LSEG Commodities Research

Carbon

Q2 2025 Carbon Price Forecast

22 April 2025

	Q1	Q2	Q3	Q4
€/T	75.16*	66	70	71

*actual, rather than forecast

LSEG has revised its EU ETS carbon price forecast downwards to €71/t for 2025 after recent economic uncertainty has driven overall prices across both commodities and equities lower. So far in Q2 2025, the price of the Dec EUA contract has averaged nearly €9/t lower than the Q1 2025 average, as markets across the board have fallen sharply following Donald Trump's initial tariff announcement on April 2.

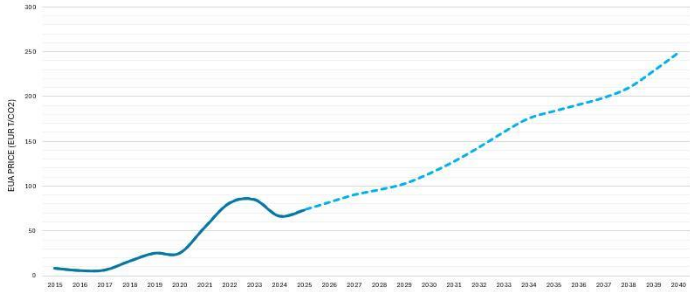
"The level of volatility across global markets has been unseen since the initial days of the COVID-19 pandemic," said Research Lead Gabriele Kinder. "Because the price of carbon is so closely correlated with other commodity markets -- particularly gas – as well as equities, this makes it difficult to say what the outright EUA price is going to be in the 2025.

"That said, we don't see that this volatility has had much impact on the direction of EUA prices, at least immediately."

LSEG has revised its price expectations for Q2 2025 downward to an average of €66/t, with little indication that overall prices are likely to increase. There are strong indications that the trade war could continue to escalate, which will remain bearish for both commodities and equities in outright price terms and is also likely to continue to weigh on carbon prices, making it unlikely that the Dec 25 EUA contract will hold above €70/t for at least the next several months.

In Q3 2025, prices are still expected to rise, buoyed by a likely increase in gas prices and seasonal cooling demand in Europe, where the current forecasts point to a warmer than average summer after a warmer than average spring, amid declining renewables output. LSEG expects the carbon price to rise to €70 in Q3 2025. So far in 2025, hydro output has been much lower than in 2024 and, according LSEG Power markets research, power emissions are already higher than they were in April 2024.

LSEG Long-term EUA Forecast, March 2025



"There has been a sharp exodus in speculative interest in the immediate wake of the first tariff announcement, which in many ways brings the market back to pure supply and demand fundamentals," Kinder added. "While a prolonged trade war would have an enormous impact on industries in the EU ETS, we would expect that the impact that would have on the EUA market itself is more likely to be felt in 2026 and beyond."

One wild card to keep an eye on as the surrendering deadline for 2024 emissions draws closer, is a possible spike in demand for EUAs that could lead to a temporary increase in prices. The shipping industry was covered under the EU ETS for the first time in 2024 and is scheduled to surrender at the end of Q3 this year. According to the LSEG Carbon team's April Verified Emissions analysis, fewer than 40% of the industry was able to meet April deadline to submit its verified emissions for 2024.

Q4 2025 is expected to be flat to slightly bullish on Q3, with LSEG currently expecting a price of €71/t to close out 2025. The LSEG Weather forecast predicts a move from El Nina conditions throughout the summer to another El Nino winter in Europe, which could lead to colder weather and an increase in heating demand.

The largest outstanding factor for carbon prices in 2025 will be the impact on equities and commodities prices specifically, and the impact that this will have on the outright price of EUAs, even if market fundamentals of supply and demand remain relatively static. In this respect, LSEG sees greater risk to the downside, at least in the short-to-medium term, and views a return to early-2025 highs as unlikely.

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