



Carbon Weekly Report

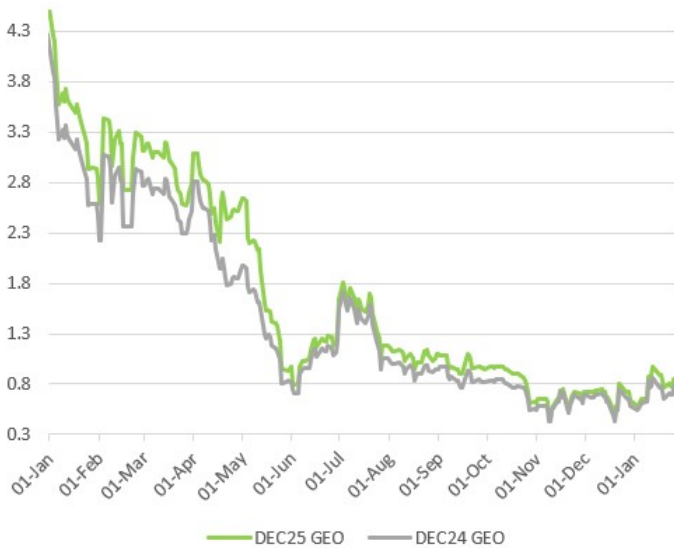
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29/01/2024

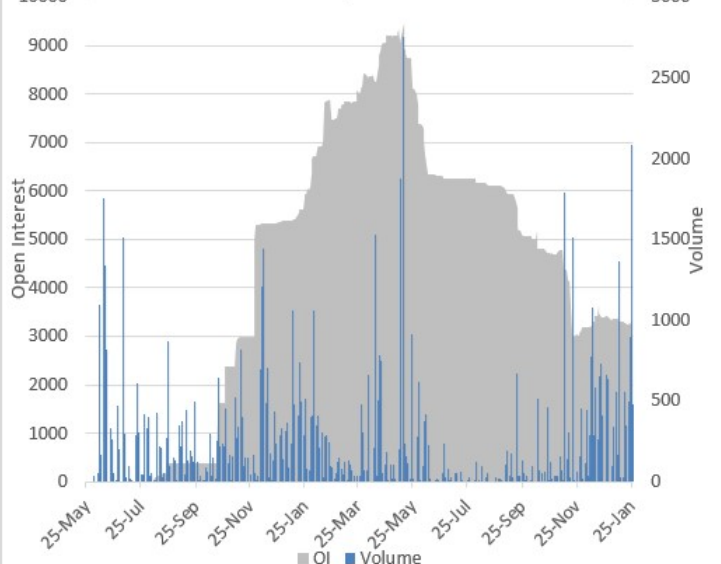
(FISe View): 586kt traded on the NGO Dec24 for the week with the contract settling at \$1.32. Open Interest on the Dec24 contract is at 4.416MT. 4375kt Traded on the GEO Dec24 contract settling at \$0.78. Open interest is at 3.337Mt on the GEO Dec24

source: Refinitiv

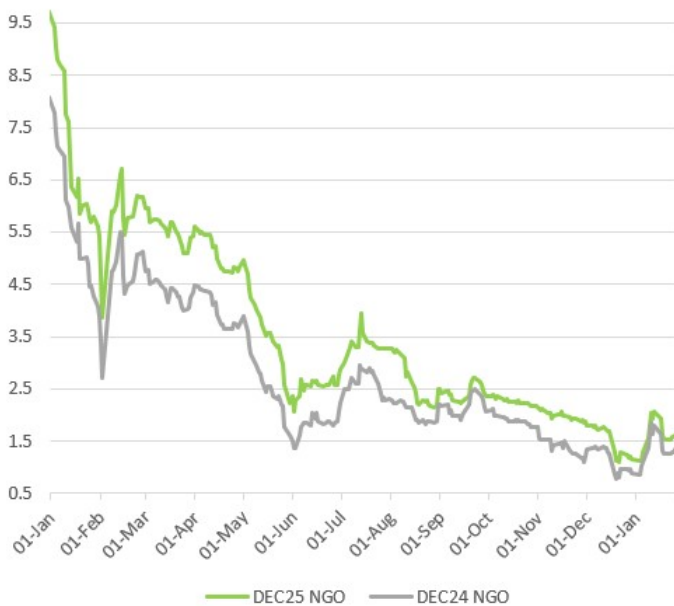
CME GEO DEC24/ DEC25 Futures



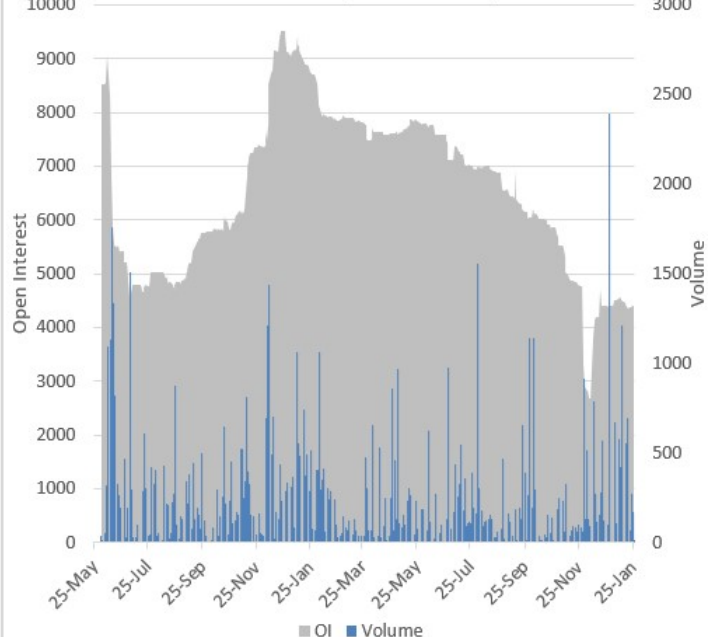
CME GEO DEC24 Open Interest/ Volume



CME NGO DEC24 / DEC25 Futures

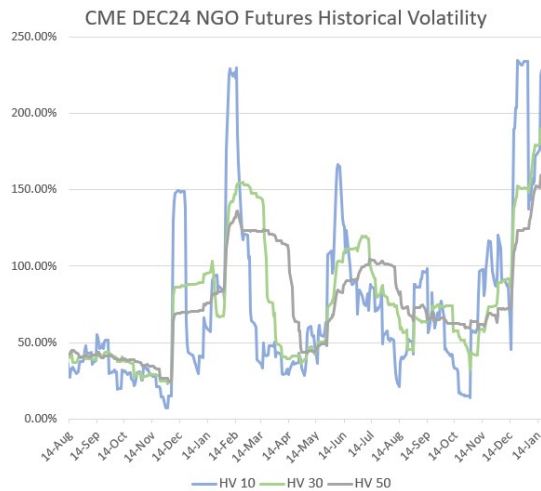


CME NGO DEC24 Open Interest/ Volume



CME NGO Historical Volatility

10 day volatility at 144%. 30 day volatility flat down to 159% and 50 day volatility at 235%.
 NGO Dec24 contract is up \$0.79 for the week, settling at \$2.08

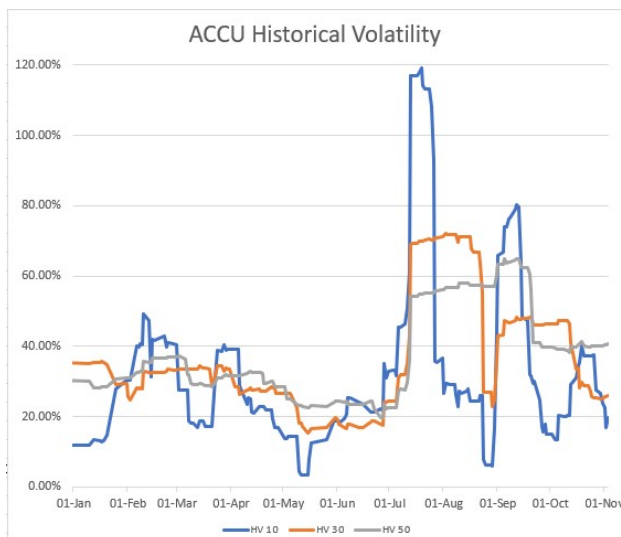


Source: Bloomberg

Block Trades on CME (w/c 12th Jan)

ACCU & NZU Market

(Reputex): Light volumes saw ACCU prices lift last week, with HIR units again testing recent highs at \$38/t. With bullish momentum and the extended Australian summer holiday period coming to an end, eyes now turn to how sellers engage at these higher levels, and how quickly compliance entities begin to execute their purchasing strategies.



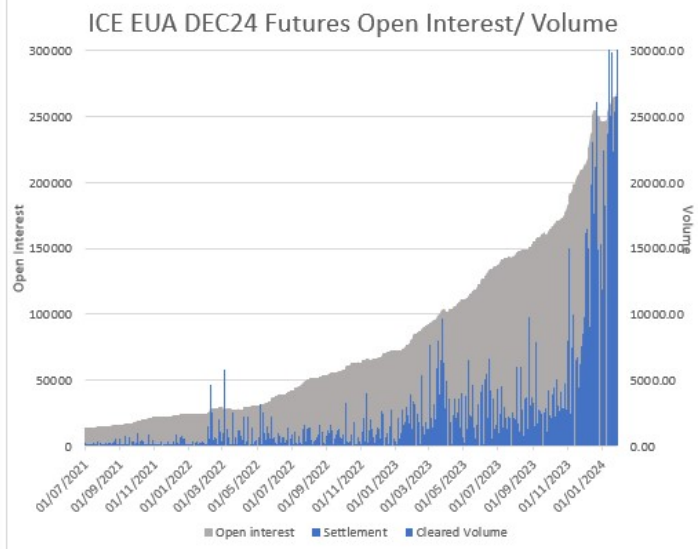
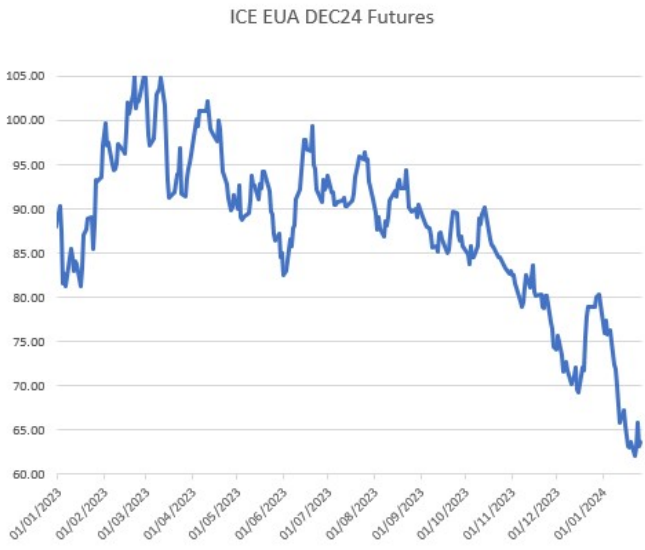
ACCU IMPLIED VOLATILITY SURFACE					
IO	10% Put	25% Put	ATM	25% Call	10% Call
Sep-23	49.00	46.50	44.00	45.00	46.50
Dec-23	47.00	44.50	42.00	43.00	44.50
Mar-24	45.00	42.50	40.00	41.00	42.50
Jun-24	43.00	40.50	38.00	39.00	40.50
Sep-24	41.00	38.50	36.00	37.00	38.50
Dec-24	39.00	36.50	34.00	35.00	36.50

Source: Bloomberg

Compliance Markets

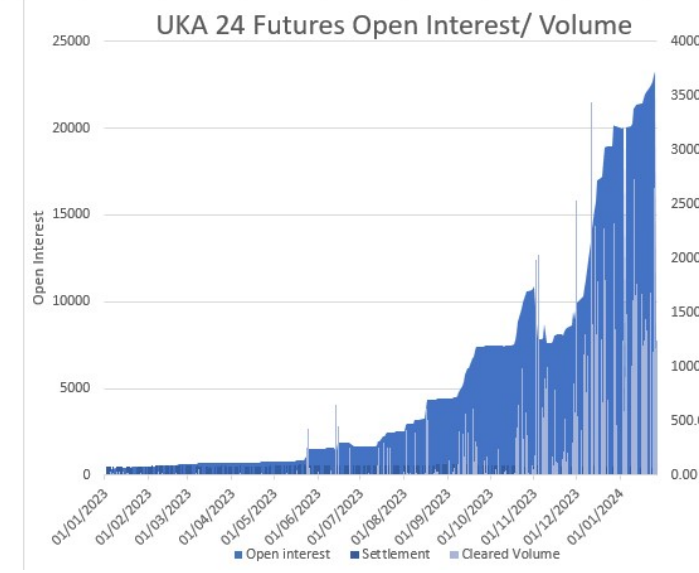
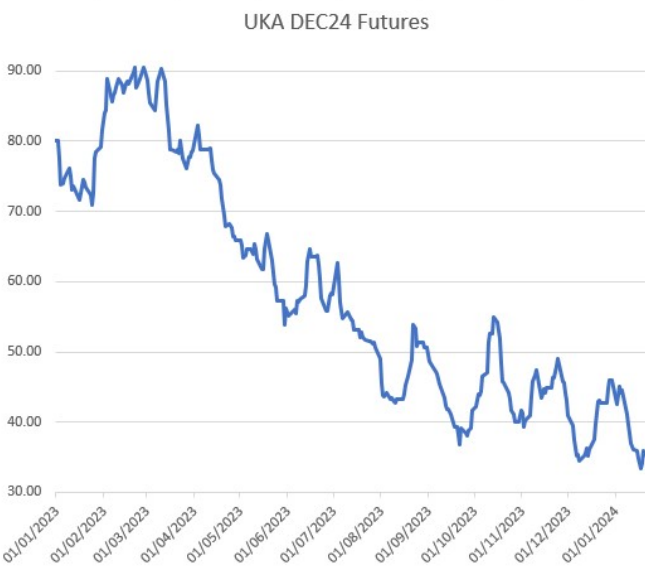
EUAs

Dec-24 EUAs opened with a bearish tone, with prices dropping to a low of €62.00 in the first 20 minutes of the session, before consolidating between €62.50-€63.00 as the auction bidding window came to a close. EUAs were also dragged higher by the news, with the Dec-24 contract rising from just above €63.00 to the day's high of €65.15 in just 20 minutes. The rally was short-lived, and while the market stabilised around €63.80 ahead of the settlement window, prices were soon on the wane again, falling back to €63.00 in the last 30 minutes of business. The benchmark carbon contract settled 0.6% higher at €63.58, but giving a weekly decline of 0.1%. Volume in the front-December was 26 Mt, while other contracts added a further 7.7 Mt.



UK ETS

UK Allowances tracked the movement in EUAs, with early weakness interrupted by a sharp jump after the EU auction to a high of £34.35 on ICE Futures Europe. Levels then fell back to a low of £33.38 in the afternoon before a very brief rally on the LNG news to £33.88. The front-December eventually settled 1.6% down at £33.41, a weekly loss of 6.8%. Volume was 1.2 Mt. The UKA-EUA spread widened by around €3 over the course of the week, ending Friday at -€24.50.



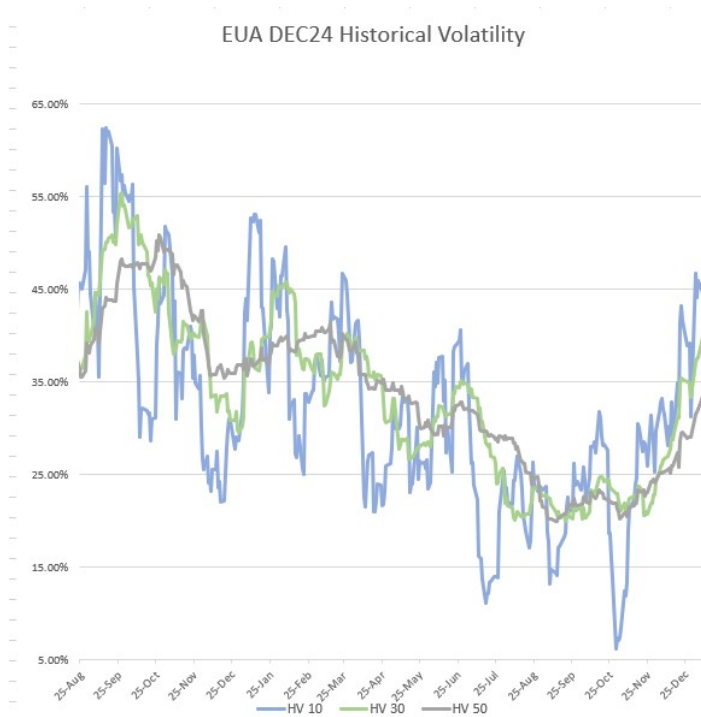
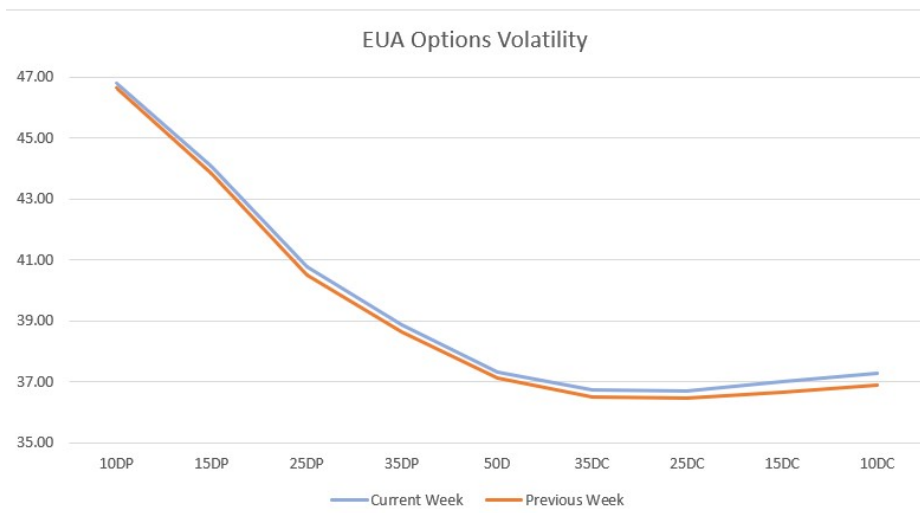
Source: Refinitiv

EUA Options Market

Dec-24 EUAs opened with a bearish tone, with prices dropping to a low of €62.00 in the first 20 minutes of the session, before consolidating between €62.50-€63.00 as the auction bidding window came to a close. Prices quickly came back down, trading in the mid-to-upper €63s for a short while, before beginning a slow decline that ended mid-afternoon with a brief drop to €62.77

Source: Bloomberg

Volatility Surface: 26/01/2024									
TERM	10DP	15DP	25DP	35DP	50D	35DC	25DC	15DC	10DC
Current Week	46.81	44.06	40.78	38.88	37.33	36.73	36.72	37.01	37.30
WoW Change	0.15	0.20	0.26	0.25	0.19	0.22	0.25	0.34	0.41
Previous Week	46.66	43.86	40.52	38.63	37.14	36.51	36.47	36.67	36.89



Source: Refinitiv

Source: Bloomberg

(CarbonPulse): The Biden administration has paused pending and future approvals of liquified natural gas (LNG) exports in order to assess the impact on energy costs, energy security, and the environment, the White House announced Friday. “This pause on new LNG approvals sees the climate crisis for what it is: the existential threat of our time,” President Joe Biden said in the statement. The move effectively halts any decisions by the Department of Energy (DOE) on the matter. “The current economic and environmental analyses DOE uses to underpin its LNG export authorisations are roughly five years old and no longer adequately account for considerations like potential energy cost increases for American consumers and manufacturers beyond current authorisations or the latest assessment of the impact of greenhouse gas emissions,” the White House said in a statement. Analysis by firm Clearview Energy Partners estimates the pause is unlikely to end until after the federal election, scheduled for Nov. 5, 2024, as a result of the additional economic modelling that would be required, followed by a review for comment and finalisation.

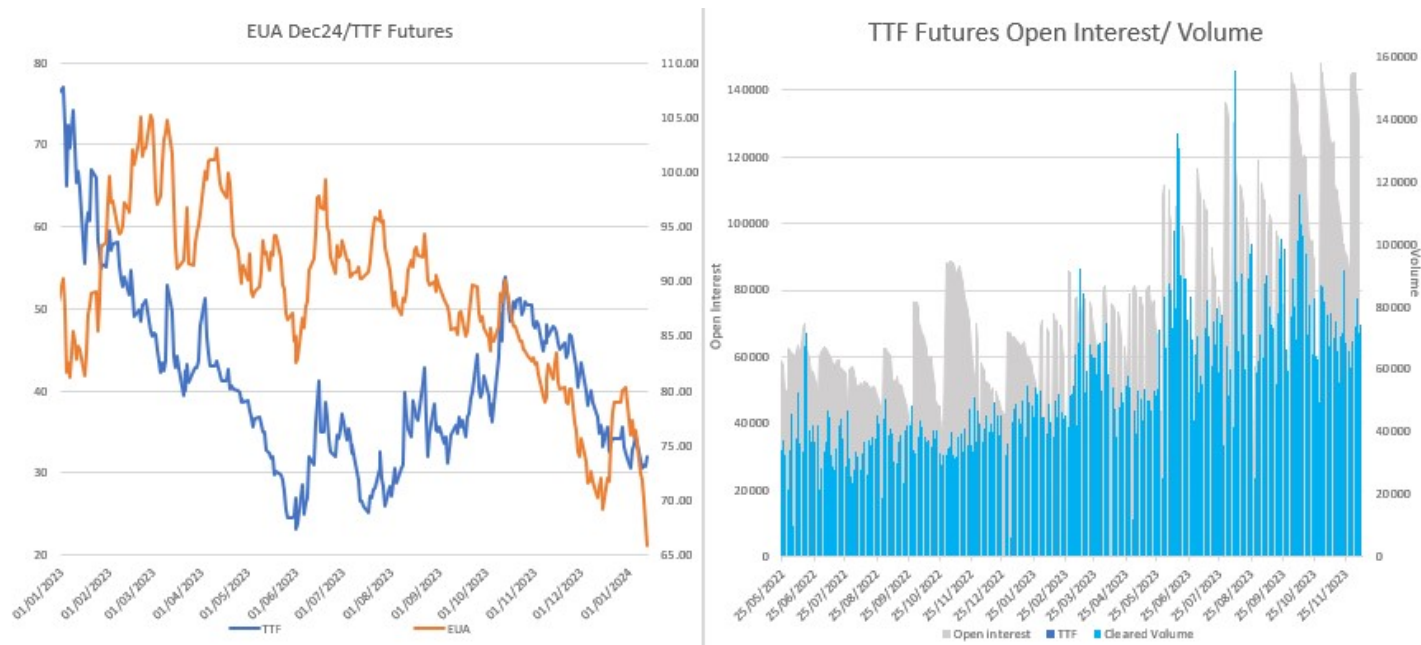
(CarbonPulse): Researchers have identified the countries most likely to support the EU’s Carbon Border Adjustment Mechanism (CBAM), and therefore which governments are most willing to accept it amid an objective of securing the policy’s survival and broader adoption globally. The study, published in Energy Strategy Reviews, comprehensively analysed the potential support for the EU’s controversial measure, which came into force late last year as part of efforts to limit carbon leakage among the bloc’s heavy industry. It also seeks to incentivise other nations to implement or strengthen their carbon pricing mechanisms, by applying EU-level carbon pricing to commodities including steel, aluminium, cement, and fertilisers, that are produced in other countries with more lax environmental regulations. But the CBAM has sparked controversy in global trade, with significant economies like China, India, Japan, and the US expressing scepticism, and some threatening retaliatory trade measures or to challenge the policy at the WTO.

(CarbonPulse): Significant price consolidation of ACCUs sourced from different project types is unlikely to occur until the first compliance deadline to surrender credits under the Safeguard Mechanism in early 2025, a trader said Thursday. ACCU prices are seeing large amounts of stratification between project types, as corporates and speculators value each project type differently depending on a range of factors. There have been calls previously from some market actors for ACCU participants to move on from voluntary market thinking towards a compliance style market, thanks to the reformed Safeguard Mechanism. Predictions that ACCU prices would consolidate in the lead up to the reformed Safeguard Mechanism’s first surrender deadline in Mar. 2025 have so far yet to come to pass. Vidur Nayar, head of environmental trading APAC at Hartree Partners, said the current exit pilot arrangements for Carbon Abatement Contract holders with the government had unlocked significant supply into the secondary market, which had contributed to the pricing stratification between different ACCU types.

Source: CarbonPulse

Indicated Markets

Energy markets were weaker on Friday morning as “persisting mild and windy weather forecasts [kept] a lid on gas demand for heating and for power generation,” analysts at Engie EnergyScan wrote in a daily report. However, the bearish outlook was wiped out by the news from the US, which rescued prices from what was setting up to be a bearish outcome. February TTF natural gas fell as much as 4.6% in the morning, and was heading for a weekly decline of around 5% when the Freeport outage triggered a sharp jump to nearly €29.000/MWh. The benchmark contract settled at €28.079/MWh on ICE, a daily gain of 1.1% and a five-day decrease of 1.2%. Cal-25 German baseload power was headed for a weekly loss of as much as 4.5% in earlier trading, before jumping to a high of €81.85/MWh on EEX. The contract last traded at €79.50/MWh, a loss of 0.5% on the day and giving a weekly decline on the same scale. Cal-25 API2 coal last traded 0.3% higher at \$95.50/tonne on ICE.



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