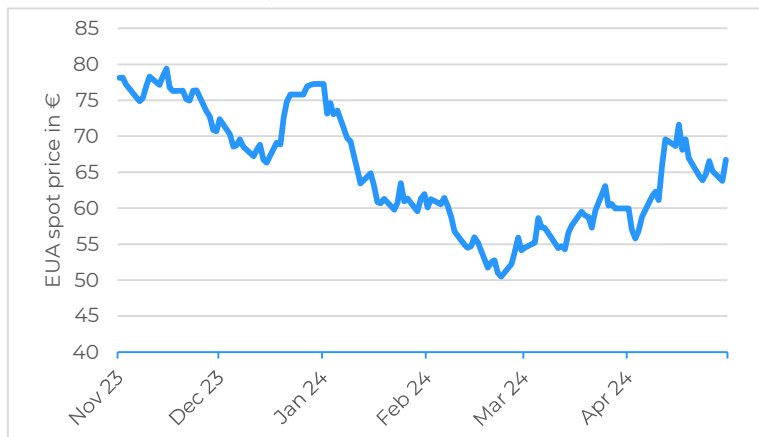


### EUA Market Developments



Source for graph and table: Bloomberg, retrieved 1<sup>st</sup> May 2024.

- European Carbon built on March’s bounce to return a price rise of c11% in April, leaving the EUA price up c32% from the February lows. The month’s price development continued to be jittery, with an intra-month rally of c28% from trough to peak, despite EUA fundamentals remaining sluggish throughout the month.
- Ember Climate\* confirmed a continuation of the power sector emissions trends seen in recent months: less than a quarter of the EU’s electricity demand was met by thermal means in April, for the first time ever, with coal-fired generation at an all-time low of c9%, while renewables generated 54% of the bloc’s needs. On top, EUA supply remains inflated by REPowerEU and the inclusion of maritime.
- That said, rising geopolitical risks at a time when sentiment and investor positioning were both acutely negative were more than enough to offset that bearish backdrop. In particular, the escalation of tensions between Israel and Iran mid-April was a key trigger of upside in both gas and EUA prices, as the market digested the risk of global LNG disruption in the event of a closure of the Strait of Hormuz.
- Whilst the retaliatory cycle between Israel and Iran seems to have found a pause, investors have been unwilling to retake bearish bets in Carbon. In fact, we’ve seen the opposite, with the net short position held by Investment Funds ending April at c18mt, less than half of the February peak.

\* Ember Climate, a Climate & Energy think tank

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

### Carbon Exchange-Traded Products

Period 01-Apr-24 to 30-Apr-24

Ticker	Return	AUM added (millions)
CO2 LN (€)	11.2%	27.3
KEUA (\$)	9.0%	0.1
CARB (\$)	10.6%	-27.1
KRBN (\$)	4.6%	6.6
KCCA (\$)	-2.6%	-7.2

### Auction Results

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Avg million EUAs sold per auction	2.90	2.93	2.89	2.78	2.78	2.79
Avg subscription rate	152%	156%	163%	168%	168%	167%

Source: EU Commission, EEX, SparkChange

### EUA Market Outlook

- As we argued in [our recent webinar](#), we are rapidly approaching an inflection point in EUA supply, where the EU ETS flips from small surplus in 2024 to material deficit in 2026 – 2030. We believe the current volatility in EUA prices – aside from that element driven by geopolitical news flow – is being exacerbated by the tug-of-war between shorter-term focused bears and longer-term focused bulls.
- Heading into the summer months, where the EU ETS is most sensitive to extreme weather events, it remains to be seen whether Investment Funds will be willing to rebuild their short positions or continue trimming. If that potential buying demand is twinned with increased hedging demand by corporates, at a time when the compliance deadline (now September) looms, then it is possible we’ve already passed the EUA price inflection. In our post-webinar survey, 37% of respondents believed that to be the case, whilst 49% saw the inflection point later in 2024, and just 14% beyond.

### Events to Watch

- 1st June – Publication of the annual surplus indicator (TNAC), and the impact on the Market Stability Reserve.



## 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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