

Carbon & Power Weekly

July 22th, 2025

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Is summer also out-of-office ?

EUAs remain muted as cooler-than-average temperatures and low fuel-fired generation continue to limit demand. The EU Council has extended gas storage regulations while the gas-carbon correlation shows early signs of recovery. With the tariff's deadline approaching, uncertainty persists, and speculators are reluctant to take additional risks.

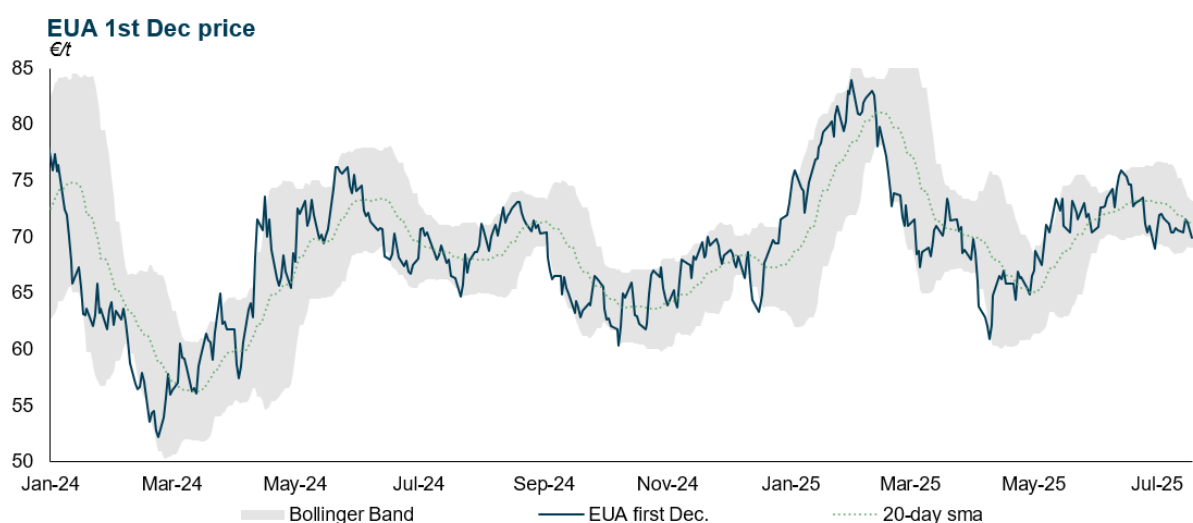
Spot power prices increased very slightly last week amid mild renewable output but balanced by modest demand, even yielding below normal temperatures at times. Less negative prices and greater market coupling were observed. On the forward side, contracts declined following fuels but also as the cooling risk was gradually dismissed following the return of unsettled weather.

Carbon market

Realized:

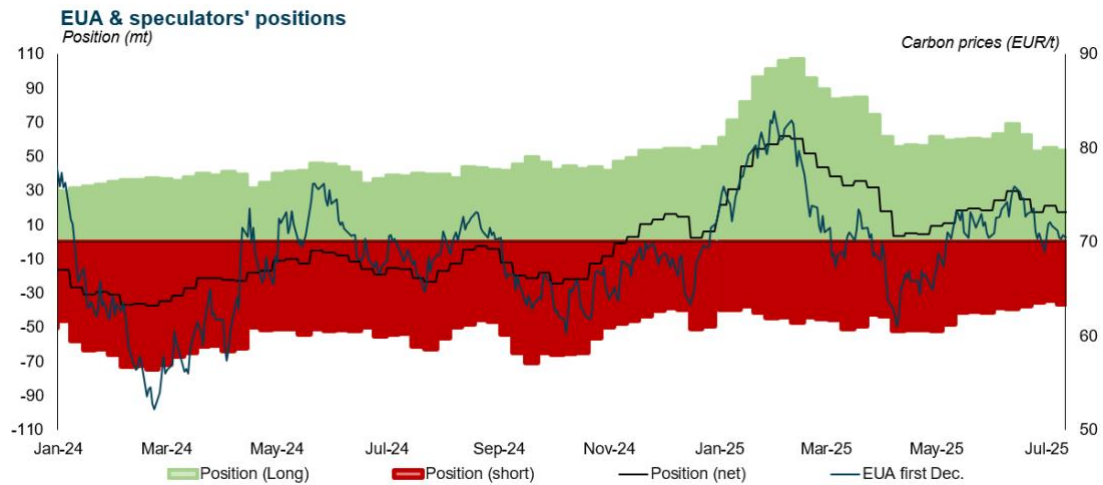
- EUAs have been rather muted last week during this holiday period. The Dec25 has traded in a narrow range between €70-72/t. Temperatures have been revised cooler and cooler, driving low heatwave risk and fuel-fired power generation remained quite low. **Fundamentals were not strong enough** to move EUAs out of their ranges and funds did not rise their open interest in this low volume trading period.

The EU Council has approved a two-year extension of the gas storage regulation, providing greater flexibility in meeting the 90% storage target. This reduces short-term procurement pressure on gas markets, thereby adding further bearish pressure on gas which seem to have an impact on carbon as the correlation grows back, and **both are on a slow downtrend**.



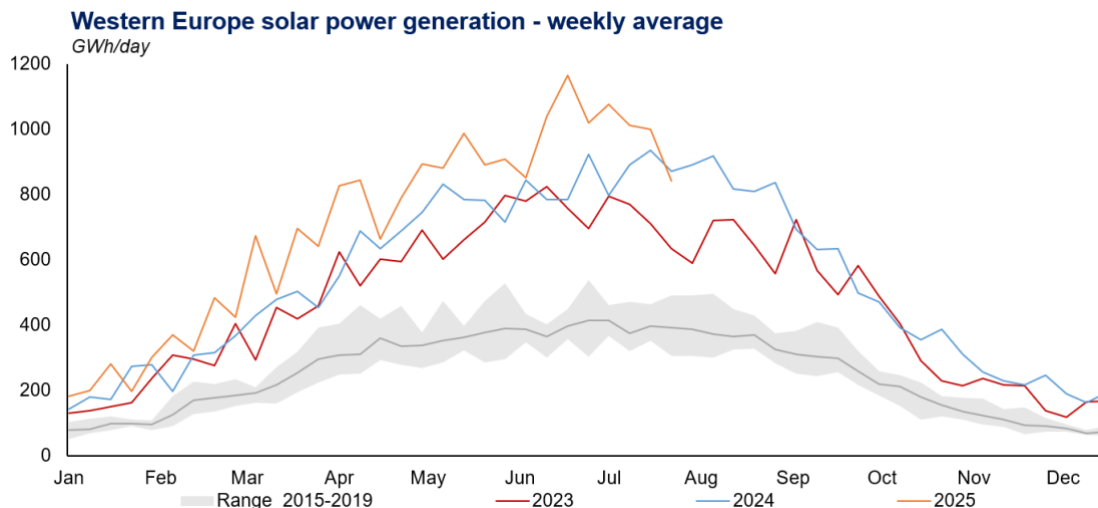
- The latest ICE Commitment of Traders showed no significant change in funds' position. As of July 11th, with the Dec-25 contract closing at €70.55/t, long positions decreased by 1.6Mt, now standing at 51.1Mt, while short increased their positions by 2.2Mt, now standing at 36Mt. **The**

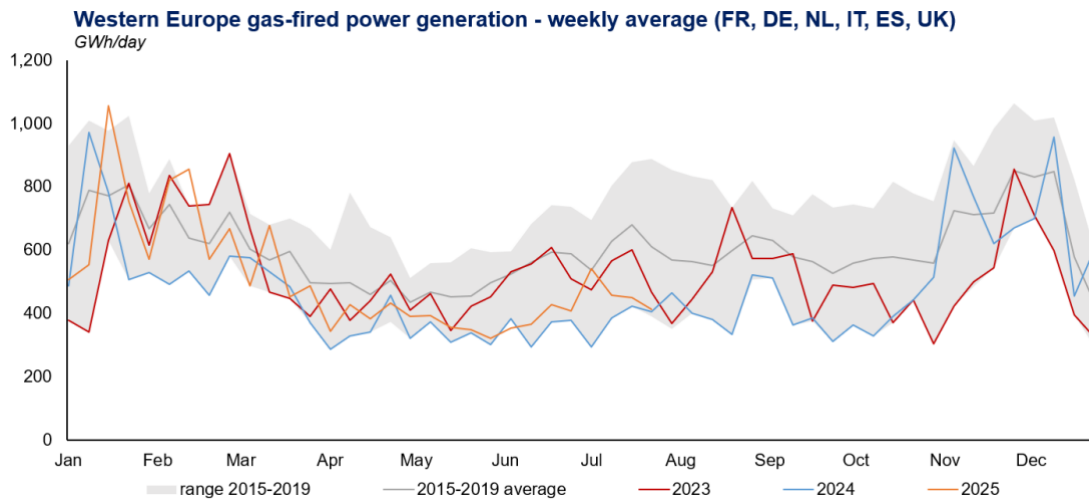
net position is now 15.1 Mt long. Regarding at our crowdedness index, it is at a very low level indicating that speculators are equally divided in terms of number between longs and shorts.



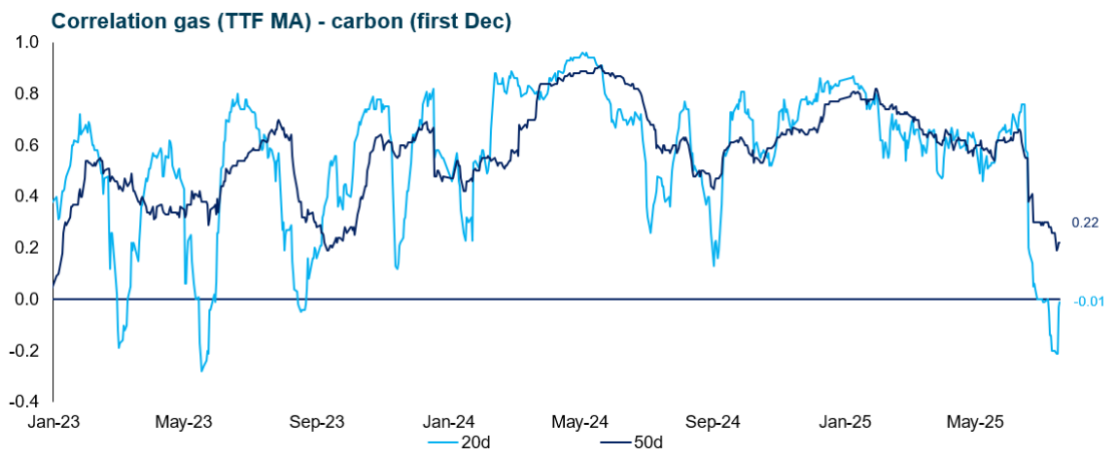
- Recent cooler temperatures across Europe have eased pressure on the power sector. Despite a noticeable drop in solar power generation, the overall demand for fuel-fired generation has remained low, as cooler weather conditions reduced power demand.

As a result, **residual load stayed contained** and gas-fired generation did not need to ramp up significantly, leading to limited additional emissions. This lack of upward pressure on demand and emissions has provided no clear incentive for EUA prices to rise. On the contrary, it explains the gradual softening of the Dec25 contract, which continues to trend lower in a context of subdued fundamentals.

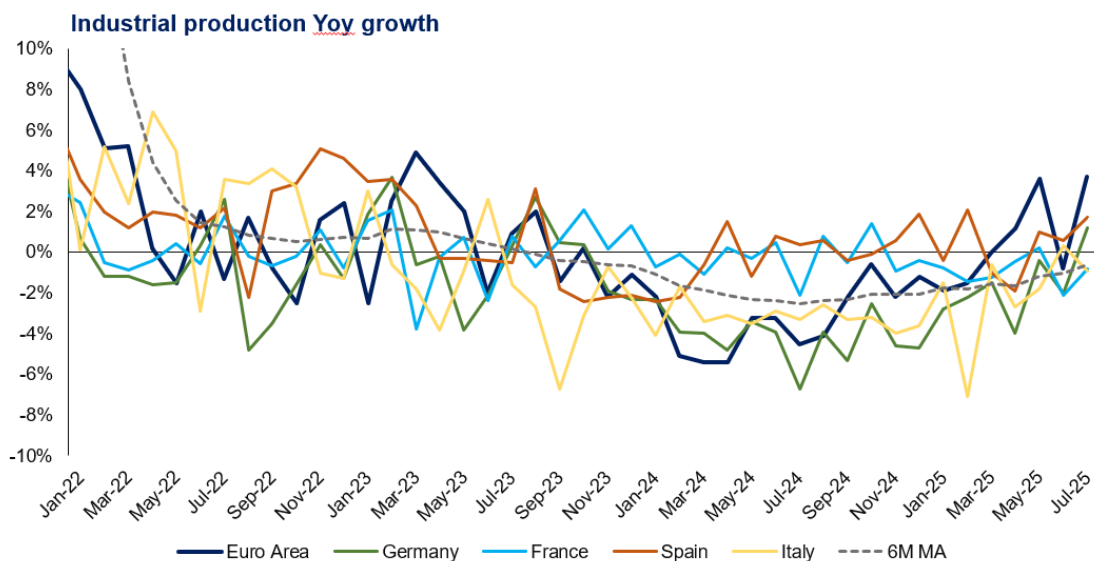




- The correlation between gas and carbon had dropped sharply and touched a two-year low not seen since summer 2023. But it is starting to bounce back as arbitrage opportunities occurred which could indicate that gas could impact EUAs again.



- Industrial production growth data are slowly heading above 0 with **Germany and Spain rising respectively 1.2% and 1.7%**. The euro area grew by 3.7% but this data is to be taken with a grain of salt as it primarily comes from 36.8% growth from Ireland which distorts the data somewhat.



Outlook

- The looming end of trade negotiations and the potential imposition of 30% US tariffs are weighing on the carbon market, as such measures would signal a deteriorating economic outlook. In response, the European Commission could retaliate by targeting US goods, raising the risk of a full-scale trade war. While EU trade ministers remain eager to reach an agreement, time is running out, and **market participants may start reducing their exposure**, adding further bearish pressure on EUAs.
- Cooler-than-average temperatures remain in the forecast across Europe, keeping expected cooling demand subdued. As a result, fuel-fired power generation is expected to stay low. Even though renewable output is not especially strong, overall, the outlook has changed little, **maintaining limited support for EUA prices**. The risk might change if higher than average temperatures arise in August.
- The correlation between gas and carbon appears to have bottomed out. Historically, such low levels of correlation have rarely persisted, and they are often followed by a rebound in the following weeks, suggesting that a **reconnection between the two markets** could be on the horizon. With gas prices trending downward due to weaker demand and increased flexibility in meeting EU storage targets, the overall signal remains bearish for EUAs.

Price table

	18-Jul	7-day change		18-Jul	7-day change
Carbon		%	Fuels		%
EUA Dec.25 (EUR/t)	69.89	-0.66 -0.9%	TTF Q+1 (EUR/MWh)	35.11	-1.84 -5.0%
EUA Dec.26 (EUR/t)	71.72	-0.68 -0.9%	TTF Cal+1 (EUR/MWh)	33.67	-1.21 -3.5%
EUA Dec.27 (EUR/t)	73.87	-0.71 -1.0%	API2 Q+1 (USD/t)	104.15	-7.60 -6.8%
UKA Dec.25 (GBP/t)	49.28	1.79 3.8%	API2 Cal+1 (USD/t)	110.01	-7.12 -6.1%
UKA Dec.26 (GBP/t)	51.60	1.94 3.9%	Coal-to-gas switch month+1 (EUR/t)	67.70	-2.60 -3.7%
			Coal-to-gas switch Cal+1 (EUR/t)	62.54	-0.66 -1.0%
EUA first Dec. traded volumes (mt)			Financial markets		
	19.96	0.56 2.9%	Eurostoxx50	5,359.23	-24.25 -0.5%
Min	18.16		S&P500	6,296.79	37.04 0.6%
Max	23.82				
Year-to-date average	29.57				

European power market

Market news:

France:

- Civaux 2, on which an indication of stress corrosion was discovered, will restart on 22/7.
- EDF signed a preliminary agreement with Arkema to supply power to its Jarrie site in the southeast of France for 10 years from Jan.
- Upper house voted in favour of a controversial draft energy roadmap that requires the construction of 27GW of nuclear capacity by 2050 and crucially drops a proposed moratorium on renewable energy funding.

Germany:

- Government seeking to boost the development of data centers clusters as part of its plans for accommodating a rising number of data centres, while facilitating their integration in the energy network.
- 2nd rooftop PV tender of the year was undersubscribed with total bids received of 274MW vs. tendered capacity of 283MW. It was the lowest capacity bid since Feb 2023.
- EcoStar starts construction of a 300MW battery storage system, expected to come online from next year

United-Kingdom:

- More than 20 GW of UK offshore wind capacity is eligible to bid in the country's upcoming clean energy auction after the government changed rules to allow certain projects (8.4 GW) to bid before they have planning consent.
- ENTSOe has signed Working Arrangements with UK TSOs, establishing a formal cooperation framework for post Brexit electricity grid collaboration

Spain:

- Spain's energy ministry (Miteco) has opened tenders for 3.7 GW of grid connections across eight nodes in six regions, prioritising projects that cut emissions, invest heavily, and start quickly. Eligible projects (such as data centres, renewable hydrogen, port electrification, and rail upgrades) must provide €25/kW guarantees, refundable upon meeting the criteria.

Netherlands:

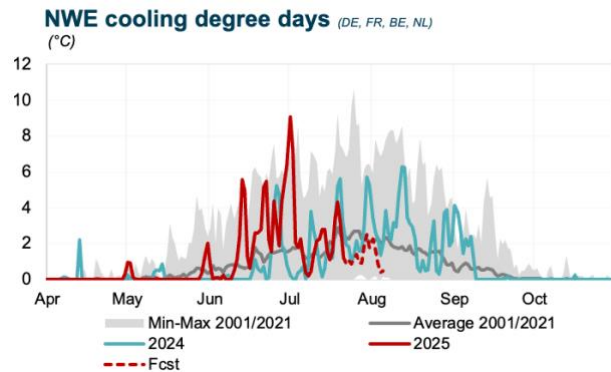
- Government has scaled back its 2040 offshore wind capacity target to 30-40GW from 50GW, as according to latest modeling, reaching 50GW is not necessary.
- Network operations are rationing power due to a strained grid situation: thousands of business and households waiting to connect to the system amid growing electrification. Tennet and DSOs were offering contracts to households that discounted electricity used at non peak times.

Key points and price evolution:

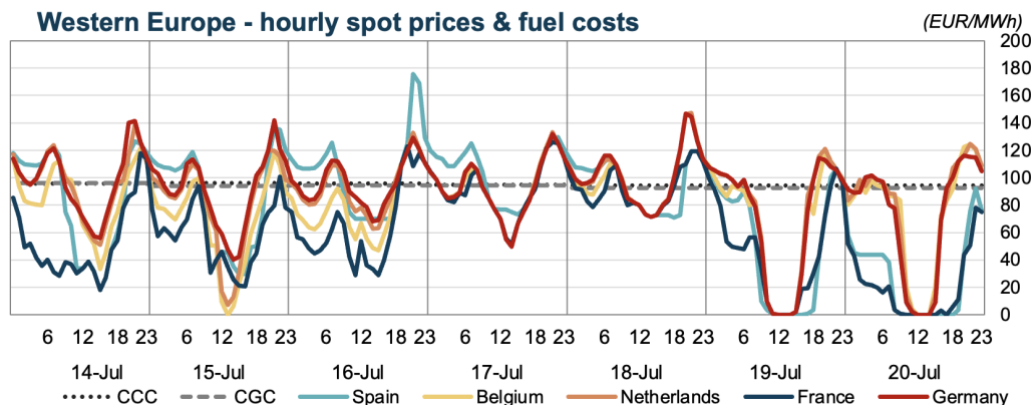
Short term developments:

1. Realized

- European spot power prices averaged €79.42/MWh for the week ending 21st of July over NL+DE+FR+BE. The weekly average spot increased slightly by +3.57%. But remained more modest compared to early July when prices were boosted by the heatwave hitting western Europe.
- But last week, demand was mild, in part due to Bastille Day in France on Monday 14th, it was partially offset by temperatures just above normal in France during workdays, prompting moderate cooling demand, while the warm pattern hit BE, NL and DE later over the weekend, having a minimal impact on prices. Lastly, summer merci holiday season gradually starts and relieves power demand from businesses.

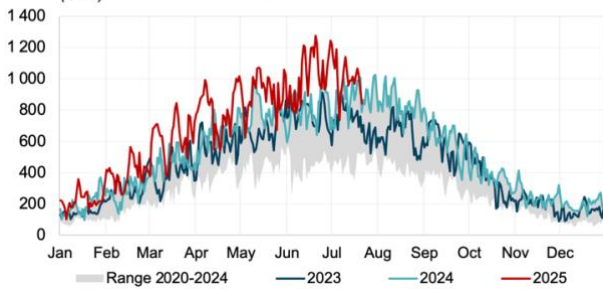


		Past week avg.	7 day change				Past week avg.	7 day change	
Spot		€/MWh		%	Power generation		GW		%
	Germany	88.60	+ 2.05	+ 2.37 %	FR power demand	43.1	+ 0.0	+ 0.1 %	
	France	60.89	+ 10.9	+ 21.9 %	FR nuclear gen.	39.8	- 0.9	- 2.1 %	
	Belgium	81.01	- 2.1	- 2.5 %	FR hydro gen.	5.0	+ 0.1	+ 1.8 %	
	Netherlands	87.19	+ 0.0	+ 0.1 %	DE wind gen.	7.9	- 2.1	- 21.0 %	
	Clean gas cost	94.27	- 0.1	- 0.1 %	DE gas gen.	3.9	+ 0.1	+ 2.4 %	
	Clean coal cost	95.47	- 1.1	- 1.1 %	DE coal gen.	3.3	+ 0.8	+ 33.4 %	

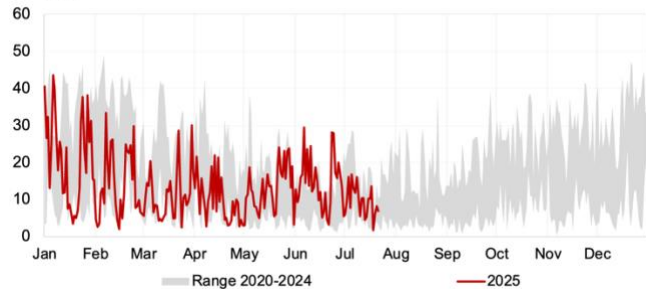


- Wind output was volatile last week in Germany, yielding decent levels (above 17GW at times) but it fell rapidly on the 18th, reaching a low of only 393MW at 9am, leading to elevated prices during that period. Solar was also not particularly strong last week (except on the weekend). Germany output a maximum of 30GW for the first four days of last week, while it reached a record of 52GW in late June. Subdued solar generation is expected to linger amid unsettled weather. Consequently, prices did decline occasionally during solar hours, but negative prices were very limited. This also enabled nuclear generation in France to not modulate as much as in previous weeks, retaining a flat profile until the weekend.
- With greater interconnector availability, France exported a significant amount of power, reaching levels above 17GW on some hours, especially towards Great-Britain and Spain. This is shown on the net imports chart visible below.

Western Europe daily solar generation (FR, DE, BE, NL, IT, ES)
(GWh)

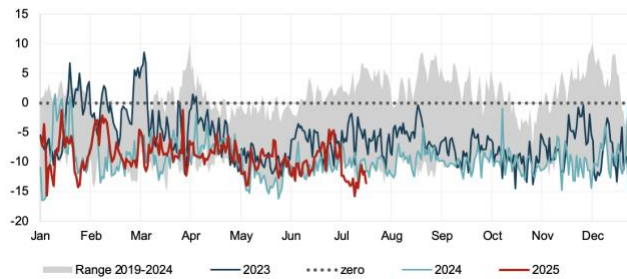


Germany wind power generation
(GW)

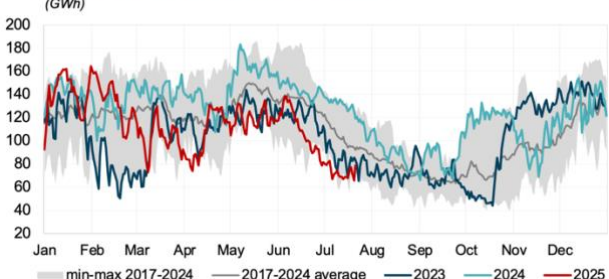


- Unsettled weather also brought non negligible precipitations over the past days allowing to boost river flows and water temperatures to decrease. Cooling has therefore significantly decreased for nuclear assets in France, even on the two plants which were most impacted late June (Bugey and Golfech). This risk is not disappearing nonetheless but is rather postponed. A return of warm weather in August and prolonged dry periods until September could still be a threat.

FR net daily imports
(GW)



France hydro run-of-river generation
(GWh)



2. Outlook

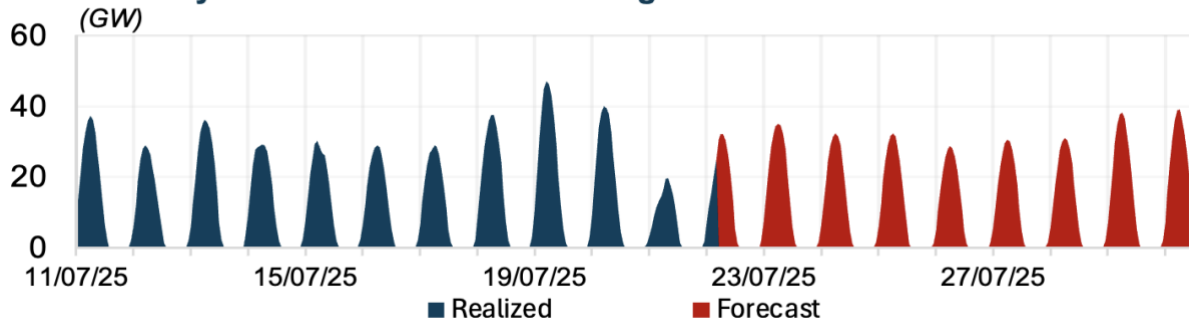
Temperatures: Mild cyclonic conditions persist this week with below normal temperatures in France through Friday, though only moderate cooling expected. Next week shows potential for a slight warming in France with weak warm bias while rest of Central Western Europe maintains mild weather with Germany continuing below normal temperatures, keeping cooling demand subdued with limited warming risks into week+2.

Wind: Strong wind generation for this Wednesday 23rd in Germany reaching high levels before decreasing significantly Thursday-Friday as pressure rises, with majority of scenarios dropping well below normal. Weekend and early next week remain calm, with wind potential recovering mid-next week and maintaining windy regimes into week+2.

Solar: Low to modest solar generation levels expected this week due to unsettled weather over Central Western Europe. Improved potential forecast for next week when pressure systems may rise and conditions become more favorable.

Hydro: Recent weekend precipitation over southeastern France, Switzerland and northern Italy has improved river levels and lowered water temperatures, reducing short-term thermal asset modulation risks. Additional precipitation forecast in coming days and end of week should maintain low environmental risks, though drier alternatives exist for next week that could elevate risks again.

Germany - Solar forecast & realized generation



Forward:

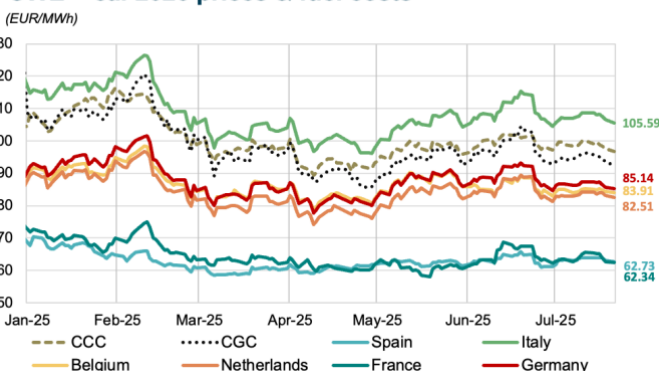
1. Realized

Over the past week, power prices declined, tracking bearish carbon and gas markets. With EUAs losing 0.94% last week and gas experiencing a sharper decline of -3.47% for cal+1 and even more pronounced at the front of the curve (-5.53% for M+1).

For benchmark contracts such as cal-26 baseload, DE lost over 2%, and more than 4% on the FR contract. The DE-FR spread closed slightly, in a rather unfamiliar fashion as FR contracts tend to be less sensitive to downward moves on gas. This pure power move could therefore be explained by the lingering oversupply observed in France and interconnection capacity limiting its ability to reduce the supply-demand imbalance. It did reach impressive export levels last week on the spot, but it was not fully sufficient to get significant and lasting coupling with neighbors. A rapidly growing solar capacity in France (relative to residual loads) will only keep weighing on forward contracts.

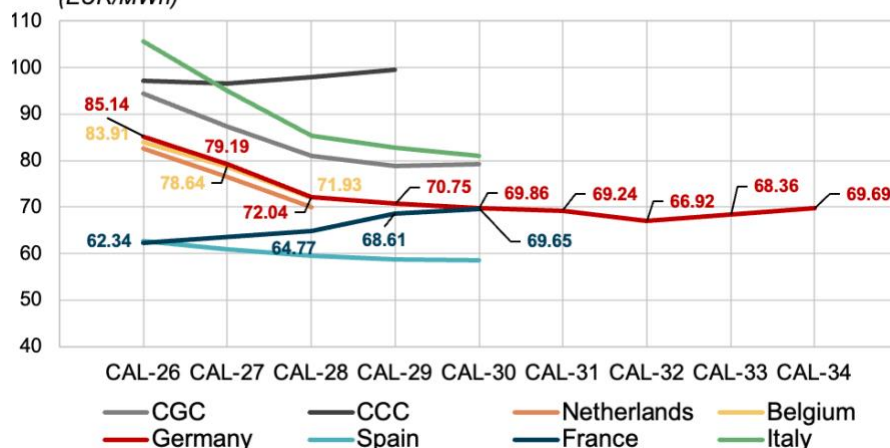
Closer on the curve, month-ahead contracts continued to trade their previous trend: more merciful weather has reduced the cooling risk in France and alleviated pressure on the gas side, allowing Aug25 contract to lose over 7% last week and closing at €46.38/MWh. German Aug25 did not discount that risk, as with milder solar generation and volatile wind output, prices remain afloat, supported by shoulder hours. It closed last week at €79.50/MWh.

CWE - cal-2026 prices & fuel costs



Power baseload forward curve

(EUR/MWh)



	21/07/2025	7 day change		21/07/2025	7 day change
Cal+1	€/MWh	%	Quarter+1	€/MWh	%
Germany	85.14	- 2.19 - 2.5 %	Germany	90.21	- 4.29 - 4.5 %
France	62.34	- 2.95 - 4.5 %	France	71.13	- 6.01 - 7.8 %
Belgium	83.91	- 1.11 - 1.3 %	Belgium	93.04	- 3.95 - 4.1 %
Netherlands	82.51	- 1.77 - 2.1 %	Netherlands	91.70	- 3.85 - 4.0 %
Clean gas cost	92.50	- 3.12 - 3.3 %	Clean gas cost	95.06	- 4.18 - 4.2 %
Clean coal cost	96.65	- 2.37 - 2.4 %	Clean coal cost	93.70	- 2.44 - 2.5 %

2. Outlook

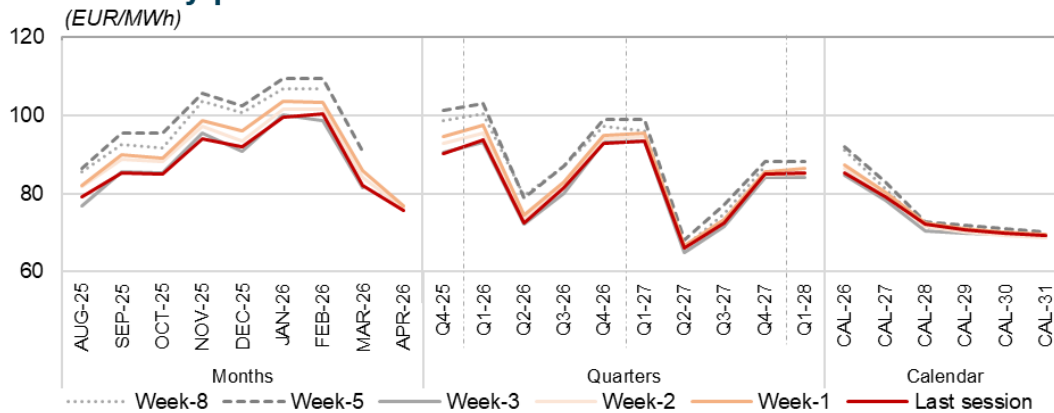
With many drivers at play on the gas side, direction for fuels remain uncertain. But the resolution of some could push prices lower. Asian demand remains subdued, even when experiencing prolonged heatwave over Northern China, South-Korea and Japan. But LNG imports have not increased to answer this power need as alternatives exist (coal ...). Looking at netbacks, TTF has the upper hand again vs JKM for US LNG which could lead to greater LNG deliveries but also possibly more downside if the oil-driven bearish bias continues on JKM.

In Europe, a short-lived power outage in Norway propped up prices before declining as exports returned to their nominal level. Now, as time spreads widened with the front of the gas curve selling off more rapidly than further contracts, we might see more storage allocation, especially Rehden in Germany, if this trend continues. Ultimately, this would mean a stabilization of those spreads and prices as storage buyers hedge their position.

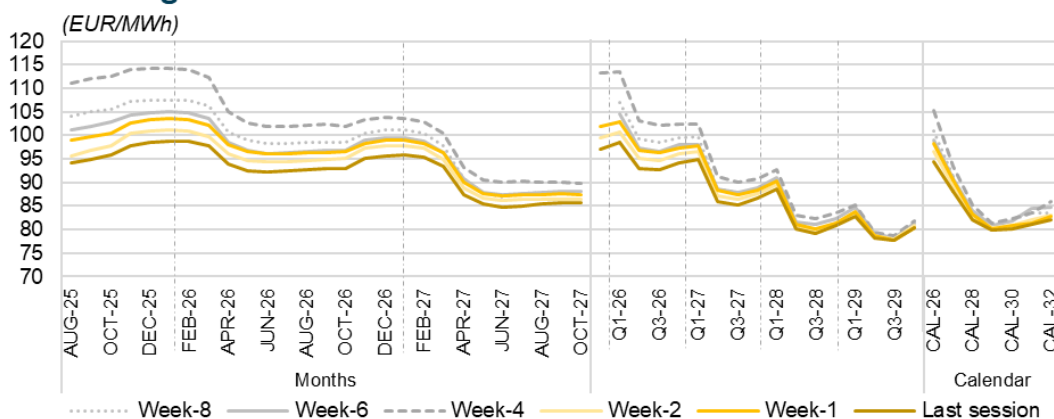
For power, what does all of this mean? Possibly more downside on the short-term before a recovery/stabilization, also prompted by unsupportive fundamentals on carbon and power. However, one contract could move differently. Aug-25 FR last traded at €44.8/MWh this Tuesday 22nd. With current month-to-date prices on the spot at €58/MWh and more frequent recoupling with northern neighbors, is this reasonable? Are fundamentals significantly different? Yes if you estimate that demand in August falls sufficiently (due to business holidays mostly). And nuclear availability remains high (but such has been the case since early June). A slight bullish bias could be justified on this contract as the cooling risk has also been greatly dismissed. A return of warm/dry weather is still at play.

Additional material:

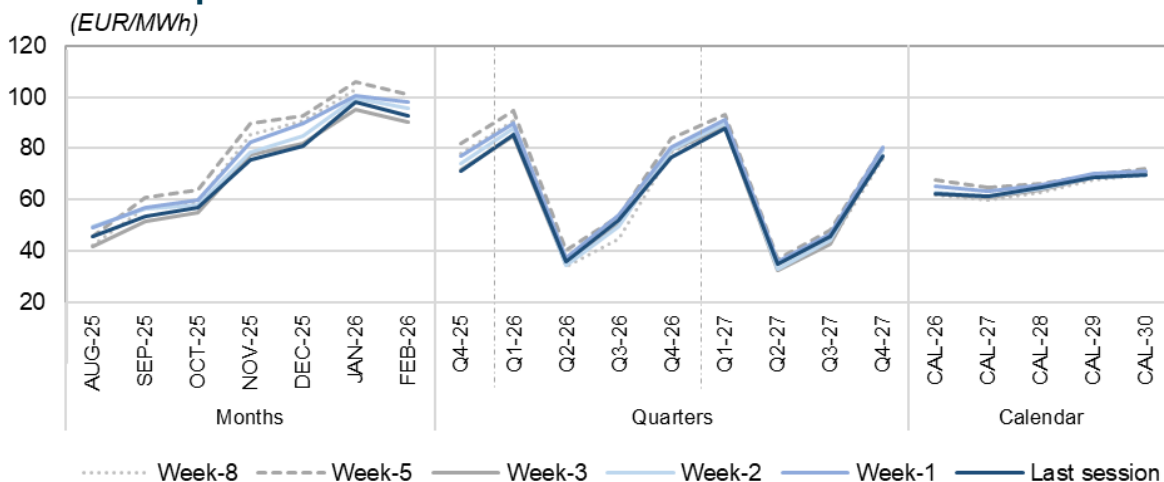
Germany power curve



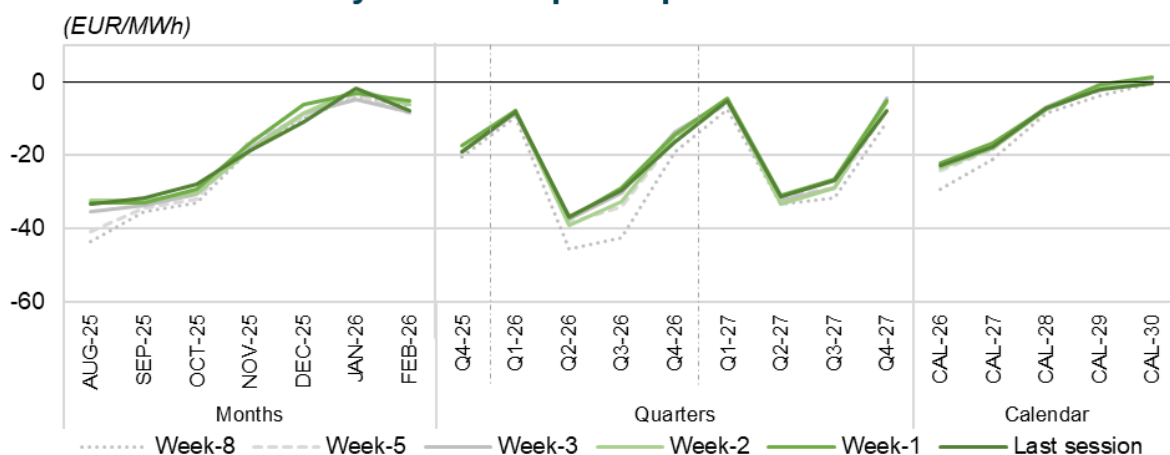
Clean gas costs curve



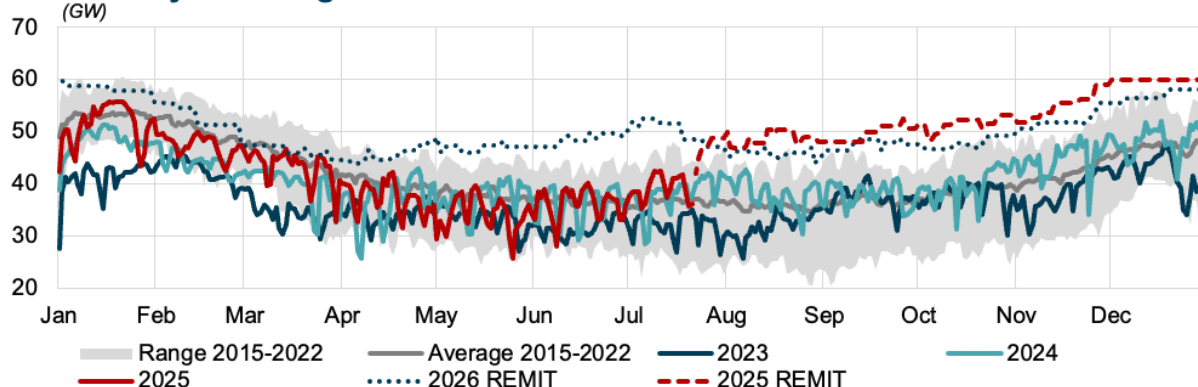
France power curve



France - Germany location spread power curve

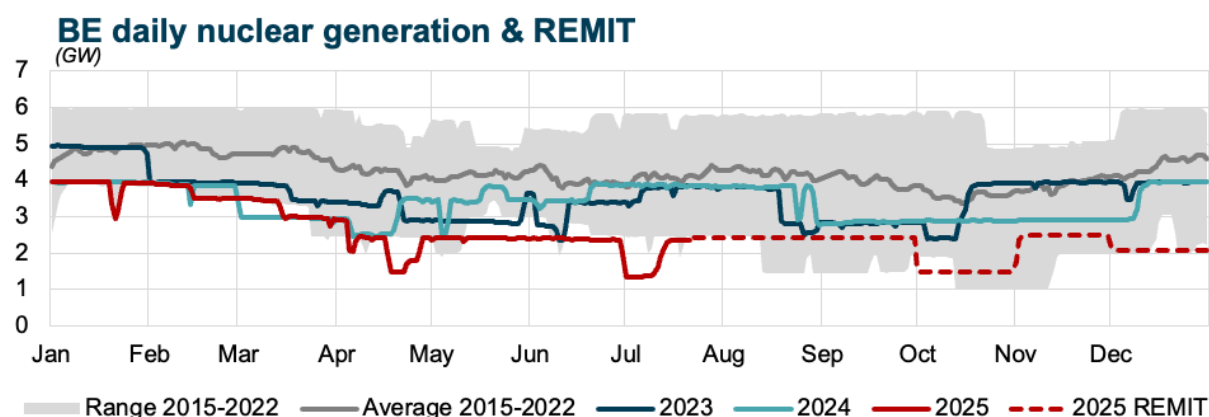


FR daily nuclear generation & REMIT



FR nuclear generation:

Year	Real. Prod.	EDF target	Current REMIT
2019	379 TWh	-	-
2020	334 TWh	-	-
2021	359 TWh	-	-
2022	278 TWh	275 - 285 TWh	-
2023	319 TWh	300 - 330 TWh	-
2024	360 TWh	340 - 360 TWh	-
2025	201 TWh	350 - 370 TWh	407 TWh
2026	-	350 - 370 TWh	438 TWh
2027	-	350 - 370 TWh	-
2030	-	400 TWh	-



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 - agrees that a copy of the recording of the conversations and communications referred to herein will be available upon request from the date of the conversation or communication for a period of five years, and, where requested by a competent authority, for a period of up to seven years, and
 - agrees, to the extent permitted or required by applicable law, that recordings may be submitted as evidence in any dispute or other proceedings in relation to this Agreement or any transactions, including in relation to any enquiry by any competent authority.