

Wednesday 18 February 2026

Rumours of an ETS policy review trigger price drop

- **ETS Price:** The ETS price fell by 25% in a short period. Rumours of a potential loosening of the EU ETS emerged at a time when the market, from a technical perspective, was already exposed to significant downside price risk.
- **EU ETS Review:** Last week's industry summit in Antwerp and the informal EU Council highlighted the tensions between the European Commission and member states. While member states are leaning towards a loosening of the EU ETS, the Commission reminded them to allocate funding for industry.
- **Electricity Price:** The contract for Dutch electricity delivery in 2027 (baseload) fell by around 10% following the sharp decline in the ETS market.
- **Hydropower Reservoirs:** The fill levels of Scandinavian hydropower reservoirs are below the five-year average.
- **Coal Price:** Coal prices have risen sharply in recent weeks due to the ice-covered Baltic Sea. Russian exports have consequently dropped significantly, leading to a (temporary) tightening of the global coal market.

Free Fall in ETS Price Driven by Convergence of Sentiment and Market Mechanisms

The December contract of the European Union Emission Trading System (EU ETS) is currently trading at around EUR 70/ton, marking a nearly 25% decline compared with a month ago. The sharp price drop is linked to the turmoil surrounding the upcoming EU ETS adjustment, with pressure currently mounting to ease the system. In addition, a significant majority of speculative market participants had taken long positions in recent months, anticipating rising prices. Recent developments have reversed this sentiment, so the closing of long positions has amplified the downward pressure on prices.

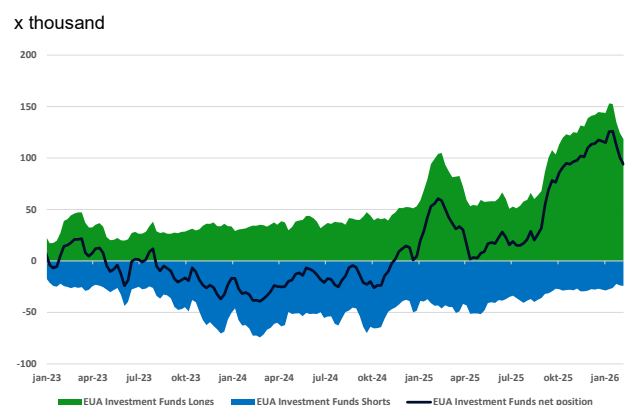
The rapid downward movement also forced some market participants to liquidate long positions. Much of the trading in ETS contracts takes place via futures, where positions are marked to market daily. When prices fall, participants using borrowed funds must top up their accounts to maintain their positions. If they cannot provide the required funds, or if internal risk limits are breached, they are compelled to sell part or all of their position. Such forced selling can, in turn, further exacerbate the price decline.

ETS-price plunges



Source: LSEG Eikon

Net long position falls again



Source: LSEG Eikon

Rumours of ETS Loosening

The Commission's proposal to revise the ETS is not expected to be published until the second half of this year. Under the ETS Directive, this proposal is meant to address the next phase of the ETS...

This was a preview. To receive the full market update, including all exclusive insights, please email one of the addresses below.

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