EU ETS Long-Term Supply, Demand & Price Forecast

Update: 2 July 2025

Overview

Despite the potential volatility posed by a threatened US trade war, the breakout of physical conflict between Iran and Israel, and amendments to the Commission's 2040 climate goals, there has been a slight upward amendment to LSEG Carbon Research's long-term price forecast.

However, LSEG has made some significant revisions to its short-term price forecast after Q2 proved to be more bullish than we originally anticipated. The previous carbon markets forecast was released in April amid the market turmoil of President Trump's "liberation day" announcement, which made it difficult to peg a starting point for the Q2 average price of the ICE Dec25 EUA contract. EUA prices had, up to that point, dropped sharply along with most other financial indicators in early April.

However, many of the tariffs originally highlighted in the first announcement have been significantly walked back, and markets have reacted accordingly. LSEG's 2025 forecast has been revised upwards by 30 cents/tonne to €73.50/t, while the 2030 forecast has been revised up 60 cents/tonne to €114.40/t.

There is still a high degree of uncertainty about the overall impact that larger geopolitical and macroeconomic events will have on the outright price of EUAs, which are often heavily correlated to other commodity markets – particularly natural gas and, recently, oil – as well as equities markets. While a tentative ceasefire is in place between Israel and Iran, and the US appears to have refocused away from tariffs and towards immigration, the overall situation remains volatile, which has the potential to bring EUAs along for the ride.

Overall, we see the trajectory for prices to be broadly unchanged from our Q2 forecast, with an increase in EUA prices throughout Q3 ahead of the surrendering deadline, followed by a denouement in Q4 ahead of the Dec25 contract expiration at the end of the year. Because the Q2 average price did not drop as far as expected, we do not anticipate that the Q3 increase will be as pronounced.

Results

Short-term Price Forecast

	Q1	Q2	Q3	Q4	2025
ICE Dec25 Average	75.16*	69.95*	73	71.75	73.50
Change on Previous	N/A	+3.95	+3.00	+0.75	+0.30

Source: LSEG Workspace; *Actual

Long-term Price Forecast

€/t	2026	2027	2028	2029	2030	2035	2040
EUA price forecast, nominal	84	95	102	111	126	227	341
EUA price forecast, real*	82.40	90.80	96.20	102.80	114.40	185.80	253
Change from previous forecast	0.60	0.60	0.40	0.40	0.60	2.40	4.70

Source: LSEG Workspace; *'25 Euro

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