

Wednesday 1 April 2026

The ETS market: between hope and uncertainty

- **ETS market:** It remains uncertain whether the MSR adjustment will sufficiently address concerns about the impact of the ETS in the near term. As a result, policy expectations and uncertainty surrounding the upcoming revision proposal will continue to influence the ETS market in the coming months.
- **Electricity price:** The front-month contract relates to delivery in May, which typically records the lowest prices due to seasonal patterns in the electricity market. However, sharply higher gas prices are still driving elevated electricity prices, even in a month that عادة sees relatively limited gas-fired generation.
- **From SDE++ to CfDs:** In a recent letter, the Minister of KGG outlines the key insights regarding the transition from the SDE++ scheme to Contracts for Difference.

Expectations regarding the ETS market initially led to higher prices...

The December contract for the European Union Emissions Trading System (EU ETS) is currently trading at around EUR 72/tonne. In recent months, the ETS price has been volatile. From September 2025, the price rose from just over EUR 70/tonne to a peak of EUR 92/tonne in January 2026. This price peak was followed by a downward correction. On 19 March, a low of around EUR 63/tonne was reached, after which the contract rebounded to its current level.

ETS price recovers



Source: LSEG Eikon

The price rise from September 2025 was largely based on an expected tighter ETS market from 2026 onwards. With the entry into force of the Carbon Border Adjustment Mechanism (CBAM) – a CO₂ border tax – industrial companies will be allocated fewer free allowances in 2026. As a result, the expected buying pressure from the industry increased.

In addition, the European Commission (EC) was set to publish new benchmarks in 2026. These benchmarks determine the number of free allowances allocated to industrial companies. Typically, these benchmarks are tightened every few years. Consequently, this development would also lead to a reduction in the share of free allowances and thus an expected increase in buying pressure.

Furthermore, the price rise was exacerbated by the substantial expansion of the market's net long position. In other words, speculative market participants were increasingly positioning themselves for further price rises.

... but expectations were revised due to talk of an ETS review

However, the upward price trend in the ETS market came to a halt in mid-January. The positioning of speculative participants led to a record high in the net long position. This made the market...

This was a preview. Receive the full market update with all exclusive insights by sending an email to one of the addresses below.

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