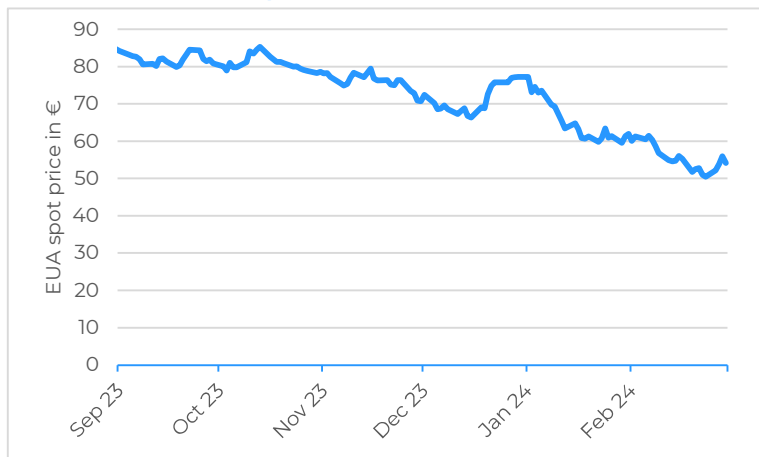


EUA Market Developments



Source for graph and table: Bloomberg, retrieved 06/02/2024

- European carbon continued its weak start to the year, with the EUA price falling a further c13% for the month of February. The month’s closing price of EUR 56 was the lowest since July 2021, and the intra-month low of EUR 51.08 on the 23rd of February was the lowest price since May 2021.
- The weakness in EUA prices was fairly consistent for the first three weeks of the month. Bearish sentiment persisted, with market focus dominated by continuing weak fundamentals - low emissions due to sluggish economic output, strong renewable power generation, mild weather conditions at the tail-end of winter.
- In particular, the EUA price tracked gas prices lower, with Netherlands TTF Nat Gas recording a similar, c15%, decline for February. The reason for the lockstep performance of the two assets, is that whilst the bulk of European power generation will have already switched from coal-fired to gas-fired power generation where possible, incremental declines in the gas price can still incentivise the most efficient coal plants to be switched off in favour of even their least efficient gas counterparts.
- We continue to keep a close eye on Investment Fund positioning, where we saw bets on the short side continue to increase. ICE’s CoT¹ data showed absolute short positions grow 22% from the end of January to the last February release.

¹Commitment of Traders report published by the [Intercontinental Exchange](#)

Carbon Exchange-Traded Products

Period 01-Feb-24 to 29-Feb-24

Ticker	Return	AUM added (millions)
CO2 LN (€)	-9.9%	10.2
KEUA (\$)	-10.4%	-2.6
CARB (\$)	-9.8%	-10.4
KRBN (\$)	-6.7%	-47.4
KCCA (\$)	-2.7%	-6.0

Auction Results

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Avg million EUAs sold per auction	2.85	2.90	2.90	2.93	2.89	2.78
Avg subscription rate	189%	173%	152%	156%	163%	168%

Source: EU Commission, EEX, SparkChange

EUA Market Outlook

- Whilst the overall EUA price performance for February was disappointing, we have started to see signs of the market at least considering finding a bottom ... In the final four trading days of February, the EUA price rallied c7% from the 23rd of February lows, triggered by forecasts of low wind generation across Northern Europe, that triggered a mini short squeeze. MTD in March, that short squeeze has continued, catalysed by LNG supply disruption out of the US, meaning that overall the EUA price has rallied some c15% from the lows.
- At the same time, we note above that the absolute short positions held by Investment Funds have continued to grow, but the net short position in aggregate is no longer expanding. Investment Funds are also increasing conviction on the long side, meaning that the net short position has stabilised at the high level seen late last year. We see this increase in conviction on both sides of the bet as indicative of the fact that, whilst short-sellers are pushing for further downside on near-term bearish fundamentals, longer-term investors are starting to look through to the more bullish market dynamics that leave the EUA market looking extremely tight in 2026 – 2030.
- ICE’s CoT data does not include physical holdings of EUAs, and on that front we have now seen a c80% increase in the number of units in issue in SparkChange CO2.



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.



Billal Ismail

HEAD OF SALES

Tel: +44 (0)20 8148 8541

Email: bi@sparkchange.io



Philipp Ruf

HEAD OF RESEARCH & ANALYTICS

Tel: +44 (0)20 8148 8541

Email: pr@sparkchange.io

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.

Spark Change Group Limited is part of the SparkChange Group. Spark Change Group Limited (FRN 944451) is an Appointed Representative of Kroll Securities Ltd. (FRN 466588) which is authorised and regulated by the Financial Conduct Authority.