

EU Carbon Market Monthly Report | October 2025

Market Developments

October ¹	MoM Change	YoY Change	
EUA Price EoM (€)	78.54	3.93%	21.86%

European Carbon rallied for the fourth consecutive month in October, recording a c4% gain. EUAs closed the month at EUR 78.54.

Gas (TTF) prices were broadly flat during the same time; correlation between TTF and EUAs continues being low. The long-term consensus is that the strong relation between these two commodities will decouple. Nevertheless, Power is still the largest emitter in the ETS (~450mt a year). If power demand were to rise (e.g. cold weather or industrial recovery) in an environment with less viable gas-to-coal switching, TTF prices would move upwards and so would EUAs, reinstating correlation in the short term.

Front-year clean spark spreads moved to elevated levels in October. This is incentivising utilities to lock in those spreads by buying gas and EUAs forward – further reinforcing demand for allowances.

The 2025 EU leaders' summit this month re-emphasised -90 % net emissions cut by 2040 with a revision clause to preserve competitiveness. The EUA market remained neutral to such news as all concrete action towards the ETS will be set in the 2026 ETS/MSR Review. Most attention is directed to the implementation and amendments to EU ETS2.

We are now consistently surpassing the previous high levels of Investment Fund positioning seen in 2021 (see box to the right for more info).

Primary Market and Auctions

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Avg EUAs sold per auction (m)	2.77	2.75	2.80	2.69	2.84	2.78
Avg subscription rate	172%	157%	168%	162%	155%	167%

Source: EU Commission, EEX, SparkChange

Secondary Market

		May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
EUA Spot	Avg Volume Traded (k)	2.15	3.61	2.14	1.97	2.20	1.51
	EoM Price (€)	69.99	68.19	71.96	72.46	75.35	78.31
Dec FUT	Avg Volume Traded (k)	31.8	32.3	27.1	27.3	33.3	32.7
	Call OI EoM (k)	320	288	308	388	411	437
	Put OI EoM (k)	186	162	180	192	193	237

Bloomberg

EUA Market Outlook and Events to Watch

November's blustery weather could prove to be EUAs' calm before the storm. EUAs tested the €80 level several times in October but failed to break through. The EUA market is heading into a deficit in 2026, leaving little doubt about medium-term tightness. We are looking at an unusually warm and windy late Autumn with strong renewable generation. But, as we head into winter's a seasonal increase in power demand, **a cold spell** could provide the missing spark to push prices sustainably above €80 and highlight the underlying tightness of the market.

The EU Commission will publish a legislative review of CBAM before end of 2025. This most likely will address the extension of scope to downstream products, recognition of third/country carbon pricing, adjustments linked to phasing out of free allowances in the ETS such as export support measures.

Free Allocation Benchmarks are scheduled for end of 2025 (most likely delayed to Q1 2026). Benchmarks will provide certainty on free allocation for the next five years based on previous efficiency and economic output. Allocation is expected to be reduced based on a lower economic output from last years and improved efficiency particularly on heat which is a fallback benchmark for all installations.

Industrials buying seems stagnant until both legislative pieces are published. The mix of high ambition (90% reduction from 1990) and policy optionality/flexibility are in the mix for these proposals and for next years' ETS and MSR review. Investor's short to mid bullish view is tempered by a bearish tail-risk of weaker/more flexible proposals.

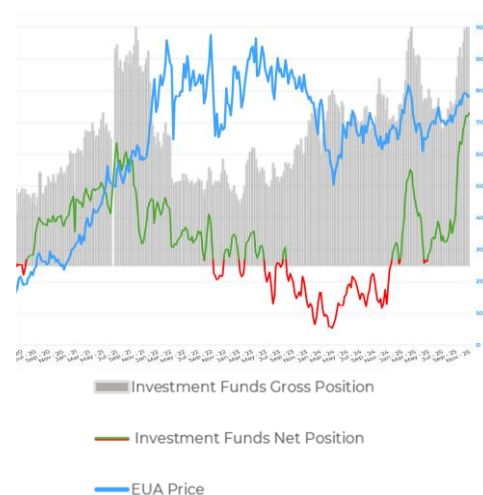
Investment Fund Positioning

Net Investment Fund Positioning continued to grow (27% for the month) and is now at 96mt long.

As a reminder, last time net position was this high in 2021 it was roughly 6 months before EUAs reached an all-time high.

Investment Fund Positioning *		MoM Change
Long	125 mT	21%
Short	28 mT	5%
Net	96 mT	27%
Gross position	153 mT	18%
Gross position in €m	12 070	22%

*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)

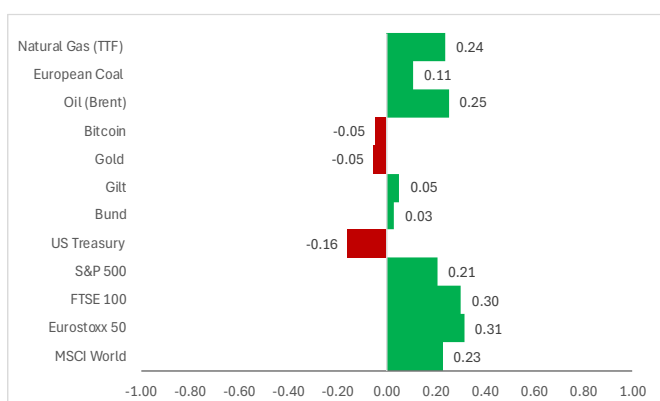
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Carbon as an Asset Class Source: monthly EUA spot price (ICEDEU3) from Jan 2018 ²

Statistics

Performance		Risk/Return		Return Distribution	
Cumulative Returns:	862%	Sharpe Ratio:	0.89	Standard Deviation	11%
Average Monthly Performance	3.03%	EAR:	36.39%	Skewness	0.11
Best Month:	31.55%	Annual Risk-Free rate	2.5%	Kurtosis	0.18
Worst Month:	-25.54%	Annualised Volatility	38.2%	Maximum	-43.81%
% of Winning Months	57.45%			Drawdown	

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*	6.17%	10.8%	0.34
60/40 + 1% of EUA	6.47%	10.8%	0.37
60/40 + 2% of EUA	6.77%	10.9%	0.39
60/40 + 5% of EUA	7.67%	11.0%	0.47

* 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*	8.49%	9.6%	0.63
60/4 + 1% of EUA	8.76%	9.5%	0.66
60/40 + 2% of EUA	9.04%	9.5%	0.69
60/40 + 5% of EUA	9.86%	9.6%	0.77

* 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 OCTOBER 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

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