



## SCB Daily Carbon Commentary

Monday, October 09, 2017

- Reuters reported Friday that a split amongst European Union (EU) policymakers over carbon market reforms may foil attempts to reach a deal before the UN climate talks in November. Negotiators for EU nations and the European Parliament are set to meet this week after months of talks to try to finalize the legal text on EU ETS reforms post 2020. On Friday, a draft compromise was tentatively agreed too after a proposal by the bloc's Estonian presidency, who has been pushing hard for progress during its six-month chairmanship. A major sticking point currently is the Market Stability Reserve, a measure designed to remove surplus permits from the market when prices become depressed, with the EU parliament hoping to shorten the time in which these permits become fully cancelled. Also up for debate is the amount of free permits which should go to heavy industry as opposed to being auctioned off. With the presidency currently aiming to the lower the auction share in case of drastic events. <sup>1</sup>
- RGGI markets once again fell to silence on Friday as not a single contract was seen clearing the exchange. Prices held stable throughout the day however, as bid side support continued to hold its ground. Options premiums also predominantly closed flat on the day, though some did lose a penny with time value creeping away as we make our way through Q4.
- CCA allowance prices took a slight upturn on Friday as light activity saw both front month and benchmark contracts clear the exchange. Values increased by two cents along the curve and across vintages, leaving spreads to settle sideways at the close of the week. Options premiums and offset prices followed in tow with allowance prices however, moving a few cents higher at close.
- LCFS values saw a slight increase again on Friday, as bids continued to walk higher in hopes of motivating additional sell side length. Transactions were scarce however, as the prospect of the weekend kept many participants quiet. Q1 interest continued to be strong on the bid side though, with buyers still looking for a dollar discount into the new year.
- RINs felt fairly heavy at the open Friday, as 2017 D4s traded down to \$0.95 and \$0.94 for both imported and domestic generators. 2017 D6s meanwhile fell to \$0.78 early before trading down to \$0.7625 and \$0.765 by the early afternoon.

### SCB Carbon

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Emissions Markets

Notable Trades

- 100 CCA Vintage 2017 Oct '17 @ \$15.21
- 50 CCA Vintage 2017 Dec '17 @ \$15.24
- 100 CCA Vintage 2017 Oct '17 @ \$15.20

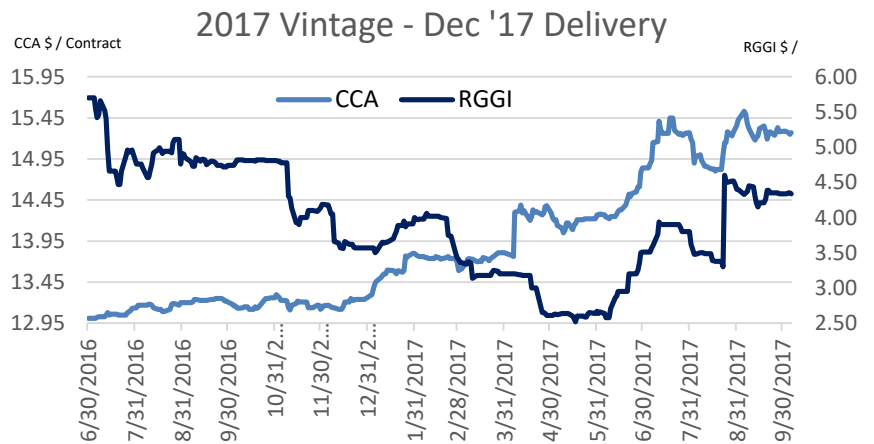
Futures Prices & Spreads

| RGGI Prices   |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Contract Date | Oct '17 | Nov '17 | Dec '17 | Jan '18 | Feb '18 | Jun '18 | Dec '18 | Dec '19 | Dec '20 |
| 2015 Vintage  | 4.32    | 4.33    | 4.35    | 4.36    | 4.37    | 4.41    | 4.46    | 4.59    | 4.80    |
| 2016 Vintage  | 4.32    | 4.33    | 4.35    | 4.36    | 4.37    | 4.41    | 4.46    | 4.59    | 4.80    |
| 2017 Vintage  | 4.33    | 4.33    | 4.35    | 4.36    | 4.37    | 4.41    | 4.46    | 4.59    | 4.80    |
| 2018 Vintage  | 4.33    | 4.33    | 4.35    | 4.36    | 4.37    | 4.41    | 4.46    | 4.59    | 4.80    |
| 2019 Vintage  | 4.33    | 4.33    | 4.35    | 4.36    | 4.37    | 4.41    | 4.46    | 4.59    | 4.80    |

| CCA Prices    |         |         |         |         |         |         |         |         |         |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Contract Date | Oct '17 | Nov '17 | Dec '17 | Jan '18 | Feb '18 | Jun '18 | Dec '18 | Dec '19 | Dec '20 |
| 2016 Vintage  | 15.23   | 15.26   | 15.28   | 15.31   | 15.35   | 15.46   | 15.68   | 16.10   | 16.54   |
| 2017 Vintage  | 15.22   | 15.25   | 15.27   | 15.30   | 15.34   | 15.47   | 15.67   | 16.09   | 16.53   |
| 2018 Vintage  | 15.17   | 15.20   | 15.22   | 15.25   | 15.29   | 15.42   | 15.61   | 16.03   | 16.46   |
| 2019 Vintage  | 15.15   | 15.18   | 15.20   | 15.23   | 15.27   | 15.40   | 15.59   | 16.01   | 16.44   |
| 2020 Vintage  | 15.02   | 15.05   | 15.07   | 15.10   | 15.14   | 15.27   | 15.46   | 15.39   | 16.31   |

| Spreads |         |                   |        |
|---------|---------|-------------------|--------|
| Product | Vintage | Strip             | Settle |
| CCA     | 16      | Dec '17 / Dec '18 | -0.40  |
| CCA     | 16/17   | Dec '17           | 0.01   |
| CCA     | 16/18   | Dec '17           | 0.06   |
| CCA     | 16/19   | Dec '17           | 0.08   |
| CCA     | 16      | Dec '17 / Dec '20 | -1.26  |
| RGGI    | 15      | Dec '17 / Dec '18 | -0.11  |
| RGGI    | 16      | Dec '17 / Dec '18 | -0.11  |
| RGGI    | 16      | Dec '17 / Dec '20 | -0.45  |
| RGGI    | 17      | Oct '17 / Dec '17 | -0.02  |
| RGGI    | 16/17   | Dec '17           | 0.00   |



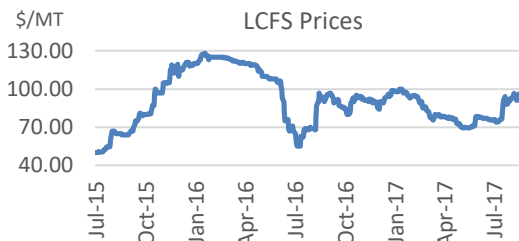
Options & Offsets

| 2017 Vintage Options Pricing - Dec '17 Expiration |             |              |      |             |              | Carbon Offset Prices |       |
|---------------------------------------------------|-------------|--------------|------|-------------|--------------|----------------------|-------|
| RGGI                                              | Strike (\$) | Premium (\$) | CCA  | Strike (\$) | Premium (\$) | 2017 Delivery (\$)   |       |
| Call                                              | 3.00        | 1.35         | Call | 13.75       | 1.519        | CCO -8s              | 12.18 |
| Call                                              | 5.00        | 0.09         | Call | 14.00       | 1.274        |                      |       |
| Call                                              | 6.50        | 0.01         | Call | 14.25       | 1.034        | CCO -3s              | 12.48 |
| Call                                              | 10.00       | 0.01         | Call | 14.40       | 0.897        |                      |       |
| Put                                               | 4.50        | 0.39         | Call | 15.00       | 0.392        | Golden               | 13.80 |

LCFS & RINs

Values & Prices

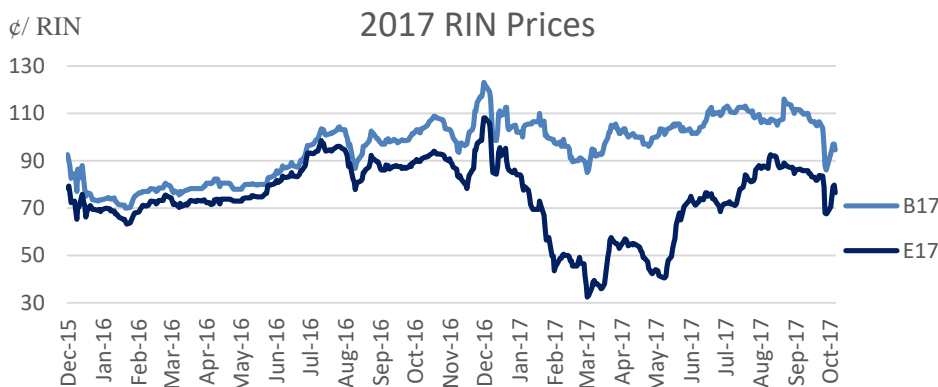
| LCFS Credit Price (\$/MT) |      |      |           |      |     |
|---------------------------|------|------|-----------|------|-----|
|                           | Bid  | Ask  | Spread    | Bid  | Ask |
| Prompt                    | 92.5 | 94.0 | Prompt/Q4 | -1.0 | 1.0 |
| Q4 2017                   | 92.5 | 94.0 | Prompt/Q1 | -1.0 | 1.0 |
| Q1 2018                   | 92.5 | 94.0 | Q4/Q1     | -2.0 | 0.0 |
| Q2 2018                   | 91.5 | 94.0 | Q1/Q2     | -2.0 | 0.0 |



| CI Value vs LCFS Target* (\$/MT)               | DDP CA <sup>a</sup> | Fair Value <sup>b</sup> | OCFP Credit Price (\$/MT) |      |      |
|------------------------------------------------|---------------------|-------------------------|---------------------------|------|------|
| Midwest SME Biodiesel (50.85)                  | 0.558               | 3.285                   |                           | Bid  | Ask  |
| Midwest Corn Oil Bio (4.00)                    | 1.108               | 3.725                   | Prompt                    | 45.0 | 50.0 |
| Imported CME (51.33)                           | 0.553               | 2.925                   | Q1 2017                   | 45.0 | 50.0 |
| Imported Renewable Diesel (33.46) <sup>c</sup> | 0.767               | 3.645                   | Q2 2017                   | 45.0 | 50.0 |
| Imported UCOME Bio (15.01)                     | 0.979               | 3.595                   | Q3 2017                   | 45.0 | 50.0 |
| \$/USG per point CI (biodiesel)                | 0.012               |                         |                           |      |      |

| CI Value vs LCFS Target* (\$/MT)         | DDP CA <sup>a</sup> | Fair Value <sup>b</sup> |
|------------------------------------------|---------------------|-------------------------|
| Midwest Corn Ethanol (78) <sup>e</sup>   | 0.115               | 1.55                    |
| Brazil Sugar Ethanol (45.9) <sup>e</sup> | 0.372               | 2.45                    |
| \$/USG per point CI (ethanol)            | 0.008               |                         |

| RINs Prices (\$) |        |        |
|------------------|--------|--------|
|                  | Bid    | Ask    |
| 2016 D4          | 0.9300 | 0.9400 |
| 2017 D4          | 0.9400 | 0.9500 |
| 2018 D4          | -      | -      |
| 2016 D5          | 0.9200 | 0.9400 |
| 2017 D5          | 0.9350 | 0.9450 |
| 2018 D5          | -      | -      |
| 2016 D6          | 0.7600 | 0.7650 |
| 2017 D6          | 0.7600 | 0.7700 |
| 2018 D6          | -      | -      |



\*2017 LCFS Target: Bio 99.97 CI, Ethanol 96.5 CI

<sup>a</sup> July arrival, B100 and RINs For Buyer

<sup>b</sup> Fair value = SME + differences from LCFS and RINs

<sup>c</sup> RINs multiplier for Renewable Diesel 1.7 vs 1.5 for Biodiesel

<sup>d</sup> Fair value = MW Corn Ethanol + LCFS + 2016 D5/D6 RINs spread

<sup>e</sup> July 2017 arrival

1. <https://www.reuters.com/article/us-eu-carbon/eu-split-on-carbon-market-reform-ahead-of-u-n-climate-talks-idUSKBN1CB1U2>



LOW CARBON  
FUELS COALITION

Full data sets are available at RENEW on Bloomberg or contact [research@starcb.com](mailto:research@starcb.com)



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