



The EUA market firmed in May, with Dec25 EUA prices trading above €70/t and briefly surpassing €73/t. At the time of writing, price has eased to €71.46/t, reflecting a mildly bearish sentiment driven by uncertainty surrounding potential U.S. tariffs on EU goods and robust renewable energy output. Correlation with the TTF gas market strengthened, peaking mid-month, largely driven by trade policy shifts and geopolitical developments. However, this alignment weakened towards month-end, suggesting diverging market drivers. The ongoing Ukraine conflict remains a key geopolitical factor, with President Trump continuing to call for a negotiated resolution. Any breakthrough could impact EUA pricing by easing geopolitical risk premiums.

A key development was the UK-EU summit, marking a reapproach between London and Brussels and resulting in a preliminary agreement to explore future linkage between the EU ETS and UK ETS.. However, market response was subdued due to the lack of a clear timeline. Conversely, the EUA market reacted more sharply to news of a proposed 50% U.S. tariffs on EU goods, driving prices briefly above €73/t. This spike was short-lived, as the announcement of a tariff pause until July 9th helped ease concerns. However, uncertainty beyond this date lingers, especially given President Trump's tactics of maintaining negotiating leverage through credible threats.

Toward the end of the month, the European Commission released the 2024 TNAC, reporting a 1.148b surplus in CO₂ allowances, of which 275m were placed into the MSR. Additionally, Germany permanently cancelled 0.51m allowances ahead of EU announcement, to further support market balance and price stability. On the investment side, funds continued to build net long positions, though at a slower pace. The latest CoT shows a 6% w-o-w increase, rising from 16,831 mt to 17,857 mt, indicating growing, yet cautious, market confidence.

