarbonPulse): The middle of the REDD avoided deforestation curve, such as credits issued in 2018 and 2019, fell last week although there seemed little movement in older or fresher vintages in the sector. CIX, which has created a series of benchmarks based on 11 well known projects, saw its assessment for 2019 to 2022 vintages fall \$0.43 week-on-week, and its assessment for v2018 to 2021 fall \$0.30. The price effectively reflects the value of the oldest vintage with the curve remaining in contango, with prices increasing year-on-year. But the CIX v2017 to 2020 assessment and the v2016 to 2019 assessment were stable, with the former dropping \$0.03 and the latter not moving.

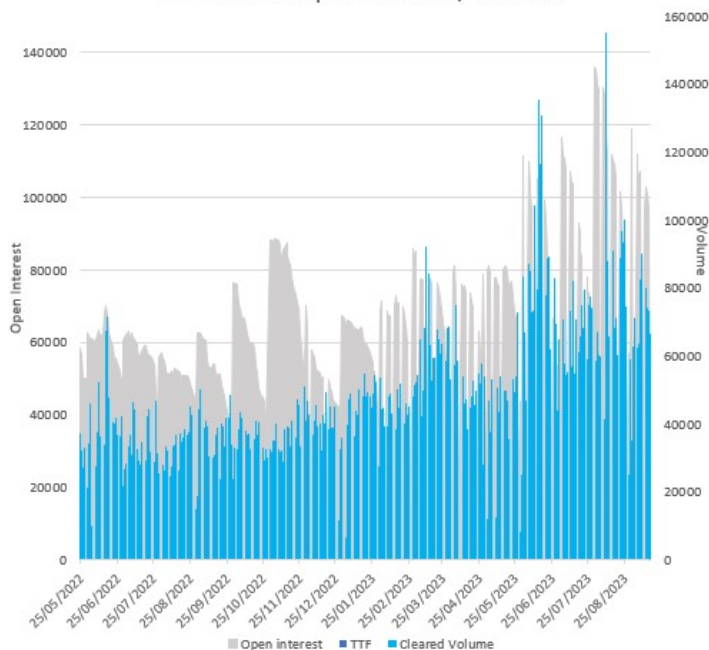
Indicated Markets

Natural gas opened sharply lower after news emerged that Chevron and Australian labour unions had reached a deal, bringing strikes at two LNG export facilities to an end. However, this was followed by an extended rally as traders appeared to switch their focus to the tightening market balance after recent North Sea production outages appeared to have taken away a significant share of the recent supply overhang, one UK-based trader said. Trader concerns over supply were also rekindled by reports of a Russian ban on some fuel exports, which boosted gas and crude prices. Bloomberg reported that Russia had imposed a temporary ban on exports of diesel and gasoline. October TTF climbed as much as 7.3% to €41.940/MWh, but gave up a sizeable chunk of the gains later on amid end-of-week profit-taking. The contract settled 1.8% higher at €39.791/MWh on ICE. Cal-24 German baseload power also peaked in line with gas prices, adding as much as 1.5% at one stage before slipping back in the afternoon. The contract last traded 0.2% up on the day at €126.50/MWh on EEX. Cal-24 API2 coal was last seen up 0.1% at \$128.50/tonne on ICE.

EUA Dec23/TTF Futures



TTF Futures Open Interest/ Volume



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