

EU ETS political strife weighs on carbon prices

Market awaiting ENVI debate conclusions – our outlook: neutral

- EUAs closed at €82.35– down c.5% week-on-week; traded across a wider €8.11 range (vs €5.55 last week)
- A weak start for EUAs despite emerging buying interest; volatile trading then accompanied news of the plenary vote; some recovery came later in the week driven partly by traders closing out short positions
- With the EU ETS reforms and CBAM having been returned to the ENVI (see ‘Other News’), the market will keenly anticipate developments
- [Request our special report](#) for more on the 8 June plenary meeting
- ENVI is set to meet from 13-14 June; EU ETS rapporteur, Peter Liese, is keen for a clear consensus by the next plenary meeting – 22-23 June
- Divisions between political groupings is pronounced and so any delay to this timetable would likely pressure EUA prices, especially given the upcoming summer break (from late July) could lead to further delays
- EUA prices will likely be sensitive to news reports on any potential revisions to the proposals; this may lead to some pricing volatility
- An ongoing focus for the market remains the extent to which any limitations may be placed on financial speculators in the carbon market
- Any EUA price control mechanism will similarly be closely monitored
- The market will also keenly monitor gas supply developments post the explosion and fire at the Texas Freeport LNG terminal; any delay to the restart (expected after three weeks) would likely add upward pressure to European gas prices given the need to replenish stocks ahead of winter
- **SAVE THE DATE: Carbon Forward** – Europe’s largest environmental conference set for **12-14 October 2022** in London. [Sign up here.](#)
- For daily carbon market updates [sign up for the DailyRed here](#)

Auction supply may temper upside – our outlook: neutral

- UKAs closed at £82.26– down c.1% week-on-week; traded across a narrower range of £2.30 (vs £2.90 last week)
- UKA to EUA weekly average premium widened to €15.03 (vs €12.64 last week) – see 2nd chart; total premium now stands at €7.33
- UKAs started the week relatively subdued with trading bound in a tight range; some resilience followed before a quiet, lacklustre close
- Auction scheduled this week – 15 June at 3.2mT

Investor interest sees further trimming

- KFA Global Carbon ETF (proxy for investor interest) EUA holdings down c.1% to 8.2mT; UKAs are down c.2% 612kT; NAV at c.US\$1.2bn

Technical near-term outlook – neutral-bullish

- Futurestechns’ next level: €88.64 protects €92.75; €78.90, €77.38 and €76.36-48 on the downside
- Favoured trade: Scope for two-way trade short term. Shorts favoured for choice.

OTHER COMPLIANCE MARKET NEWS

- Lawmaker hopes for emissions success in June; EU Parliament’s CBAM spat could delay a carbon border tax by years

VOLUNTARY CARBON MARKET NEWS

- CET prices down 1% week-on-week; The Voluntary Carbon Market Integrity Initiative (VCMI) launches its provisional Claims Code of Practice

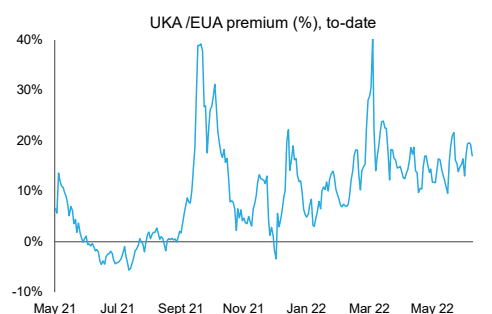
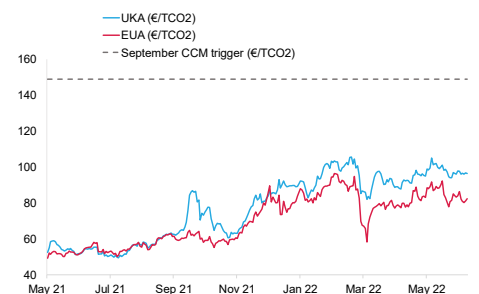
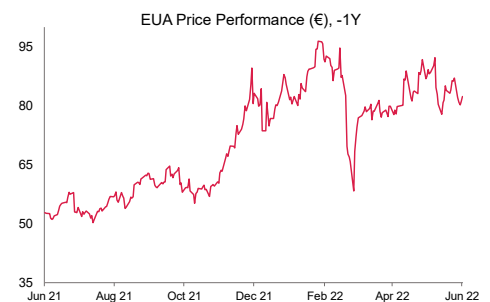
RENEWABLE ENERGY NEWS

- EU GOs up c.2% to €1.995; IRENA and RCREEE strengthen energy transition collaboration in MENA region; Swiss GOs will soon be managed on Grexel platform

Key performance metrics

Weekly Price Changes				
Product	3/06/22	10/06/22	Change	% Change
EUA Dec 22 (€)	87.09	82.35	-4.74	-5.4%
UKA Dec 22 (£)	83.25	82.26	-0.99	-1.2%
UKA /EUA premium /discount (€)	11.27	14.02	2.75	24.4%
DE Power Cal23 (€)	248.50	224.00	-24.50	-9.9%
Coal API2 Cal23 (US\$)	228.47	213.43	-15.04	-6.6%
Dutch TTF Cal23 (US\$/mmBTU)	26.27	25.24	-1.03	-3.9%

Krane Shares Global Carbon ETF (proxy investor interest)				
	3/06/22	10/06/22	Change (units)	Change (%)
EUA holdings (kT)	8311	8218	-93	-1.1%
UKA holdings (kT)	622	612	-10	-1.6%
NAV (US\$m)	1278	1203	-75	-5.8%



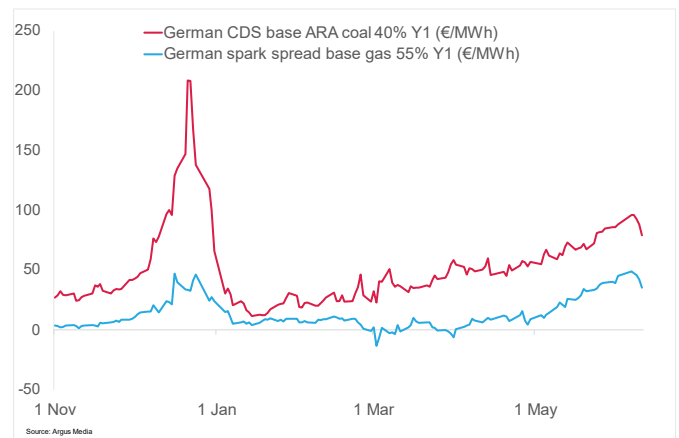
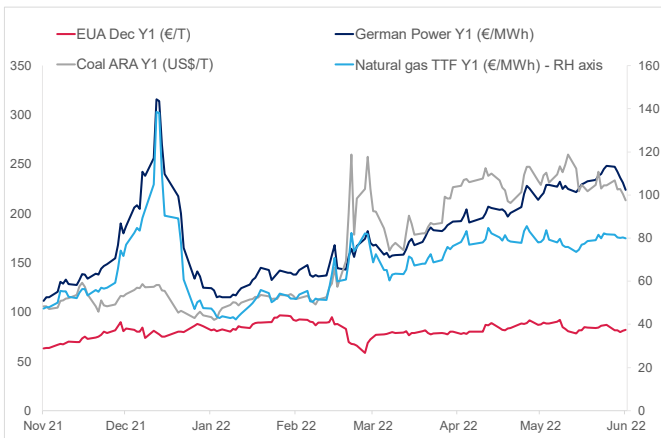
Technical outlook – neutral-bullish


Analysis provided by the award-winning Clive Lambert at Futurestechs Limited. If you would like to receive his full daily commodities report, please [contact Clive directly](mailto:clive@futurestechs.com).

- Short Term Trend: Neutral-Bullish
- Yesterday's candle: No swift recovery was forthcoming but the ship steadied at the tail end of last week to keep €78.90 below. With bold levels at R5 and R6, and basis the "Bearish Engulfing" candle on the weekly chart this has a slightly heavy feel as we start this new week.
- Favoured Trade(s): Scope for two-way trade short term. Shorts favoured for choice.


Coal and gas margins both fall although former retains the lead

- The chart below on the left shows the forward year price performance of EUAs, German power, ARA coal and TTF natural gas
 - In the last week, Dec Y1 EUAs fell c.5%, Y1 German power fell c.10%, Y1 ARA coal fell c.7% while Y1 TTF gas fell c.2%
- The chart below on the right shows German forward year power generation margins where coal and gas are the fuel sources
 - Y1 coal margins stand at c.€79/MWh (down 18% this week) vs Y1 gas margins at c.€36/MWh (down 25%)
 - Coal as a power generation fuel source continues to remain more profitable than gas



Auction Timetable: 6 June - 17 June, 2022					
Date	Volume	Auction Platform	Allowance Type	Cover Ratio	Total Bid Quantity
06-Jun-22	WHIT MONDAY				
07-Jun-22	2,295,500	EEX	EUA - Phase IV	2.41	5,522,000
08-Jun-22	2,658,000	EEX	EUA - Phase IV	2.24	5,964,000
09-Jun-22	2,295,500	EEX	EUA - Phase IV	2.41	5,532,500
10-Jun-22	1,944,000	EEX	EUA - Phase IV	2.36	4,595,500
13-Jun-22	2,295,500	EEX	EUA - Phase IV		
14-Jun-22	2,295,500	EEX	EUA - Phase IV		
15-Jun-22	NO EUA AUCTION				
15-Jun-22	3,221,500	ICE	UKA - Phase I		
16-Jun-22	2,295,500	EEX	EUA - Phase IV		
17-Jun-22	1,944,000	EEX	EUA - Phase IV		

OTHER COMPLIANCE MARKET NEWS

Lawmaker hopes for emissions success in June. The European Parliament (EP) has scheduled a vote on ETS reforms, the social climate fund and the CBAM at its next plenary session – 22-23 June. At the recent 8 June meeting, the EP voted – by 340 votes to 265 with 34 abstentions – to refer the EU ETS reforms back to the environment committee (ENVI). The ENVI is now set to meet again from 13-14 June. Political divisions on the reforms have been stark and it is not clear yet as to whether they can be bridged.

EU Parliament’s CBAM spat could delay a carbon border tax by years. At the plenary vote on 8 June, centre-right MEPs added amendments to the CBAM proposals that would have phased out free allowances from 2028-34 (even though industrials affected would have started to benefit from the border tariff applied to their overseas competitors). This was later than the ENVI-proposed 2025-30 and the original Fit for 55’s 2026-35. Industry has long been lobbying for a longer transition and extension of free allowance awards. The position has been vehemently opposed by centre-left parties which voted against the proposal. The US has also been insistently urging EU lawmakers to delay the CBAM until a measure can be coordinated among the G7. However, the EU is reported to be sceptical that a carbon border tariff will come to pass in the US. The timeline for the passing of the CBAM in any form is unclear. Commentators argue that this will allow more time for the US to convince EU governments to delay in approving legislation. If so, there is the perceived risk by some that the delay could extend to years.

VOLUNTARY CARBON MARKET NEWS

CET prices down 1% this week; CORSIA Eligible Tokens (CETs) trading on the AirCarbon Exchange (i.e. VERs based on the CORSIA standard).

ACX nature-based prices flat week-over-week.

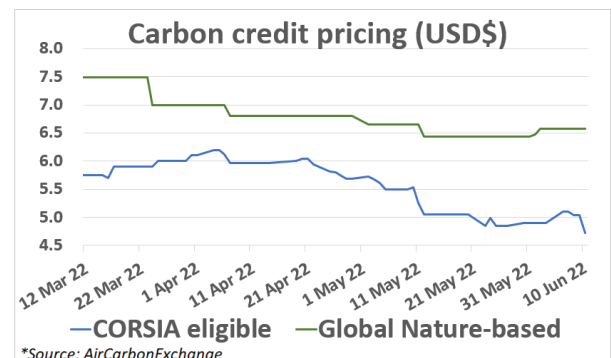
The Voluntary Carbon Market Integrity Initiative (VCMI) launches its provisional Claims Code of Practice

The code aims to guide credible, voluntary use of carbon credits and associated claims. The launch also encouraged stakeholders and businesses to review the Code of Practice and provide feedback as part of a public consultation.

Executive Director of the VCMI, Mark Kenber, said "We need to have something that provides coherence and consistency across corporate claims around carbon credit use, in conjunction with their decarbonisation".

The final version of the VCMI Claims Code of Practice is expected to be published early 2023.

Plannet Zero, part of the Redshaw Advisors group, has a team of experts to guide corporates through the voluntary carbon market. To speak to a member of the team, click [here](#).



Indicative carbon credit pricing (US\$)

Project type	10-Jun	03-Jun	US\$ change	% change
Hydro	\$4.50 - \$6.50	\$4.50 - \$6.50	→ 0.00	→ 0.0%
Renewable Energy	\$5.25 - \$7.00	\$5.25 - \$7.00	→ 0.00	→ 0.0%
REDD+	\$12.00 - \$15.00	\$12.00 - \$15.00	→ 0.00	→ 0.0%
Afforestation/Reforestation	\$16.00 - \$18.50	\$16.00 - \$18.50	→ 0.00	→ 0.0%

Pricing is reflective of: Verra registry credits | Vintages 2019+ | Volumes > 5,000tCO₂e

RENEWABLE ENERGY MARKET NEWS

Week 23 AIB Renewables current year:

Mid-price = 1.995 EUR (+ 0.035 EUR)

IRENA and RCREEE strengthen energy transition collaboration in MENA region. The International Renewable Energy Agency (IRENA) and the Regional Center for Renewable Energy and Energy Efficiency (RCREEE) have agreed to collaborate on the scaling up of RE deployment in MENA. The groups will partner on regional dialogues, share knowledge and cooperate on building out RE capacity across the region. The agreement renews an existing MoU signed by the two organisations in 2015. IRENA and RCREEE have been strategic partners for other initiatives, including the Pan-Arab Clean Energy Initiative (PACE).

Swiss Guarantees of Origin will soon be managed on Grexel platform. Grexel has announced that Pronovo will start using the G-REX platform for the management of Guarantees of Origin (GOs). The new registry system will operate in Grexel's new registry solution, G-REX. G-REX is reported to have been designed API first to allow easy integration and scalability. The registry is also expected to have the latest disclosure functionalities to enable a smooth and user-friendly process from issuing to energy disclosure.

Week 23 GO AIB Renewable			
Product €/GO	Bid	Ask	+/-
2022	1.9700	2.0200	0.0350
2023	2.1600	2.2100	0.0275
2024	2.2050	2.2650	0.0150

Breakdown of Redshaw Advisors' full services

Redshaw Advisors' Compliance Carbon Services

INFORM	ADVISE	PROCURE
<p>Unrivalled market intelligence bringing you the latest pricing and developments for EU and UK carbon allowances.</p> <p>Consultancy and training on all aspects of emissions trading activities – delivered by renowned carbon market experts.</p>	<p>Advisory and risk management services to help you manage your carbon exposure and reduce the carbon cost to your business.</p> <p>Bespoke consulting advice on any aspects of global compliance markets – tailored to your needs.</p>	<p>With decades of carbon trading experience, our award-winning team can provide a route to market for all carbon emissions products, including:</p> <ul style="list-style-type: none"> • EUAs • UKAs

Redshaw Advisors' Voluntary Carbon Market Services

INFORM	ADVISE	PROCURE
<p>Tailored training programmes covering all aspects of the voluntary carbon market – delivered by market-leading experts.</p> <p>Exclusive market outlook reports – market pricing, analytics, supply and demand trends and developments</p>	<p>Dedicated carbon market advisory services:</p> <ul style="list-style-type: none"> • Carbon market and strategy advice, footprinting guidance and confidence in communicating achievements • Leading carbon credit market insight and analysis • The latest pricing intelligence across all carbon credits 	<p>Our market specialists can assist with carbon credit procurement strategies – across all standards, platforms and contract types.</p> <p>A commitment to transparent pricing with our maximum margin guarantee.</p>

Redshaw Advisors' Renewable Energy Services

INFORM	ADVISE	PROCURE
<p>Latest renewable energy pricing for Environmental Attribute Certificates (EACs) and Power Purchase Agreements (PPAs).</p> <p>Custom-made training programmes on global power markets and renewable technologies – delivered by market-leading experts.</p>	<p>Multi-lingual advisory and unique solution services to help you achieve your renewable energy targets.</p>	<p>Cost-effective EAC procurement to address your Scope 1 and 2 emissions through:</p> <ul style="list-style-type: none"> • GOs • REGOs • RECs • I-RECs • RGGOs • PPAs

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