

# Booming CO<sub>2</sub> Certificate markets

CO<sub>2</sub> Certificates as an investment

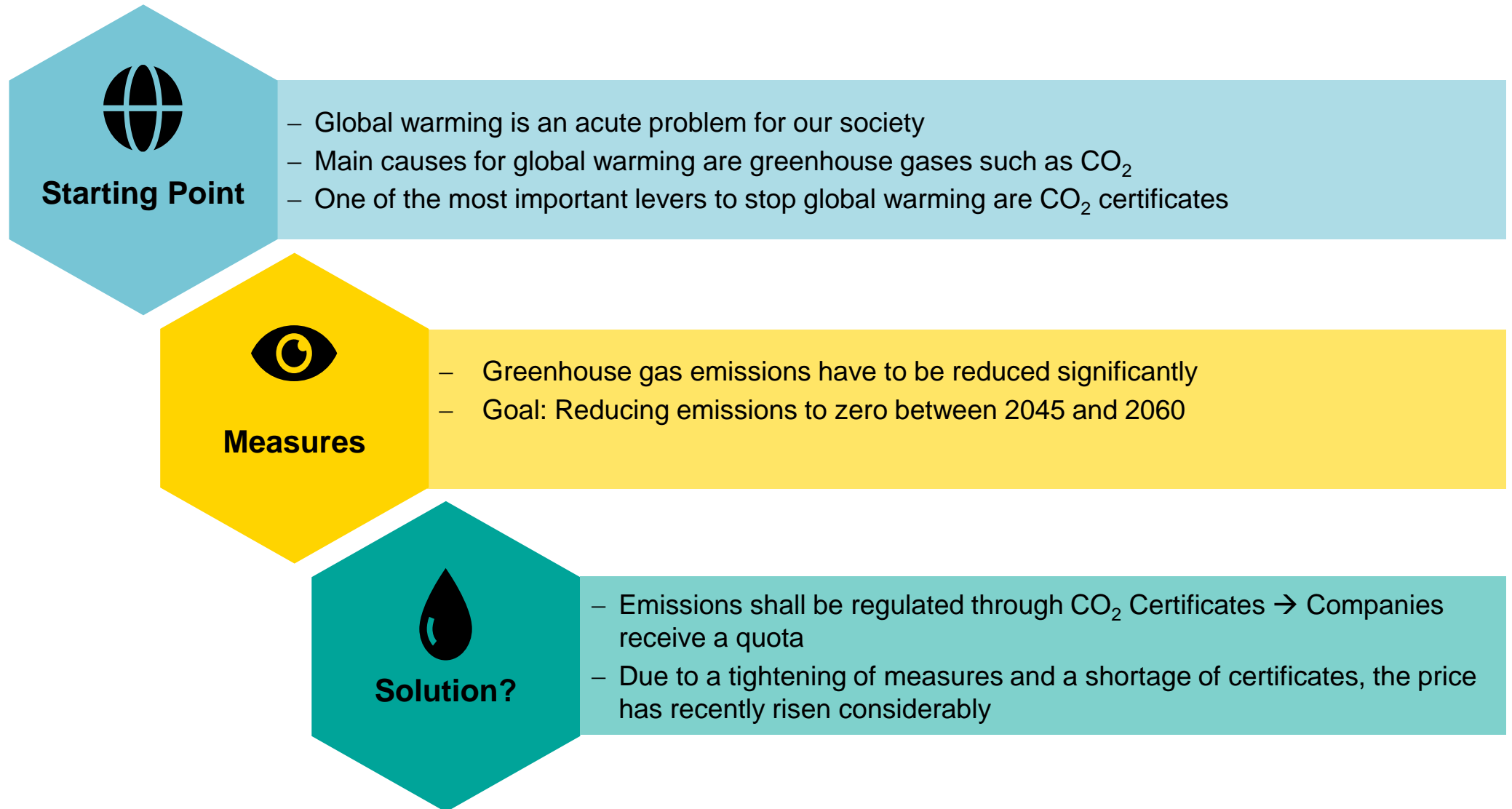
Digital Investing

October 2021

# CO<sub>2</sub> Certificates: Remedy against global warming?

## In a nutshell

October 2021

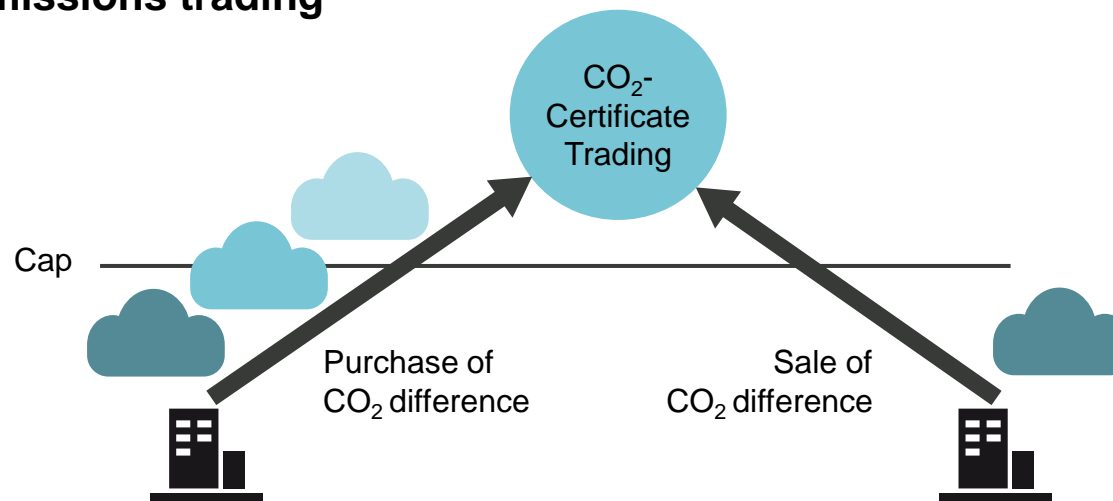


# CO<sub>2</sub> Certificates and how to trade them

## CO<sub>2</sub> Certificates – what are they?

- CO<sub>2</sub> Certificates – called EUA (European Union Allowance) in Europe, give companies the right to emit one ton of CO<sub>2</sub> or an equivalent greenhouse gas per emission certificate.
- Greenhouse gas emissions can be regulated with these certificates
- A cap is set on how much greenhouse gases a company may emit - if the amount is exceeded, additional certificates must be purchased
- The more expensive the certificates, the greater the incentive to reduce emissions or produce in a more climate-friendly way
- The Cap is reduced annually – which influences the prices of the certificates

## Cap and Trade: Emissions trading



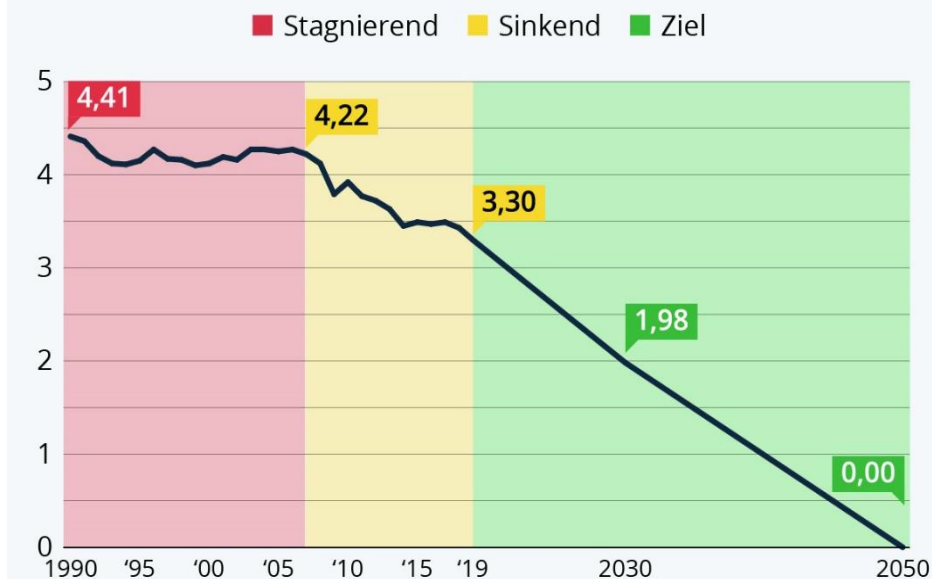
# Scarcity of certificates

## Zero emissions target requires significant measures

### Political intervention: Reduction of CO<sub>2</sub> emissions to achieve climate target

#### EU climate goals

CO<sub>2</sub> Emissions of EU27 and Great Britain since 1990 (in bn. Tons) and reduction targets (as of 15.7.2021)



Sources: EDGAR, Statista calculations

### Development of CO<sub>2</sub> Certificate environment

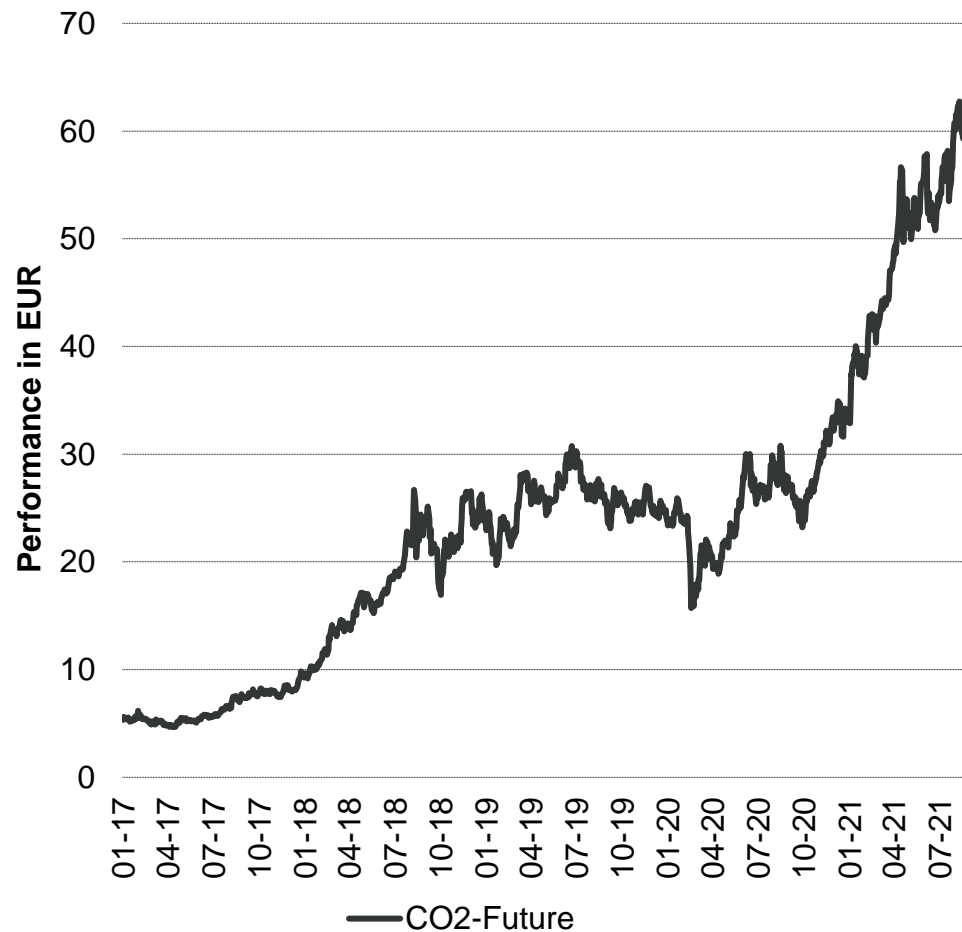
- The price of CO<sub>2</sub> Certificates was around 5 Euros a few years ago
- This was too cheap to provide an incentive for companies to take action against greenhouse gas
- Since then, the situation has changed considerably
- Climate policy, which prescribes that emissions must be reduced, has been tightened significantly
- Additionally, the emissions cap has been lowered continuously - and is set to continue this trend
- This has recently pushed up the price of CO<sub>2</sub> Certificates considerably
- Higher prices could finally bring about what was already expected years ago: making energy production from fossil fuels less worthwhile
- A lot of potential remains

# CO<sub>2</sub> Certificate price boom

Recently, the prices for CO<sub>2</sub> Certificates have risen significantly

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## Performance of CO<sub>2</sub>-Future (ICE ECX EUA Future)



## The underlying: ICE ECX EUA-Future

- The ICE ECX EUA-Future is the CO<sub>2</sub> emission right traded on the Intercontinental Currency Exchange ("ICE")
- In principle, CO<sub>2</sub> emission rights are traded via futures contracts.
- This agreement allows buyers to lock in the price of emitting a specific amount of greenhouse gases (CO<sub>2</sub>) at a specific date in the future
- Due to the contracts' predetermined expiration dates, if the position is to be maintained in the market, the position in the expiring futures contract must be regularly replaced «rolled» into a contract with a later expiration date

Source: Bloomberg, 28.09.2021

**Note:** Previous performance and simulations are not reliable indicators for future performance.

# CO<sub>2</sub> Certificates as an investment

## Interesting investment opportunity: CO<sub>2</sub>-Future

### Different products on the ICE ECX EUA Future

#### Tracker-Certificate

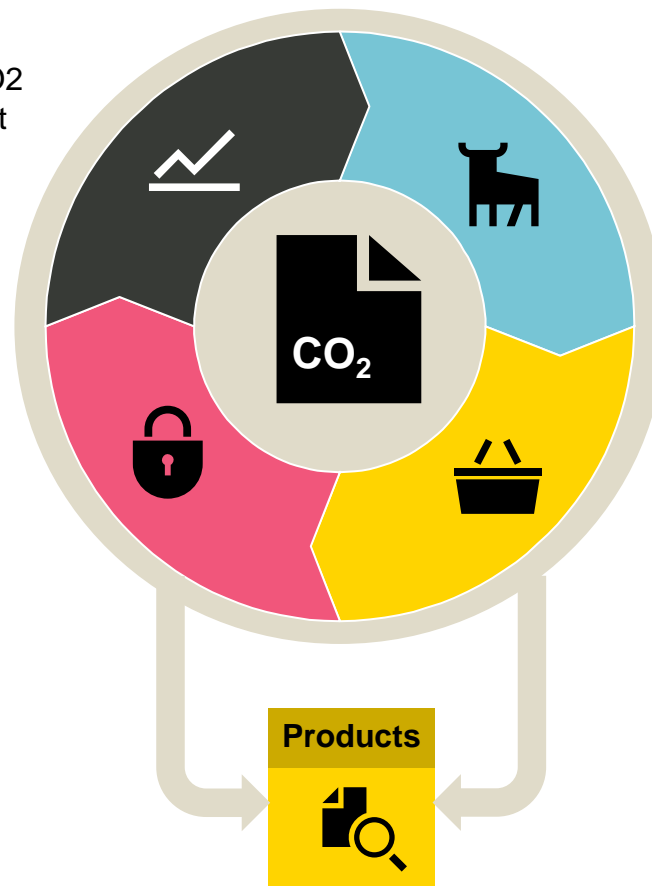
«Replicates the performance of the underlying 1:1»

- Participation in the performance of the CO<sub>2</sub> ICE ECX EUA Future - taking into account the management fee
- Open end

#### CONSTANT-LEVERAGE CERTIFICATES

«Maps the performance of the constantly leveraged factor index to the underlying»

- Possible to benefit from stable - rising or falling - price trends
- The factor (leverage) is constant over the entire term
- Currency risk EUR/USD



#### WARRANTS

«Tracks the leveraged performance of the underlying»

- Investors can bet on rising or falling prices (call warrant or put warrant)
- Low capital investment creates leverage against the underlying asset

#### MINI FUTURES

«Tracks the leveraged performance of the underlying»

- Investors can bet on rising or falling prices (Long or Short Mini Futures)
- Not influenced by volatility
- Open end, provided the stop-loss level is not reached
- If the Stop-Loss barrier is reached → immediate expiration and redemption at the Stop-Loss reference price

# Product details

## Open End Tracker-Certificate on the ICE ECX EUA Future

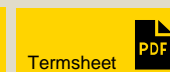
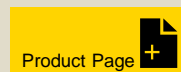


### Product details

SVSP	Tracker-Certificate (1300)
Underlying	ICE ECX EUA Future
Initial Fixing / Payment Date	28.09.2021 / 01.10.2021
Maturity	Open End
Index fee	2.50 % p.a.
Issuer	Bank Vontobel AG, Zurich (Moody's Aa3)



<b>Currency</b>	<b>EUR</b>
Valor / Symbol	111765440 / ZSOAFV
Issue Price	EUR 61.92
Reference currency	EUR



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