Market Developments

September[1]		MoM Change	YoY Change
EUA Price EoM (€)	75.35	3.99%	15.87%

September was a constructive month for European Cabon, with strong speculative support (more on the right) lifting EUAs from €72.46 to a high of €77.39 before consolidating at €75.35.

EUA's correlation with gas benchmarks continue to weaken, highlighting the declining importance of power markets and fuel switching as the dominant price driver. Instead, the EUA market is showing signs of becoming increasingly anchored by structural scarcity and policy alignment.

September saw some significant policy developments:

- EU ambition reaffirmed: At the UN Climate meetings in New York, the EU signalled continuity on its longer-term pathway. Ursula von der Leyen reiterated that the EU will set 2035 and 2040 targets ahead of COP30, keeping the 2040 ~90% discussion in play. This continuity and consistency in ambition is constructive for sentiment in the EUA market, helping to anchor long-term confidence.
- California extended its ETS out to 2045: Whilst this may appear to have limited direct impact on EUAs directly, when the world's fifth-largest economy commits to carbon pricing out to 2045, it reinforces the idea that cap-and-trade is a durable policy tool, not a short-lived experiment. For the EU this reduces the risk of "policy isolation" and strengthens the legitimacy of market-based climate policy globally.

Overall, September reinforced the maturing nature of the EUA market: structural scarcity, strong policy backing, and deepening financial participation are increasingly outweighing short-term energy dynamics, providing a constructive backdrop for prices into year-end.

Primary Market and Auctions

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Avg EUAs sold per auction (m)	2.77	2.77	2.75	2.80	2.69	2.84
Avg subscription rate	169%	172%	157%	168%	162%	155%

Source: EU Commission, EEX, SparkChange

Secondary Market

		Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
EUA Spot	Avg Volume Traded (k)	3.06	2.15	3.61	2.14	1.97	2.20
EUA Spot	EoM Price (€)	63.82	69.99	68.19	71.96	72.46	75.35
Dec FUT	Avg Volume Traded (k)	31.6	31.8	32.3	27.1	27.3	33.3
Dec FUT	Call OI EoM (k)	296	320	288	308	388	411
Dec FUT	Put OI EoM (k)	163	186	162	180	192	193

Bloomberg

EUA Market Outlook and Events to Watch

Looking ahead, the positive momentum rests on several reinforcing themes. Sustained EUA gains depend on regulatory clarity around ambitious targets (albeit with amendments and flexibilities), and increasing scarcity value of EUAs.. Firstly, EU political commitment to ambitious climate targets remains important:

-The EU Leaders' Summit" to be held 23-24th Oct will discuss the Commission's 2040 proposal for a 90% cut vs 1990 levels, alongside the EU's Nationally Determined Contribution to the Paris Agreement of a 66.25-72.5% reduction by 2035.

-An Extraordinary Environment Council meeting is expected in Oct or Nov ahead of COP 30 in Belem, Brazil (10-21st Nov).

Expect much debate, with France's President Macron signalling willingness to prolong discussions into 2026, while the Commission President Ursula von der Leyen is pressing for a decision but recognising the need for flexibility.

Second, supply signals are tightening.

- REPowerEU auction volumes will tail off in 2026. Over the summer, the EU published an updated auction calendar stretching well into 2026. This transparency removes short term uncertainty on supply and reinforces confidence in the structural scarcity value of EUAs.

Investment Fund Positioning

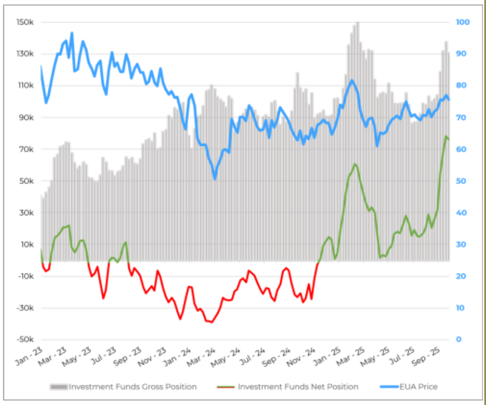
Net Investment Fund Positioning reached a **four year high (76mt long)** at the end of the month.

Long positions increased 52% while short convictions reduced 25%.

The last time net position was this high was roughly 7 months before EUAs reached an all-time high.

Investment Fund Positioning *		MoM Change
Long	103 mT	52%
Short	27 mT	-25%
Net	76 mT	140%
Gross position	130 mT	25%
Gross position in €m	9852	30%

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



Investment Funds Gross Position

Investment Funds Net Position

EUA Price

*** Bloomberg and Commitment of Traders report published by the Intercontinental Exchange. Investment Fund positioning available to EoM.*

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

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

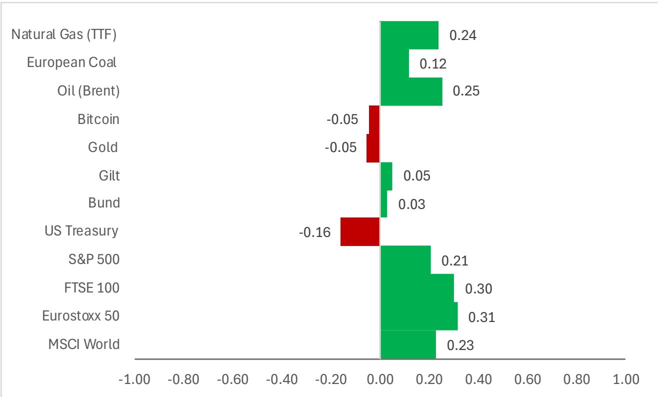
Statistics

Performance	
Cumulative Returns:	790%
Average Monthly Performance	3.01%
Best Month:	31.55%
Worst Month:	-25.54%
% of Winning Months	56.52%

Risk/Return	
Sharpe Ratio:	0.87
EAR:	36.15%
Annual Risk-Free rate	2.5%
Annualised Volatility	38.6%

Return Distribution	
Standard Deviation	11.15%
Skewness	0.122
Kurtosis	0.120
Maximum Drawdown	-43.81%

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

Volatility of EUAs is on a downward trend. As new sectors are covered and Free Allocation decreases, we expect more compliance companies and other players to participate in the market with a better knowledge of the market characteristics and fundamentals.

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.



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