

EU Carbon Market Monthly Report | August 2025

Market Developments

August ¹	MoM Change	YoY Change	
EUA Price EoM (€)	72.46	0.69%	4.33%

The small gain of 0.69 % for EUAs in August disguise what was in fact a constructive month for the European carbon market.

EUAs advanced despite weakness in natural gas; TTF was down by roughly 10%. This marked a notable decoupling from the correlation observed in the last 6 months between carbon and gas.

In August, carbon found support from a different set of drivers. A combination of greater clarity on long term EU climate targets, less concern on US tariff led recession, reducing auction supply, and speculative inflows from financial participants have all supported EUAs in an environment of weak European macro data - with German Q2 GDP revised down to -0.3%.

This resilience is significant against a backdrop of weaker energy markets and limited industrial demand. It highlights the extent to which the EU ETS is maturing into a market capable of trading on its own structural fundamentals and underscores growing confidence in the long-term scarcity value of allowances embedded within the system.

Primary Market and Auctions

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Avg EUAs sold per auction (m)	2.77	2.81	2.76	2.75	2.80	2.69
Avg subscription rate	179%	170%	172%	157%	168%	162%

Source: EU Commission, EEX, SparkChange

Secondary Market

		Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
EUA Spot	Avg Volume Traded (k)	3.52	3.06	2.15	3.61	2.14	1.97
	EoM Price (€)	66.66	63.82	69.99	68.19	71.96	72.46
Dec FUT	Avg Volume Traded (k)	38.9	31.6	31.8	32.3	27.1	27.3
	Call OI EoM (k)	233	296	320	288	308	388
	Put OI EoM (k)	141	163	186	162	180	192

Bloomberg

EUA Market Outlook and Events to Watch

- Compliance deadline for 2024 is less than 30 days away. Any entities that remain short may need to top-up positions in the weeks ahead. This is well flagged, with most corporates experienced at positioning ahead of the deadline. However, maritime operators are now included in the EU ETS for the first time, required to surrender allowances covering 40% of their 2024 emissions. The degree to which shipping companies are prepared for their first compliance cycle is uncertain, and this may create some incremental buying activity at the margin.
- In the longer term, political support for the EU carbon market remains important. The Green Deal's main aim is to make the EU climate-neutral by 2050. But it is also designed to strengthen European industrial competitiveness and energy security. The EU Climate Target to cut EU emissions by 90% by 2040 (vs 1990 levels) is not yet law: there is an 8th September deadline for amendments, a vote on 23rd September by the EU Parliament's Environment Committee, and then a full European Parliament plenary vote in early October. Expect many contradictory headlines. While outright rejection of the 90% target is highly unlikely, Right-wing parties and industry interest groups are likely to push for more flexibility in interim targets, slower phase-outs in certain sectors, and additional support for industry competitiveness. On the other hand, Green and progressive lawmakers will seek to tighten ambition. The most probable outcome is a package that retains the 90% headline ambition but incorporates transitional support measures and some softened sectoral milestones. Ultimately, sustained EUA price gains depend on regulatory clarity: confirmation of the 90% target, even with amendments, would strengthen long-term confidence in the market's scarcity value

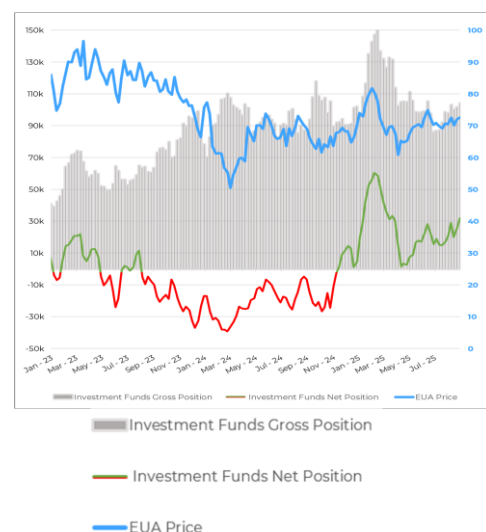
Investment Fund Positioning

Net Investment Fund Positioning reached a **five-months high (31mt long)** at the end of the month.

The last time Net Position was this high (~30mt) was just before Liberation Day. Short positions have not changed significantly, the larger increase in the net position is due to an increase in long positions.

Investment Fund Positioning *	MoM Change
Long	68 mT
Short	36 mT
Net	31 mT
Gross position	104 mT
Gross position in €m	7537
	17.6%
	-11.21%
	86.46%
	5.96%
	8.37%

*Figures in Millions of tons of CO2 unless otherwise stated.



** Bloomberg and Commitment of Traders report published by the [IntercontinentalExchange](#). Investment Fund positioning available to EoM.

¹ EUA Spot Price (ICEDEU3 retrieved from Bloomberg. Emissions retrieved for 1st of the past month from Ember)

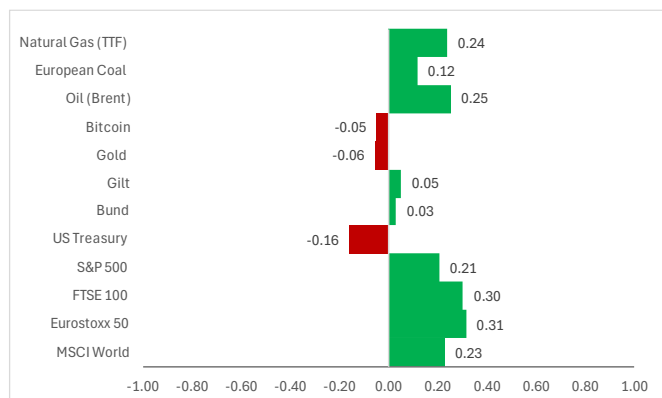
EU Carbon Market Monthly Report | August 2025

Carbon as an Asset Class Source; monthly EUA spot price (ICEDEU3) from Jan 2018 ²

Statistics

Performance		Risk/Return		Return Distribution	
Cumulative Returns:	790%	Sharpe Ratio:	0.87	Standard Deviation	11.15%
Average Monthly Performance	3.01%	EAR:	36.15%	Skewness	0.122
Best Month:	31.55%	Annual Risk-Free rate	2.5%	Kurtosis	0.120
Worst Month:	-25.54%	Annualised Volatility	38.6%	Maximum Drawdown	-43.81%
% of Winning Months	56.52%				

Correlation and Volatility



EUAs have historically exhibited low or negative correlation to most asset classes. Correlation to equity markets has generally remained low since 2018 due to the demand dynamics of EUAs. Correlation to gas and coal tends to increase when prices are close to fuel switching ranges. More information available upon request.

As the EUA Market matures, volatility decreases



EUAs as a Portfolio Diversifier

By holding a small allocation of EUAs in a portfolio, returns been enhanced, volatility is largely unchanged, leading to an improved Sharpe ratio.

Euro STOXX50/Bund Portfolio

	Expected Annualised Return	Annualised Volatility	Sharpe Ratio
60/40 Portfolio*	5.80%	10.9%	0.30
60/40 + 1% of EUA	6.10%	10.9%	0.33
60/40 + 2% of EUA	6.40%	11.0%	0.36
60/40 + 5% of EUA	7.30%	11.1%	0.43

* 60%EuroSTOXX50 / 40%Bund and EUA spot price from Jan 2018 to Date.

MSCI World / US Treasury Portfolio

	Expected Annualised Return	Annualised Volatility	Sharpe Ratio
60/40 Portfolio*	8.0%	9.6%	0.57
60/4 + 1% of EUA	8.2%	9.6%	0.60
60/40 + 2% of EUA	8.5%	9.5%	0.63
60/40 + 5% of EUA	9.3%	9.6%	0.72

* 60%MSCI World / 40% US Treasury and EUA spot price from Jan 2018 to Date

EUAs reducing Carbon Footprint of a portfolio

AN INVESTMENT OF 1% OF €100M (€1M) IN JANUARY 2018 AT €8.46/EUA (BEGINNING OF THE MARKET STABILITY RESERVE REGIME) WOULD HAVE ACQUIRED A POSITION OF **118,203 EUAS**. HOLDING THEM FROM JANUARY 2018 TO AUGUST 2025 WOULD HAVE RESULTED IN 6 MSR WITHDRAWALS WITH AN ESTIMATE OF ~ **95K EUAS** REMOVED FROM AUCTIONS VIA THE MSR THROUGHOUT THIS PERIOD. WHICH TRANSLATES IN EFFECTIVELY LOWERING THE SUPPLY OF EUAS FOR COMPLIANCE COMPANIES TO SURRENDER IN THE SCHEME.

² All statistics performed on monthly EUA spot price (ICEDEU3) from Jan 2018 to date. For Correlations and Portfolio Diversification metrics, monthly data has been used (source: Bloomberg). For more information, please contact salesfp@sparkchange.io



About SparkChange

SparkChange is a specialist provider of carbon data, analytics, insight and financial products empowering financial institutions to capitalise on the opportunities — and manage the risks — arising from the transition to a low-carbon economy. Combining extensive industry experience across carbon markets, financial products and data analytics, our team shares a passion for SparkChange's mission: to link the financial world to carbon markets.



Arlyn Arguello

**HEAD OF PARTNERSHIPS AND
FINANCIAL PRODUCTS**

Tel: +44 (0) 20 3523 9145

Email: aa@sparkchange.financial



Philipp Ruf

**HEAD OF RESEARCH &
ANALYTICS**

Tel: +44 (0)20 8148 8541

Email: pr@sparkchange.io



Greg Jelly

HEAD OF SALES

Tel: +44 (0)7788 184108

Email: gj@sparkchange.financial

IMPORTANT INFORMATION

Communication Disclaimers

This communication has been provided to you for informational purposes only.

This communication is not intended to constitute, and should not be construed as, investment advice, investment recommendations or investment research.

This communication is not intended as and is not to be taken as an offer or solicitation with respect to the purchase or sale of any security or interest, nor does it constitute an offer or solicitation in any jurisdiction, including those in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such a solicitation or offer. Distribution of information contained in this communication may be restricted by law. Persons receiving this communication should inform themselves about and observe any such restrictions. Any dissemination or other unauthorised use of this information or documents by any person or entity is strictly prohibited.

SparkChange believes the information in this communication to be correct at the date of issue. However, no representation or warranty is given as to the accuracy of any of the information provided. Some information in this communication is based on information given/obtained from independent research providers that SparkChange considers to be reliable. Analysis provided in this communication may be based on subjective assessments and assumptions and can use one among several alternative methodologies that produce diverse results. Hence, analysis and projections should not be seen as factual and should not be relied upon as accurate predictions of future performance.