

An aerial photograph showing a winding road on the left and a rocky river on the right. The letters 'G R M' are overlaid in white, with the 'R' enclosed in a green circle.

**G R M**

Amy Barty

# What will be covered

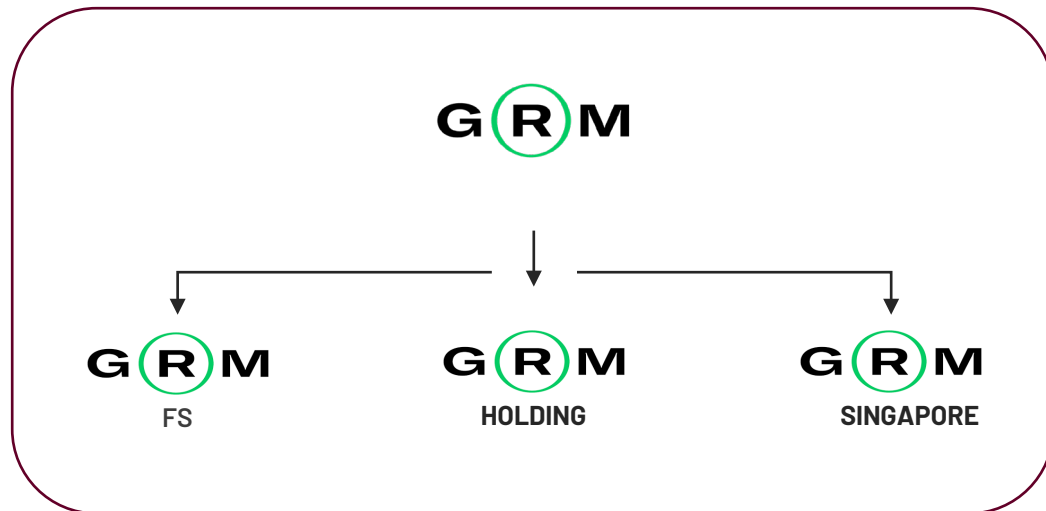
1. More about the different markets for EUAs.
2. OTC vs futures markets, why GRM - what is the benefit?
3. Regulatory treatment of EUAs and what impacts the setup with GRM.
4. Walk through a forward transaction - quote, booking, settlement and transfer/delivery.
  - Briefly cover credit lines - threshold and margining.
5. Market hours and other practical matters.
6. EUA price drivers.



# Brief Introduction to Global Risk Management

## Location and Structure

- Financial services firm regulated in Denmark.
- Sales offices in Copenhagen, Middelfart, Singapore. Around 60+ employees.
- Principal risk taker with traders based in London, Houston and Copenhagen.



## Our Sales Execution Team for EUA Pricing



Simon Schiermer Andersen



Andreas Mernild



Ivan Luburic

## Our Expertise

- Active in power, gas, coal, oil, biofuels, freight and emissions markets.
- Offers risk managements services to third parties and group companies.
- Works with clients to offer customised hedging solutions.

# Emissions – Route to market

## Primary Market

- Only accessible via auctions
- 28 countries use a common auction platform
- 523 million allowances auctioned in 2023
- Eligibility of who can participate – Compliance buyers, investment firms, credit institutions, business groupings of compliance buyers etc.
- Minimum bid size is 1 lot = 500 allowances

## Secondary Market

- Futures on ICE, EEX (**Market operates daily between 8 am to 6 pm CET, settlement is 5.15 pm**)
- OTC (over-the-counter) markets via banks and firms such as GRM
- Lot sizes on the exchange: 1 lot = 1000 EUAs



*Primary and Secondary (exchange-based) markets are standardised,  
limited flexibility in terms of size and delivery.*

# Why work with GRM?

- One of the main benefits of working with GRM is the **tailored solutions** that we can offer.
- On the right there is a show a short video of the ICE trading screen.
- Liquidity in the futures market only exists on a few contracts: *spot (daily), current month and next two months, then current quarter and next 11, and December for the current and next 8 years.*

Product	Hub	Strip	+/-	Sell	B Qty	Bid	Offer	O Qty	Buy	Last	Change	Settlement	OI
EUA Daily Futures	EUA Daily	Futures Today	+	Hit	1	54.06	54.10	1	Lift	54.10	-0.43	54.53	
EUA TAS	EUA	Dec24	+	Hit	90	-0.07	-0.01	1	Lift	-0.01	-0.01		
EUA Futures	EUA	Feb24	+	Hit	2	54.13	54.20	1	Lift	54.20	-0.43	54.63	35
EUA Futures	EUA	Mar24	+	Hit	2	54.28	54.32	1	Lift	54.28	-0.46	54.74	1222
EUA Futures	EUA	Apr24	+	Hit	2	54.53	54.62	1	Lift			55.01	
EUA Futures	EUA	Jun24	+	Hit	5	47.49						55.37	113
EUA Futures	EUA	Dec24	+	Hit	3	55.95	55.97	1	Lift	55.97	-0.46	56.43	2871
EUA Futures	EUA	Mar25	+	Hit	3	56.53	56.60	1	Lift	56.27	-0.78	57.05	181
EUA Futures	EUA	Dec25	+	Hit	3	58.02	58.05	1	Lift	58.05	-0.46	58.51	713

Instrument	Product Name	CC - MIC	Dates	Units
EUA Futures	EUA Futures	C - NDEX	First Trade Date : Jan 30, 2017 First Notice Date : Dec 16, 2024 Last Trade Date : Dec 16, 2024 First Delivery Date : Dec 17, 2024 Last Delivery Date : Dec 19, 2024	Price Unit : EUR / mt Quantity Unit : 1,000 mt Tick Size : 0.01

**One lot = 1000 EUAs**  
*1 EUA is the allowance to emit 1 ton of Carbon.*

 GRM can sell you any amount of EUAs for any delivery date you require.

# Dan-Bunkering, GRM and Emissions

- From 2018, emissions fall under the scope of MiFID II (Markets in Financial Instruments Directive) and are considered financial instruments.
- Regulation and treatment of EUAs will vary from country to country.
- GRM has three entities that will manage clients based on certain considerations (location, product, entity classification etc.).
- GRM has been transacting in emissions for industrials and airlines for many years – existing infrastructure and centralised risk.

## The EUA market and a need for oversight

*“A range of fraudulent practices have occurred in spot secondary markets in emission allowances (EUA) which could undermine trust in the emissions trading scheme, set up by Directive 2003/87/EC of the European Parliament and of the Council (11), and measures are being taken to strengthen the system of EUA registries and conditions for opening an account to trade EUAs. In order to reinforce the integrity and safeguard the efficient functioning of those markets, including comprehensive supervision of trading activity, it is appropriate to complement measures taken under Directive 2003/87/EC by bringing emission allowances fully into the scope of this Directive and of Regulation (EU) No 600/2014 of the European Parliament and of the Council (12), by classifying them as financial instruments.”*

Source: DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A32014L0065>



*Regulation and a centralised group approach, currently means all EUAs flow through GRM.*

# Considerations for Setup



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## Location

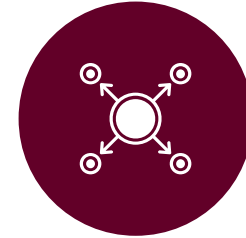
- Set up with GRM Holding, GRM F/S and GRM Singapore
- Further considerations – products type



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## Products – Forwards, Spot, Financial

- Spot transactions only – setup with GRM Holding or Singapore depending location
- Forwards – depending where you are based (EU or rest of the world – Singapore)
- Other considerations – country specific considerations for EUAs



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## Company Profile

- Rules for investment firms – our clients must meet certain criteria (balance sheet size, employees, experience etc.)
- If you are considered a retail client – only access to spot markets

# Before we can transact

- Complete KYC with relevant GRM entity
- Credit and Legal – depends on what instrument you want to trade
- Type of product:

## Forwards

- Trades done under ISDA with an Emissions Annex
- Done on credit lines – lines are margined.

## Spot

- In-house terms and conditions outlining e.g. payment, delivery, failure to perform etc.

- Have a registry account (trader or operator)
- **Have a procurement plan!**

## Checklist

- GRM setup:  
KYC, Credit, Legal
- Have a Registry Account
- What are you buying?
  - Spot
  - Forward
- How many do you need and when do you need them?



# Forward EUA: Step by step



Scenario: Company A, must deliver 421 EUAs on  
Tuesday, 16<sup>th</sup> April.

# Step 1. Call Fuel Supplier



Fuel Supplier requests:  
**421 EUAs for delivery on 16th April.**  
 (BB pricing sheet)

In the background

**GRM**

Necessary checks - credit line, tenor, etc.  
 Price up to this OTC position.



GRM quotes:  
**54.70 EUR for the April 16th delivery.**



Fuel Supplier sends the price to the Company A.

w EUA Pricing

BRENT CRUDE FUTR Dec24 Comdty | W | Related Functions Menu

Options Export Settings W 7: EUA Pricing

File News Analytics Edit Format Formulas

Ticker	Short Name	Current Contract M	Bid	Ask	FV	Settle Px	Last Trd Dt	Last Delivery Date
ICEDEU3	d	EUA DAILY FUTURES	54.05	54.11		54.53		
MOF24	d	ECX EMISSION Jan24					JAN 24	01/29 02/01
MOG24	d	ECX EMISSION Feb24	54.13	54.21	54.20	54.63	FEB 24	02/26 02/29
MOH24	d	ECX EMISSION Mar24	54.28	54.33	54.28	54.74	MAR 24	03/18 03/21
MOJ24	d	ECX EMISSION Apr24	54.53	54.63	54.55	55.01	APR 24	04/29 05/02
MOM24	d	ECX EMISSION Jun24	47.49		54.91	55.37	JUN 24	06/24 06/27
MOQ24	d	ECX EMISSION Aug24			55.27	55.73	AUG 24	08/19 08/22
MOU24	d	ECX EMISSION Sep24			55.52	55.97	SEP 24	09/30 10/03
MOZ24	d	ECX EMISSION Dec24	55.94	55.98	55.96	56.43	DEC 24	12/16 12/19
MOH25	d	ECX EMISSION Mar25	56.52	56.61	56.57	57.05	MAR 25	03/31/2025 04/03/2025
MOM25	d	ECX EMISSION Jun25			57.08	57.56	JUN 25	06/30/2025 07/03/2025
MOQ25	d	ECX EMISSION Aug25			57.38	57.86	AUG 25	08/18/2025 08/21/2025
MOU25	d	ECX EMISSION Sep25			57.56	58.04	SEP 25	09/29/2025 10/02/2025
MOZ25	d	ECX EMISSION Dec25	58.01	58.06	58.05	58.51	DEC 25	12/15/2025 12/18/2025
MOH26	d	ECX EMISSION Mar26	58.49	58.72	58.63	59.09	MAR 26	03/23/2026 03/26/2026
MOQ26	d	ECX EMISSION Aug26			59.09	59.55	AUG 26	08/24/2026 08/27/2026
MOZ26	d	ECX EMISSION Dec26	60.12	60.21	60.17	60.65	DEC 26	12/14/2026 12/17/2026
MOZ27	d	ECX EMISSION Dec27	62.35	62.56	62.49	62.97	DEC 27	12/20/2027 12/23/2027
MOZ28	d	ECX EMISSION Dec28	64.10	65.06	64.88	65.37	DEC 28	12/18/2028 12/21/2028
MOZ29	d	ECX EMISSION Dec29			67.28	67.77	DEC 29	12/17/2029 12/20/2029
MOZ30	d	ECX EMISSION Dec30			69.68	70.17	DEC 30	12/16/2030 12/19/2030

Suggested Functions ECO See upcoming econ... WIRP Analyze interest ...



Contact for a price update



Price update: **EUR 54.85**

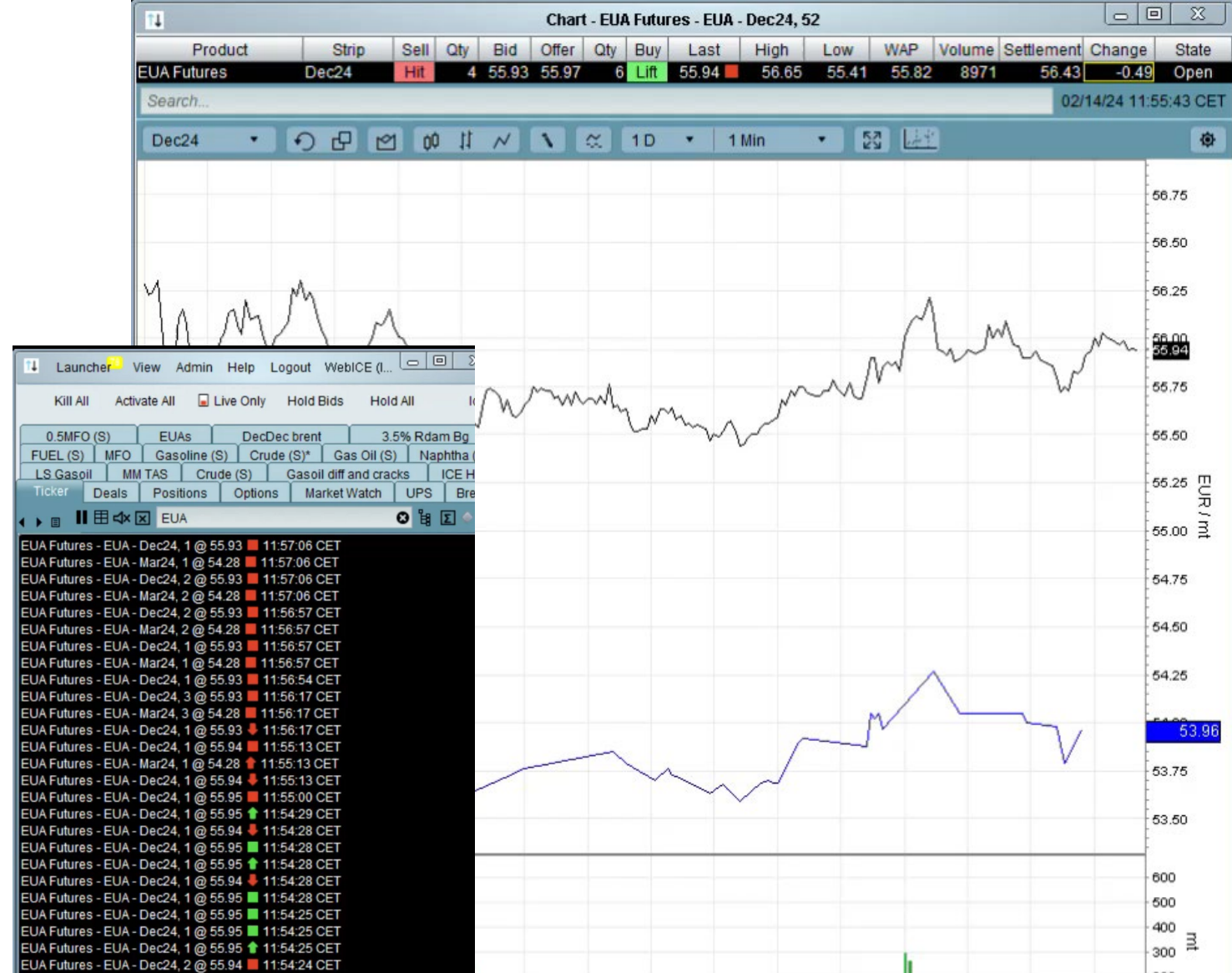


Price update: **EUR 54.85**

**If Company A wants to proceed**



Trader adds GRM to call/email to confirm the price and transaction directly, with the authorised trader at Company A.



As GRM is the transacting party the price and confirmation of the deal are done with GRM on various chat platforms (Teams, ICE chat, Refinitiv) or via telephone.

# Scenario: Company A, bought 421 EUAs for 54.85 EUR/EUA for delivery on Tuesday, 16<sup>th</sup> April.

## Between today to 11<sup>th</sup> April

**Margining:** the EUA market will move. Your threshold is the credit limit we give you (could be zero).

**Threshold:** (Current market price - 54.85) x number of EUAs


For example, say on 4th March, the market closes at EUR 50.15.

Market position:  $50.15 - 54.85 = -4.7 \times 421 = \text{EUR } 1,978.70$  out of the money.

Your threshold with GRM is EUR 10,000, no need to deposit margin.

If the market move exceeds EUR10,000 then, GRM require you to pay in collateral.

14-02-2024 14:32 (CET)  
ID: 1243971



## TRADE RECAP

For **Company A**  
Att. **Trader A**

We are pleased to confirm the following transaction(s) traded with **Company A** on 14 February 2024.☺

**Company A BUYS FROM GLOBAL RISK MANAGEMENT:**

EU Allowance					
VOL UNIT	VOLUME	DELIVERY DATE	PAYMENT DATE	PRICE	GRM Registry Account
MT	421	16 Apr 24	11 Apr 24	54.85 EUR/MT	None
	421			54.85 EUR/MT	

Please review and reconfirm the details of the transaction(s) immediately replying to this e-mail.

If anything in this recap is incorrect, please immediately contact me or one of my colleagues at [+45 88 38 00 00](tel:+4588380000) or [hedging@global-riskmanagement.com](mailto:hedging@global-riskmanagement.com).

The Master Agreement agreed between the above parties applies to this trade (including any amendments and supplements to it).

A formal confirmation of the transaction(s) will be provided to your company shortly.

# Example

Best regards,  
A/S Global Risk Management Ltd. Fondsmæglerelskab  
**Amy Barty**

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## Thursday, 11<sup>th</sup> April – Settlement


**Settlement:** Receive a settlement invoice for  $54.85 \times 421 \text{ EUAs} = \text{EUR } 23,091.85$

Payment is set to **three** business days prior to delivery.

Timing allows for bank cut-offs, time differences and delay in payment clearances.

Once payment are received, EUAs are delivered.

20-02-2024 10:13 (CET)  
ID: 1245182



## TRADE RECAP

**For COMPANY A**  
Att. Trader A

We are pleased to confirm the following transaction(s) traded with **Company A** on 20 February 2024.

🕒 **COMPANY A BUYS FROM GLOBAL RISK MANAGEMENT:**

EU Allowance					
VOL UNIT	VOLUME	DELIVERY DATE	PAYMENT DATE	PRICE	GRM Registry Account
MT	780	23 Feb 24	20 Feb 24	57.30 USD/MT	EU-100-5034029-0-28
	780			57.30 USD/MT	

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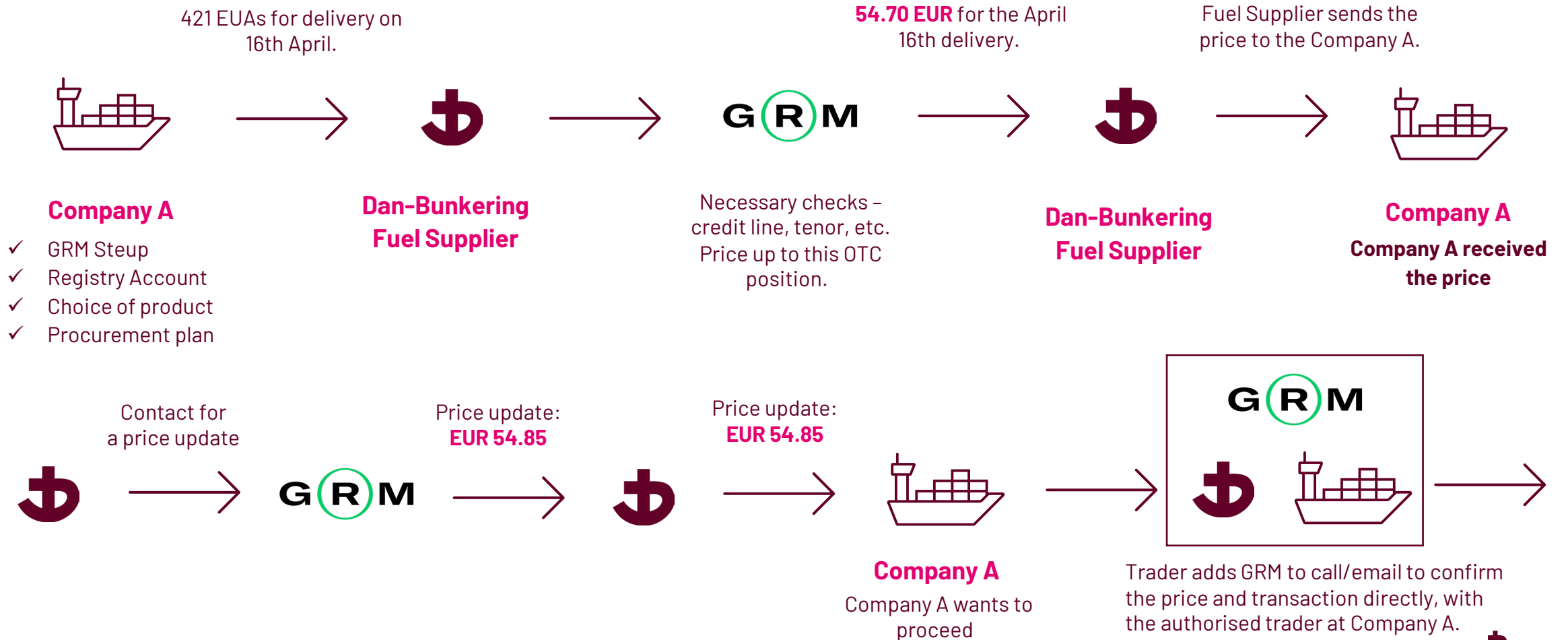
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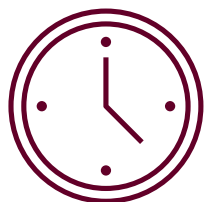


The Company A now has 421 EUAs in their registry account and can transfer onwards to other account holders.

# Recap: Company A, must deliver 421 EUAs on Tuesday, 16<sup>th</sup> April.



# Practical Matters



8AM 8.30 PM

Execution desk is staffed



8 AM 6PM

EUA Market  
trading hours



5:15 PM (CET)

Settlement

- GRM can sell you any quantity for any delivery, provided the delivery date is not a holiday – **we can even sell you EUAs in USD.**
- Both Phase 3 and 4 EUAs are valid, and you might receive either in your account.
- EUAs are a physical asset – you only surrender what you need to. EUAs do not expire and remain on your account.



# ICE Dec24 future chart compared to Barchart.com



# EUA Price Drivers



## WEATHER

Cold weather results in higher energy demand.

Big driver is gas prices – fuel switching.



## LEGISLATION

Policy drivers  
(e.g. EU 'Fit for 55')  
Cap and Trade



## RENEWABLES

Less reliance on fossil fuels



## POLITICAL TURMOIL

Impact on energy market supply