

Carbon at year end: EUR 100/t or EUR 50/t?

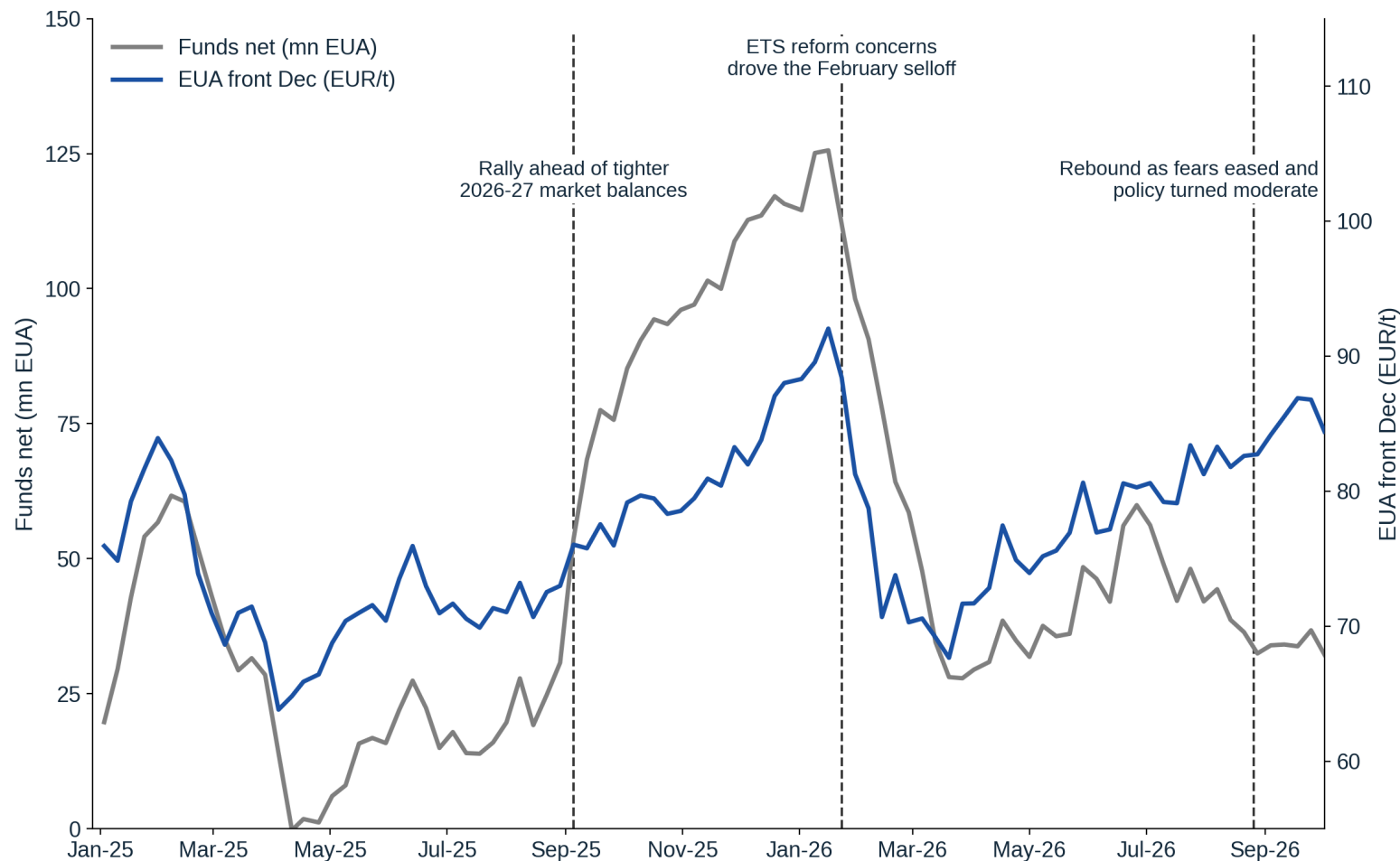
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EUA Dec-26 settlement, weekly, €/t

EUAs rebound from March lows as fund length falls 70% YTD



Correlation with investment funds

Correlation 65% · R² 0.416

Correlation with energy drivers

Driver	10d	30d	60d
Power	+60%	+68%	+49%
Gas	+42%	+46%	+24%

Annual average and year-end close, €/t

Year	Avg	Close
2022	96.93	98.05
2023	97.02	85.30
2024	71.18	75.09
2025	76.84	87.37
2026 YTD	79.22	86.94

2026 range: €63.65 (Mar 19) to €92.24 (Jan 15)

Source: ClearBlue Markets Vantage (EOD futures, MiFID II COT, EEX auction results).



The July 17 proposal in four moves

In a nutshell

The package slows the cap decline and adds flexibility, while staying aligned with the net 90% target for 2040.

Cap trajectory

3.7%

Annual cap reduction for 2031 to 2035, then 1.7% from 2036. Current law is 4.4%.

Credits and removals

260 Mt

Up to 260 Mt of international credits from 2036, plus 250 Mt of permanent removals added to the cap.

Free allocation

2038

CBAM sector phase-out moves from 2034, and investment conditionality starts in 2031.

Investment Booster

400 Mt

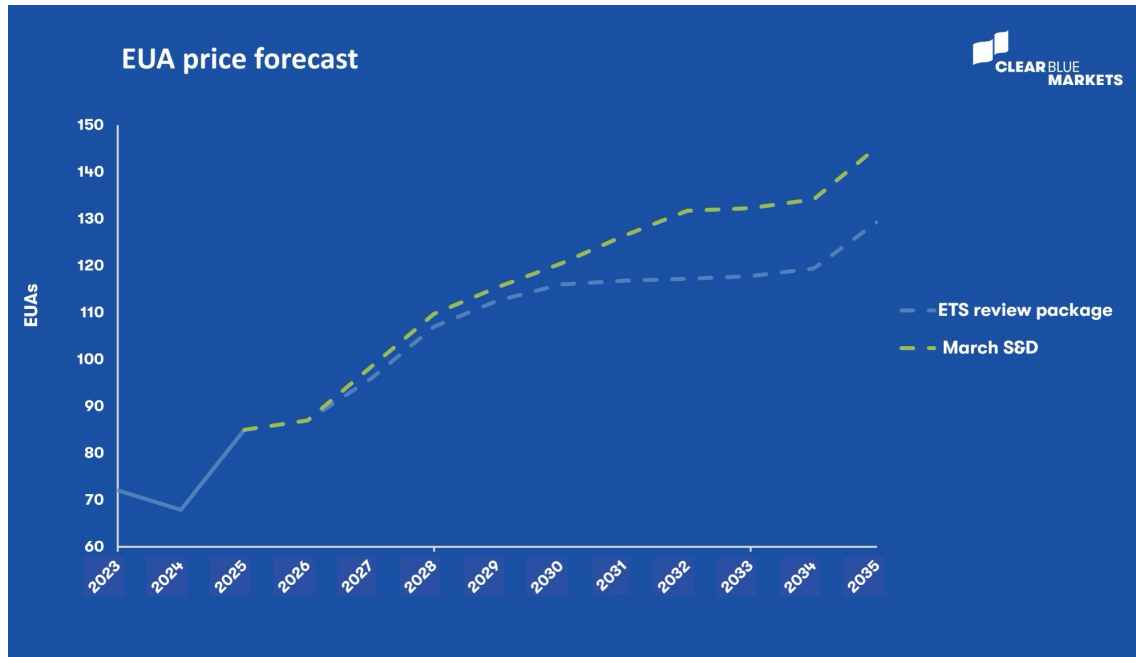
Allowances worth about EUR 30 bn fund industrial projects from 2028.

Implied ambition. The Commission estimates ETS emissions fall 83% by 2040 versus 2005, against 62% by 2030.

Revenue use. The Commission proposes that member states spend at least 50% of ETS revenues on decarbonising ETS sectors.



What the package does to balances



The ETS review package loosens the market against current law.

Element	Effect on balances
Cap trajectory	Bearish
Investment Booster	Bearish, depends on release pace
Market Stability Reserve	Slightly bearish
Free allocation and CBAM	Slightly bearish

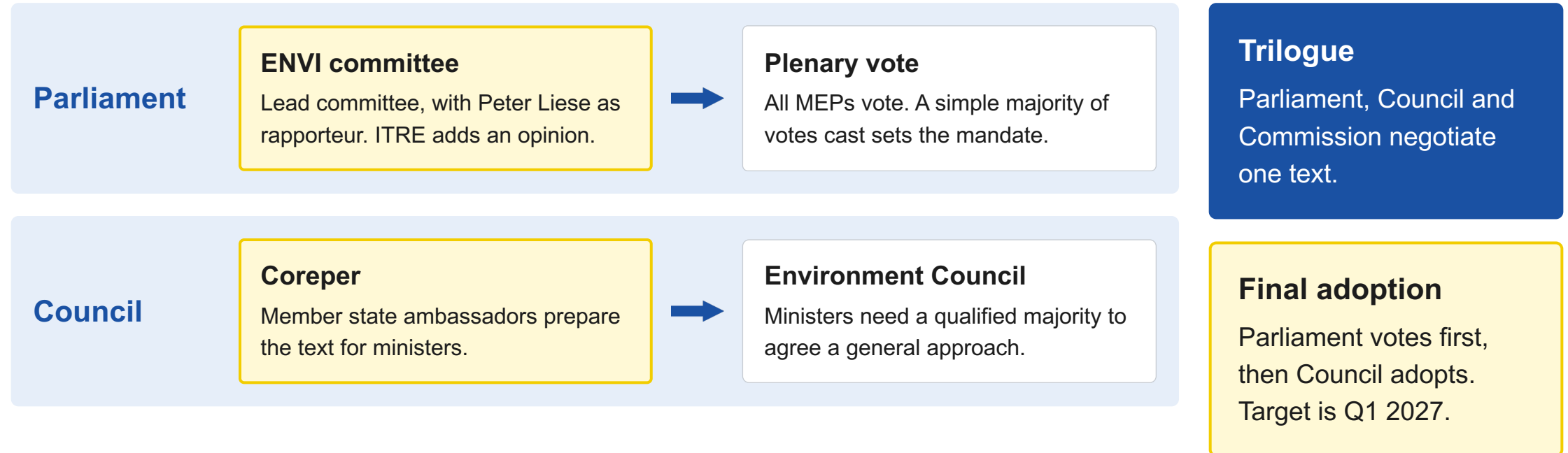


Where the file stands today



How the process works

Parliament and Council each agree a position first, then negotiate one text together.



Qualified majority. 15 of 27 states with 65% of the EU population. Blocking needs 13 states, or 4 states with over 35%.

The yellow border marks where each track stands today. MSR invalidation and fallback benchmarks run alongside.



The Liese draft sets the Parliament starting point, while Council stays split.

Developments since July 17

Parliament

Liese draft report, September 10

3.4% cap reduction to 2035, then 2.3%, adding about 60 Mt of supply

Article 29a today releases 75 Mt only at 2.4 times the two-year average

Liese's two-sided version moves **25 Mt** when prices swing **25%**, to curb spikes

Conditionality phased from **33% in 2031 to 100% in 2035**

Council

Positions ahead of December 11

Six states, about 20% of the EU population, defend the tighter cap

Poland and Italy lead a growing bloc that still **finds 3.7% too fast**

Germany reported no position on October 12 and holds the largest vote

Italy, Czechia and Estonia push to delay ETS2 beyond 2028

Fast-tracked files

Separate from the main review

MSR invalidation. Council suspends it to 2030, Parliament keeps it at 650 Mt

First trilogue on October 20

Fallback benchmarks. Council adds 33 Mt of free allowances, Parliament is deadlocked

ETS2 reserve changes approved October 9, doubling releases above EUR 45

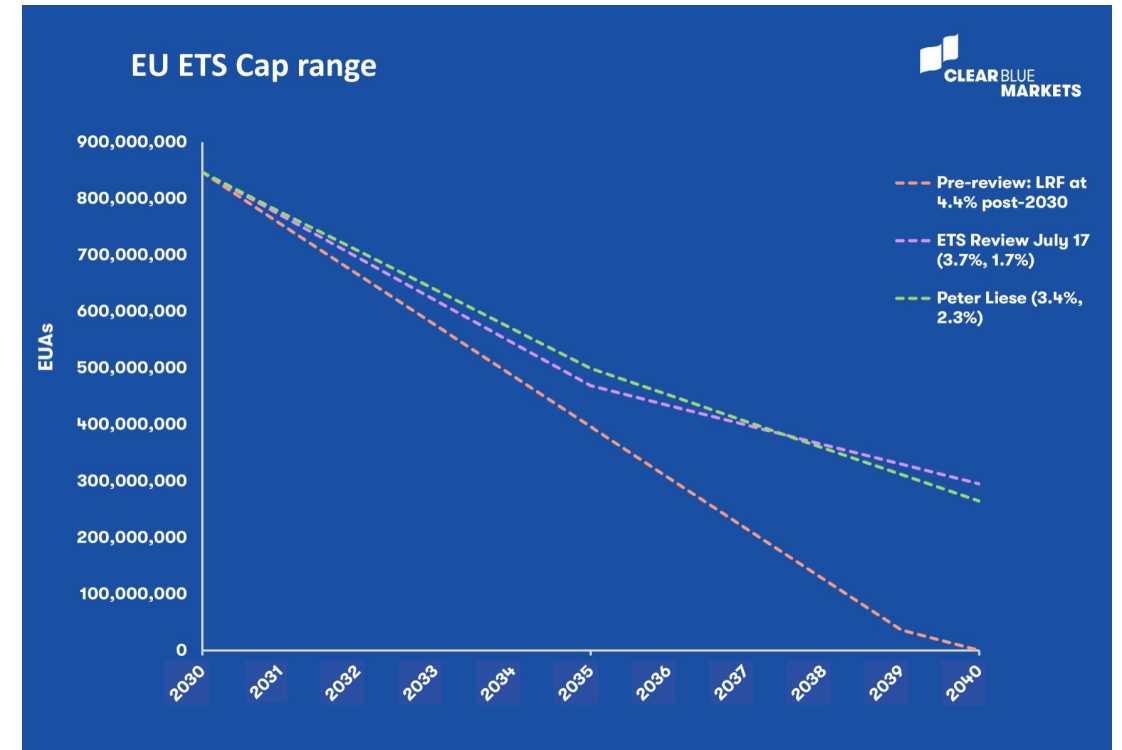


The EPP rapporteur sits just below the Commission, with the left tighter and the right looser. Current law is 4.4%.

Where the groups stand on the cap

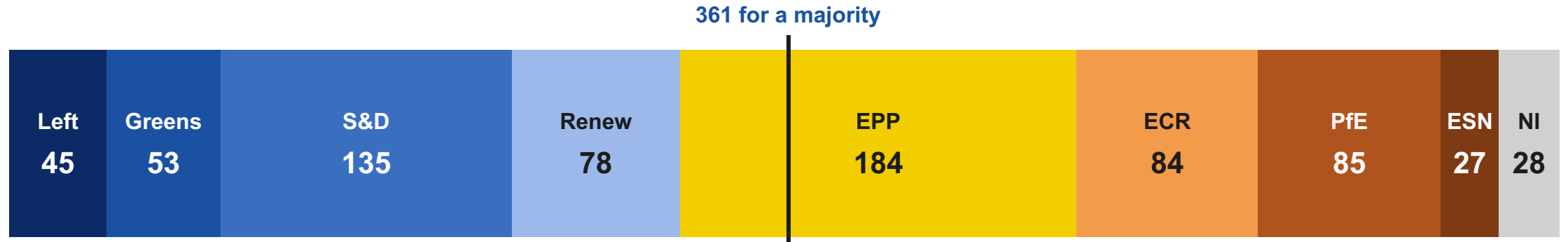
Annual cap reduction

Position	2031 to 2035	From 2036
S&D, Greens	4.4%	2.7%
Renew	4.4% to 4.0%	4.0% to 2.7%
Commission	3.7%	1.7%
EPP, Liese	3.4%	2.3%
ECR, Vondra	2.4%	1.7%
PfE, ESN	1.0% to 2.2%	1.0% to 2.5%
Poland bloc	Just over 2%	Just over 2%





Seat maths in Parliament



Centre-left without the EPP

311

S&D, Renew, Greens and Left need 50 more votes, about 27% of the EPP.

EPP with S&D and Renew

397

Needs no far-right votes, but EPP amendments in ITRE run from 3.7% to 0%.

EPP with ECR, PfE and ESN

380

A right majority needs 165 of 184 EPP MEPs, about 90% of the group.



Outlook and dates ahead



Most likely outlook

Cap

Close to the Commission, then a higher rate after 2035

The EPP holds the middle and Council is split, so the 2031 to 2035 rate ends near 3.4% to 3.7% and the 2036 rate between 2.3% and 2.7%.

International credits

Credits stay as a conditional backstop

The left wants them out, but the Commission, the EPP and several states keep them, so the fight moves to quality tests and volume.

Free allocation

The 2038 end date holds or moves later

Several states want more protection and Liese keeps 2038, so it does not move earlier. Conditionality is more likely softened and phased than dropped.

Net effect on balances stays close to the July 17 scenario. The timing risk is a Q1 2027 deal slipping into Q2-Q3.



Positions lock in by mid-December, with trilogues expected from January

Dates ahead

Date	Event	Track
October 15 and 16	European Council summit	Council
October 19 to 22	Plenary vote on fallback benchmarks	Parliament
October 20	First MSR invalidation trilogue	All three
Second half of October	Irish presidency first compromise text	Council
November 19	ITRE vote on its opinion	Parliament
December 1	ENVI vote on the Liese report	Parliament
First half of December	Post-2030 climate package	Commission
December 11	Environment Council general approach target	Council
December 14 to 17	Plenary vote on Parliament's position	Parliament
Q1 2027	Target for a final deal	All three

Source European Parliament calendar, Council, European Commission



Tight balance and coal burn support prices, while mild weather and costlier carry cap the upside

Why year end lands in the high 80s

October

November

December

● Bullish ○ Two-way ● Bearish

Oct to Dec

Coal to gas switching. High TTF and record low gas storage make coal burn more attractive. ●

Oct to Dec

Wind generation. Volatile output can lift or cut fossil burn, so the effect runs both ways. ○

Oct to Dec

Shrinking coal fleet. Capacity falls every year, so extra coal burn has limited room. ●

October

Shoulder month. Power demand has not picked up before winter conditions set in. ●

Oct 29

ECB decision. Dearer carry after the hike limits speculative length. ●

Nov 20

EU and UK summit on linking markets. Could add EUA demand, with sell the fact risk. ●

Nov to Dec

Mild winter. Strong El Niño and warm seas point to lower heating demand. ●

Nov to Dec

Demand destruction. Gas burn may fall by more than extra coal adds. ●

Ongoing

Industrial gas demand keeps falling, pointing to weaker industrial emissions. ●

December

Short years. 2026 and 2027 are short years, so prices tend to firm despite political noise. ●

Dec 9 and 14

Dec-26 expiry. Position squaring and hedge rebalancing may tighten conditions. ●

December

Seasonality. December is a seasonally firm month for the benchmark contract. ●



THANK YOU, Q&A

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