

EU Carbon Market Monthly Report | November 2025

Market Developments

November ¹	MoM Change	YoY Change	
EUA Price EoM (€)	83.18	6.22%	21.82%

Power demand picked up with the onset of colder weather, just as renewable output weakened due to low wind conditions across Europe. This combination of higher demand **and lower renewable generation** pushed more stack onto fossil generation, lifting power-sector emissions and EUA demand.

EUAs continued to decouple from gas, with November highlighting their **diversification value**: while Bitcoin fell 17%, TTF gas slipped 7%, and the Nasdaq eased 1.5%, EUAs rose 6.1%.

On 5 November, the Council — through its environment ministers — formally endorsed a 2040 climate target of a 90% net emissions reduction, allowing only limited flexibilities and offsets. November also saw the release of draft revisions to CBAM and Free Allocation benchmarks, which have had no immediate impact on EUA pricing. (Contact us for more information).

Speculative length continues to build and now sits well above the previous 2021 highs, with speculators again moving ahead of the larger compliance demand that typically drives the market higher. Compliance entities have increased long exposure from roughly 6–7 kt in July to ~32 kt by late November, while commercial undertakings added an estimated 30–40 kt of net length over the same period (see box).

Primary Market and Auctions

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Avg EUAs sold per auction (m)	2.75	2.80	2.69	2.84	2.78	2.79
Avg subscription rate	157%	168%	162%	155%	167%	169%

Source: EU Commission, EEX, SparkChange

Seasonal halt in auctions: The final EUA auction of 2025 is scheduled for 15th Dec, with the first auction of 2026 scheduled for 8th Jan. The lack of liquidity in primary markets could also raise volatility. Last year EUAs spiked from ~€62.33 mid Dec 2024 to €81.79 by end Jan 2025

Secondary Market

		Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Oct-25
EUA Spot	Avg Volume Traded (k)	3.61	2.14	1.97	2.20	1.51	2.15
	EoM Price (€)	68.19	71.96	72.46	75.35	78.31	83.18
Dec FUT	Avg Volume Traded (k)	32.3	27.1	27.3	33.3	32.7	43.5
	Call OI EoM (k)	288	308	388	411	437	454
	Put OI EoM (k)	162	180	192	193	237	272

Bloomberg

Preparing for the roll: Secondary-market activity strengthened notably into year-end, with front-December turnover reaching its highest level since April and options trading volumes rising sharply. Significant open interest suggests the potential for elevated **short-term volatility ahead of December expiry**.

EUA Market Outlook and Events to Watch

Weather-driven power balance risks: Short-term EUA price dynamics will continue to hinge on weather, and heating demand. With temperatures hovering slightly above seasonal norms but wind generation still weak, the power system remains tight, supporting EUA demand. Looking ahead, structurally low hydro reservoirs, seasonally limited solar output, and ongoing wind variability all remain key weather-related factors to watch, as any colder-than-normal spell or further renewable underperformance could push additional load onto fossil generation and lift emissions.

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 best-in-class carbon efficient production. On top, allocation is expected to be reduced based on a lower economic output from last years and improved efficiency particularly on heat which is the key fallback benchmark all installations without a product specific benchmark.

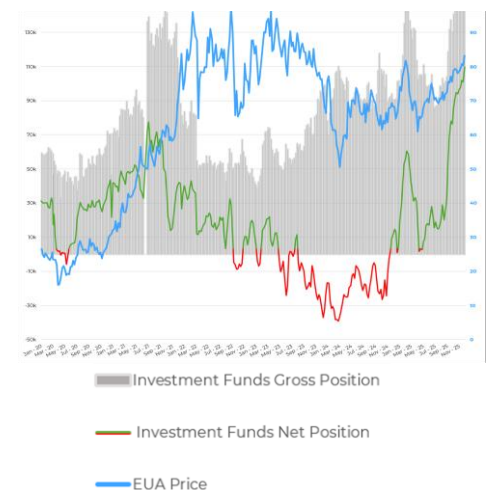
Investment Fund Positioning

Investment Funds long conviction grew 10% in November and is now at 109mt long.

In a fundamentally tight market, combined with seasonal increases in power demand, the continued build-up of a strong speculative net-long position—especially amid ongoing climate-policy discussions—sends a notably strong signal about market expectations and sentiment.

Investment Fund Positioning *		MoM Change
Long	138 mT	10%
Short	28 mT	1%
Net	109 mT	13%
Gross position	167 mT	9%
Gross position in €m	13935	15%

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



** Bloomberg and Commitment of Traders report published by the [Intercontinental Exchange](#), Investment

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

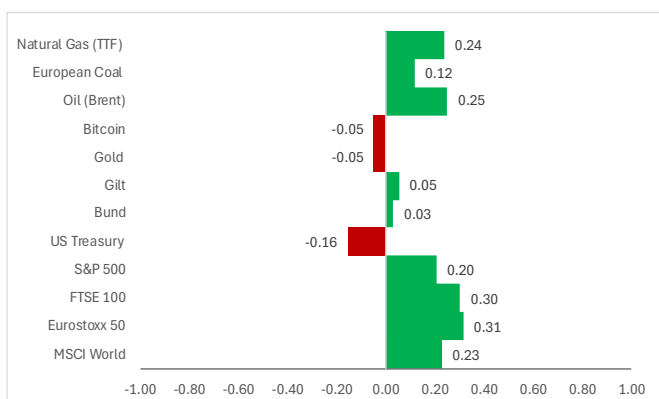
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Carbon as an Asset Class Source; monthly EUA spot price (ICEDEU3) from Jan 2018 ²

Statistics

Performance		Risk/Return		Return Distribution	
Cumulative Returns:	922%	Sharpe Ratio:	0.9	Standard Deviation	10.9%
Average Monthly Performance	3.07%	EAR:	36.8%	Skewness	0.11
Best Month:	31.55%	Annual Risk-Free rate	2.5%	Kurtosis	0.21
Worst Month:	-25.54%	Annualised Volatility	38%	Maximum	-43.81%
% of Winning Months	57.89%			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 EEUA 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*	6.12%	10.8%	0.34
60/40 + 1% of EUA	6.42%	10.8%	0.36
60/40 + 2% of EUA	6.73%	10.8%	0.39
60/40 + 5% of EUA	7.63%	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*	8.39%	9.5%	0.62
60/4 + 1% of EUA	8.67%	9.5%	0.65
60/40 + 2% of EUA	8.95%	9.5%	0.68
60/40 + 5% of EUA	9.79%	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.



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