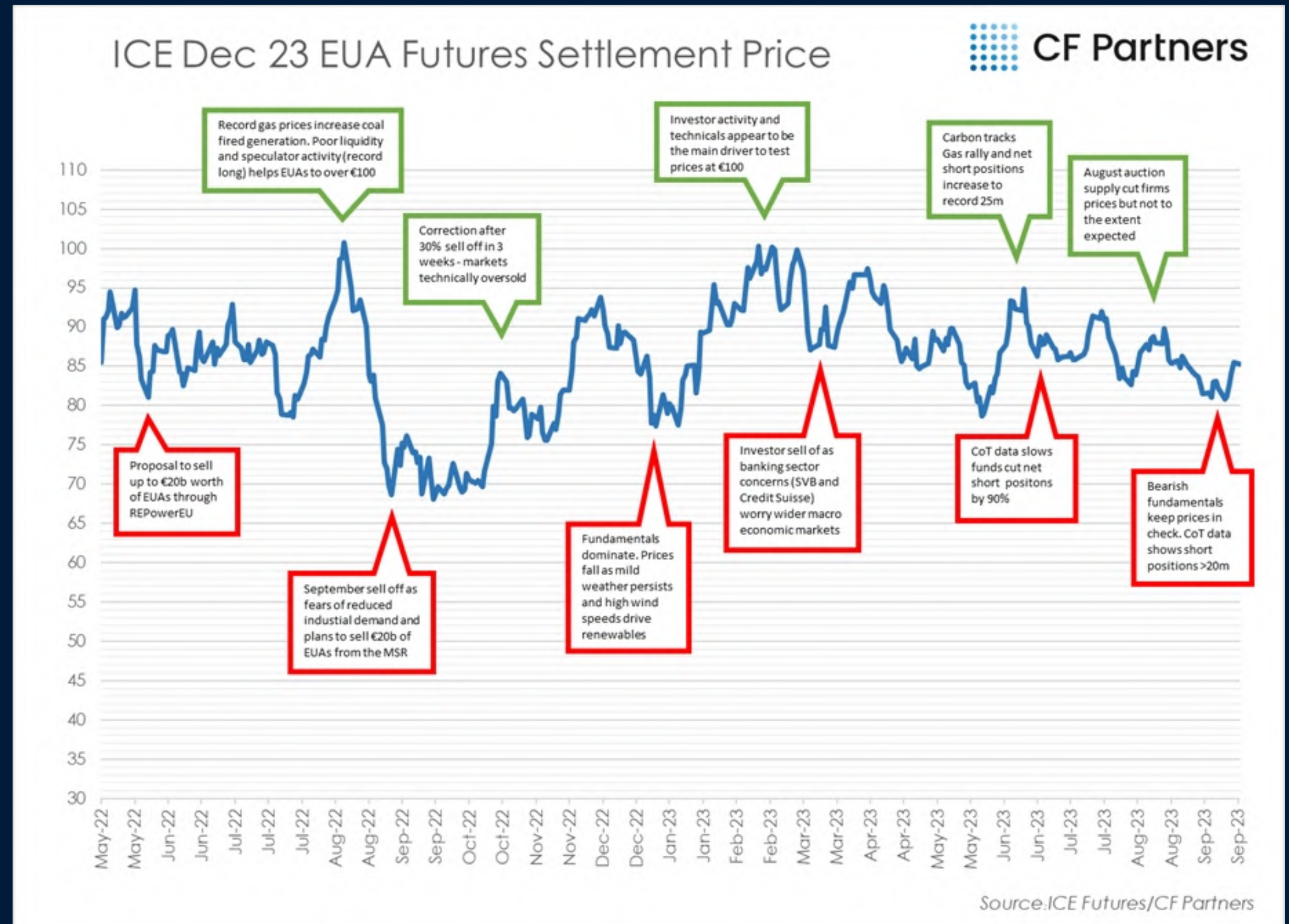


EU ETS vs UK ETS

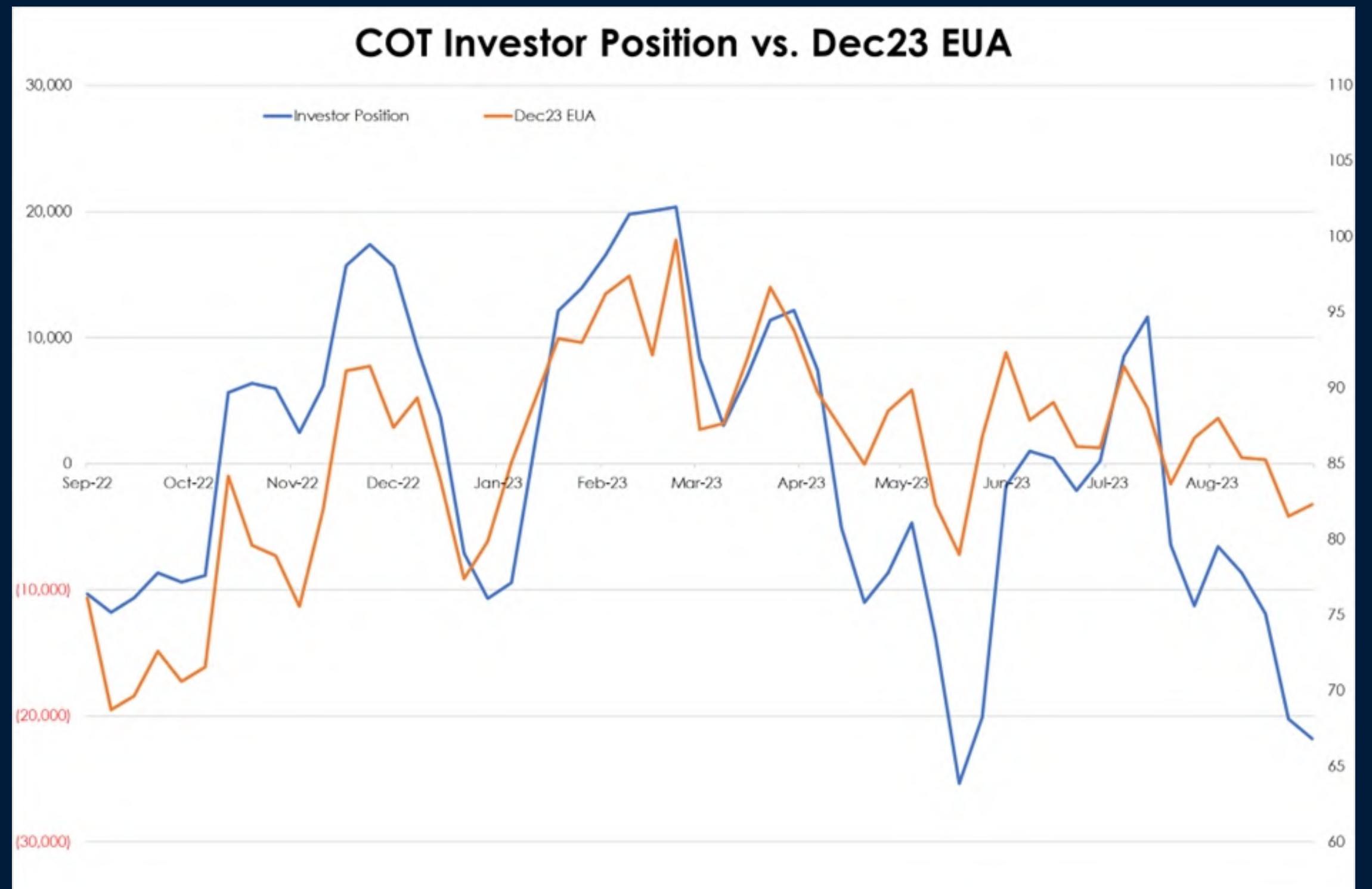
EU Carbon Key Themes

- August auction cut didn't cause prices to rally as much as expected
- Bearish short term fundamental outlook remains
- Recent prices rangebound and lower volatility
- >€80 support from Gas, Technical Indicators and Trader Positioning in absence of new policy news
- Industrial Demand – what is lasting impact of high gas prices and shift to cleaner fuels.



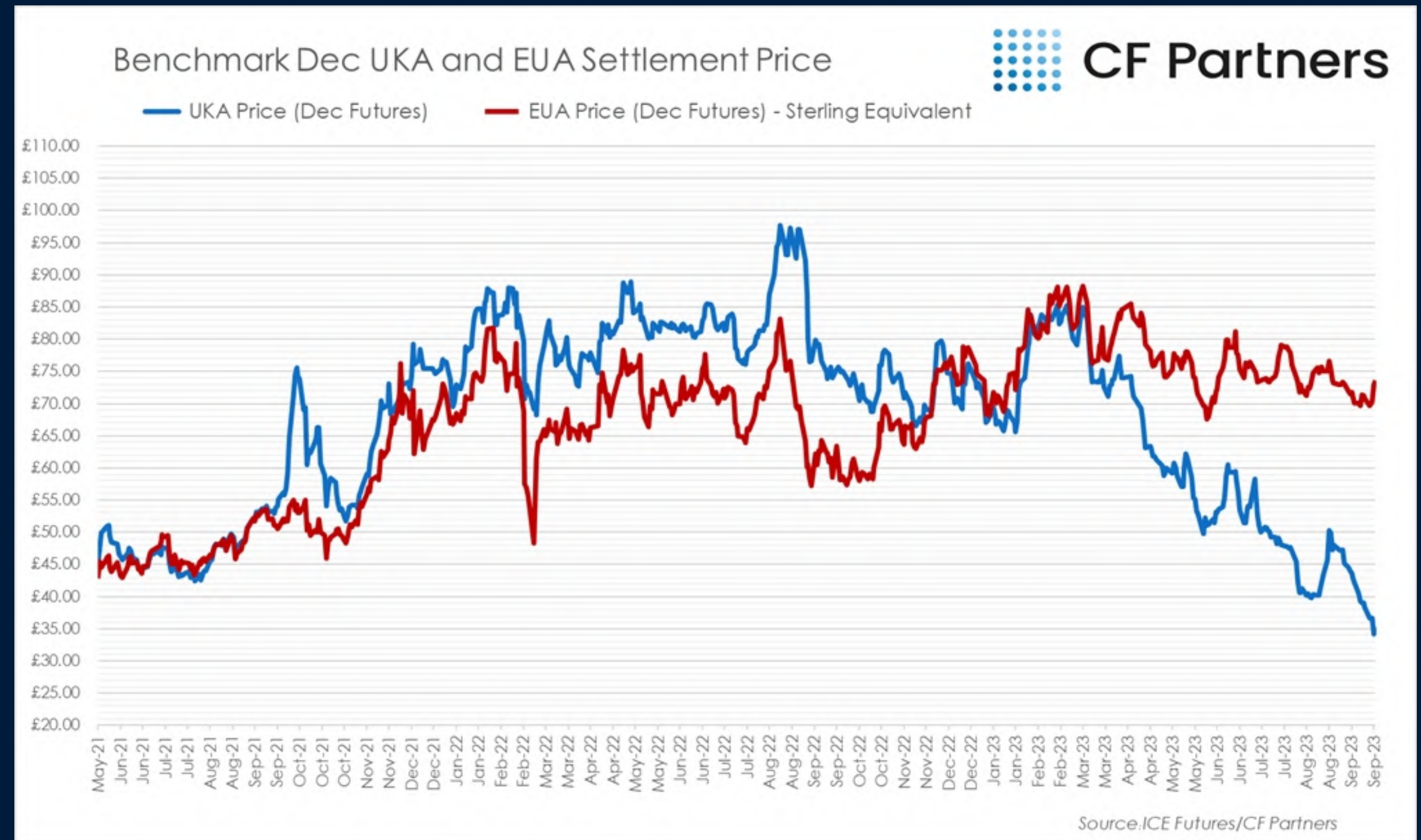
EU Carbon "Speculators"

- Weekly CoT data captures Investment and Hedge funds
- Can exacerbate price volatility
- Brings focus on macro-economic and technical factors to EU carbon market
- Technical indicators, such moving averages and trend line support closely watched
- Record short position (bearish bet) but countered by other traders forcing a "short squeeze"



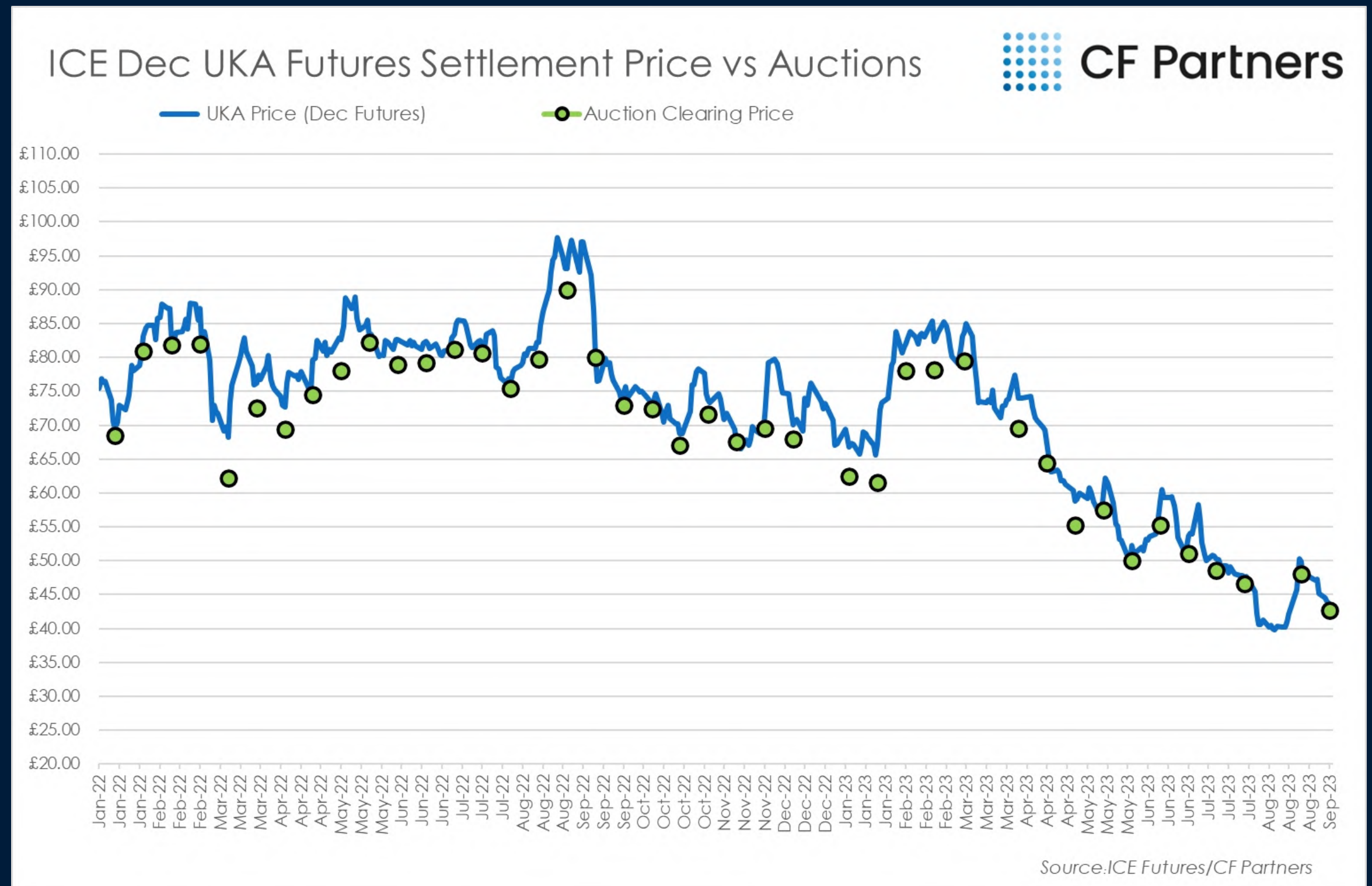
UK Carbon Key Themes

- UKA prices did look to EUAs for direction but now disconnected as policy ambition diverges
- UK ETS Reform (53.5m additional UKAs) has increased supply in short term
- High renewables, lower industry demand add to bearish outlook
- Less speculator / investor influence than EUAs
- UKA to £EUA spread now at a record -£38 discount



UK Carbon Key Themes

- Supply boost from fortnightly auctions still has an impact
- **Poor liquidity in secondary market (on offer) means prices can be volatile and wide spreads**
- Low UKA prices is driving future compliance hedging
- UK power generators currently have lower carbon costs than EU, even including the UK Carbon Price Support.
- Potential for sharp price spikes from short term increase in thermal generator demand - exports to EU and drop in wind/solar



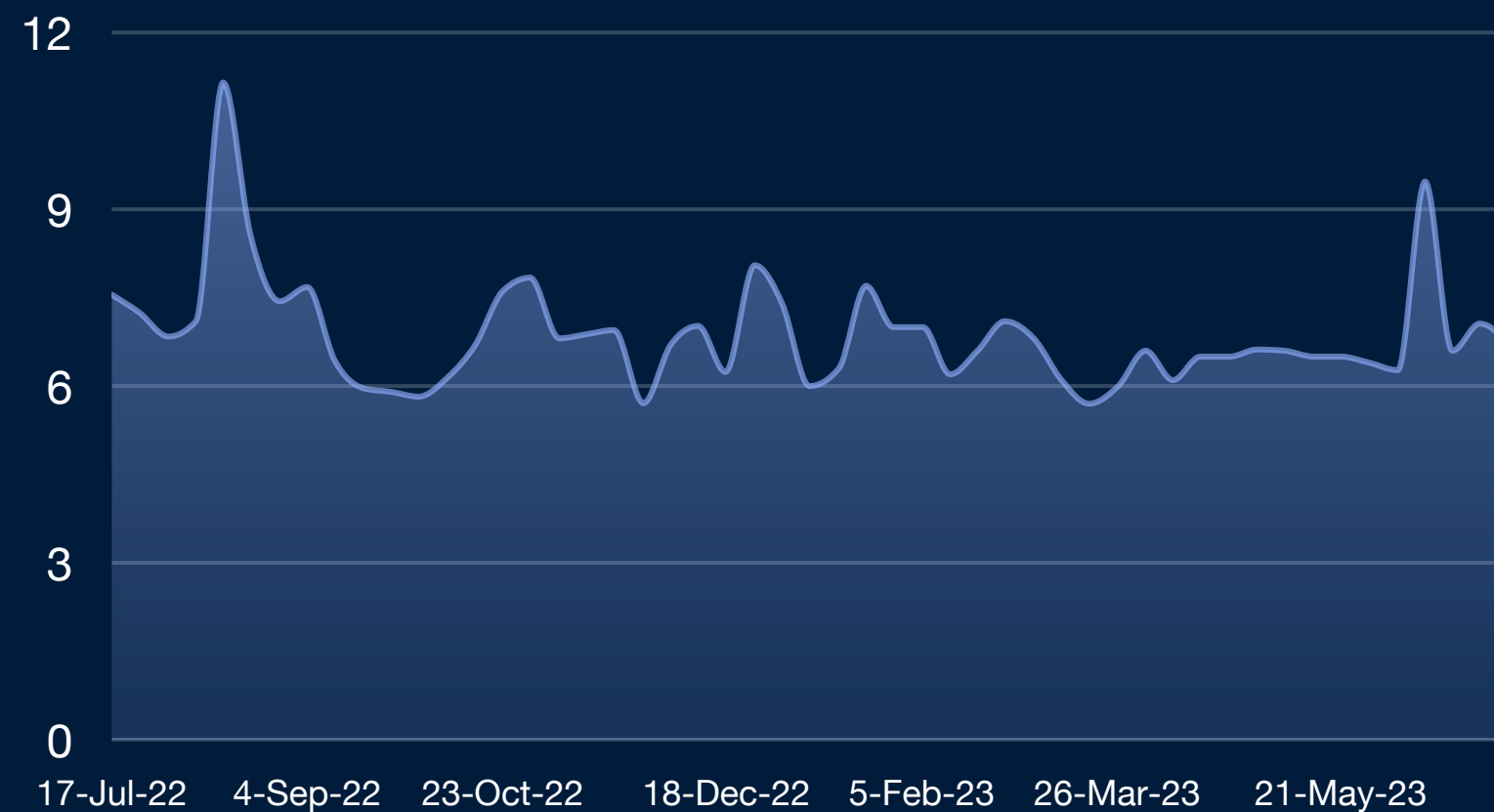


Voluntary Carbon Market

Prices in the VCM Projected to Rise

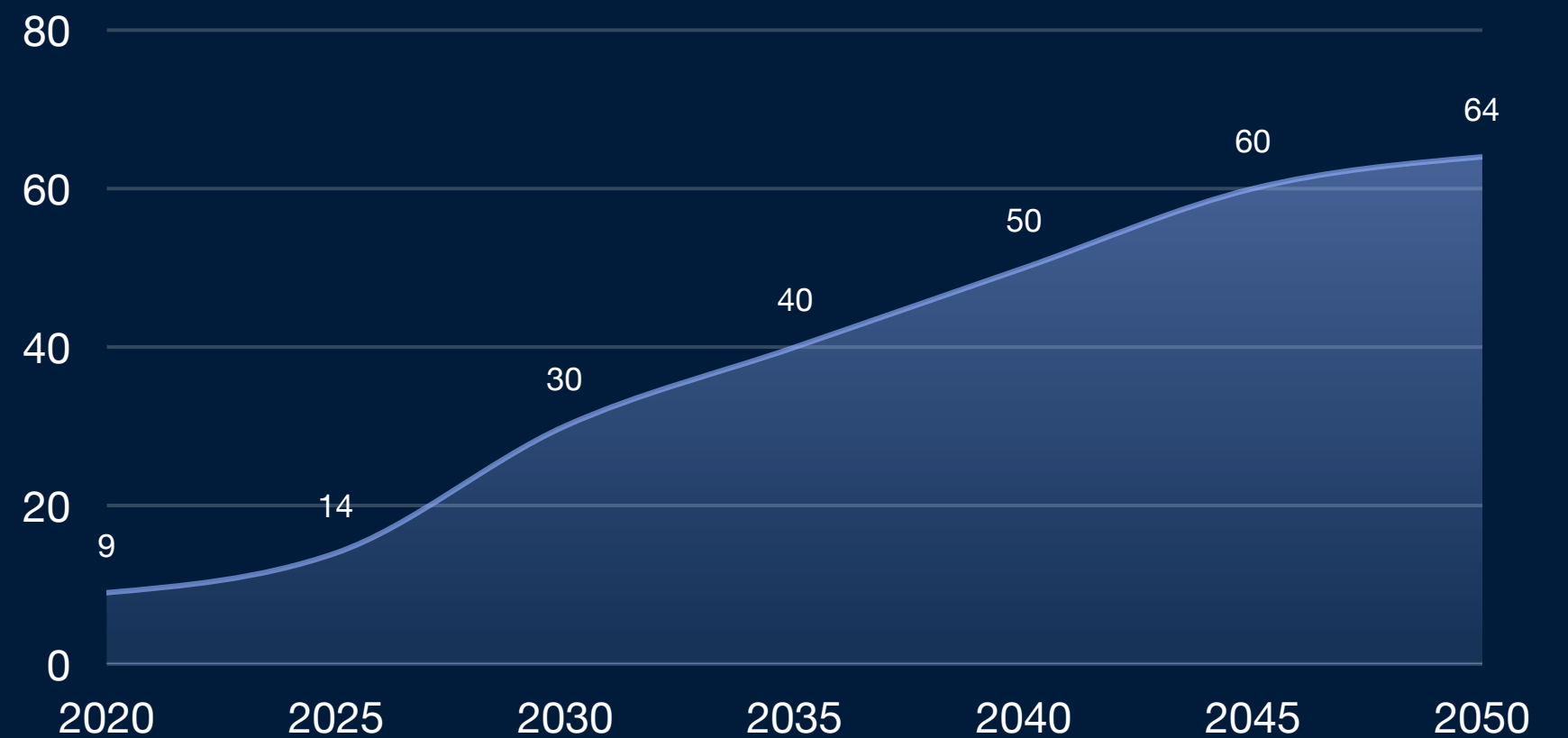
VCM prices are projected to rise as the demand for high-integrity credits outstrips the supply. This demand is driven by increased transparency, regulation and understanding of quality whilst companies fulfil their publicly committed net zero targets

VCM Average Price Jul '22 - Jun '23 (\$/tCO2e)



Source: Trove

Projected Price Curve 2020-2050 (\$/tCO2e)



Source: Trove