

# Major new price jumps across markets

The markets are now pricing in an enormous risk premium as a result of the Russian invasion of Ukraine. Nordic system forwards soared again over the last week.



## Here and now

The war in Ukraine continues to cause enormous daily fluctuations across the markets, including the Nordic energy market. One factor is the impact the war is having on the markets at this very moment, but the increases are also, to a large extent, due to the enormous uncertainty and fears of scarcity of supply for gas, coal and oil in the coming months and years. As a result, we observed some extremely major price jumps in the forward market. The Nordic Q2-22 contract has climbed 65% during the course of the week and now costs EUR 122.50/MWh, while the 2023 contract has climbed by 11% to EUR 52.50/MWh.

## Our recommendation

There is no reason to believe that the extremely uncertain situation in the market will stabilise over the coming week. The crucial factor will be the direction the political situation relating to Russian gas and oil supplies to the West ends up taking. Further price climbs appear highly likely, but we cannot rule out the possibility of a downward adjustment.

## Historic price climbs in forward market.

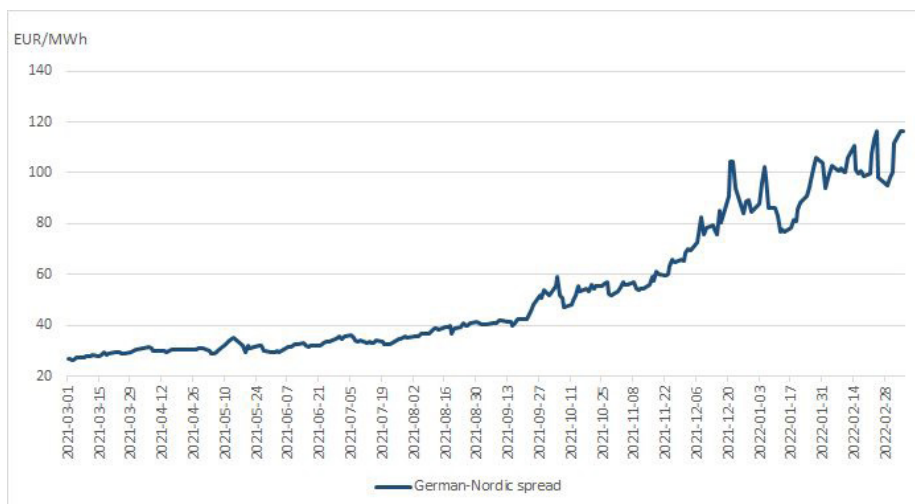
We have experienced some absolutely extraordinary price climbs across the entire continent for the second week in a row. Even though the Nordic region is not as dependent on fuel as other parts of Europe, prices in the Nordic forward market have also climbed significantly. The price of the immediate Nordic quarter contract has nearly tripled in the space of just two weeks, a quite extraordinary event for the market, with even last year's price jumps, which at the time were considered extreme, now fading into insignificance. The increase in the 2023 year contract is

just as enormous, at more than 40% in the last two weeks. Contracts across the forward market are now trading at record-high levels and, in addition to the panic-stricken atmosphere caused by the war in Ukraine, the cold, dry weather forecasts are also helping pull the market up. For once, however, the weather forecasts have faded into the background somewhat, and everything indicates that the major fluctuations will continue in the coming week, both in the Nordic energy market and across the other markets.

Forward	Wk 9 (EUR/MWh)	Wk 10 (EUR/MWh)	Expectation (wk 11)
ENOMAPR-22	98.00	160.00	↗
ENOQ2-22	74.00	122.50	↗
ENOYR-23	47.40	52.50	↗
SYHELYR-23	7.30	7.50	↗
SYOSLYR-23	24.58	27.50	↗

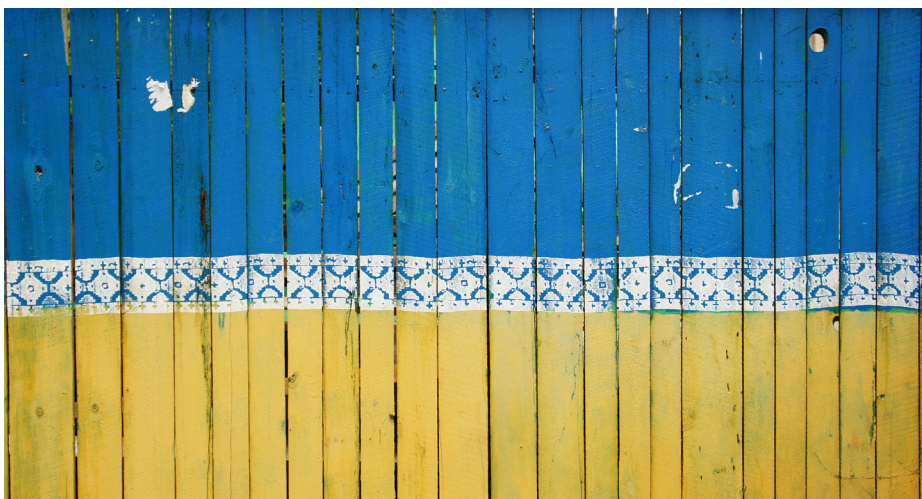
## Growing price spread to Germany

German electricity prices are climbing even more explosively than Nordic ones at present since Germany is more dependent on fuel and therefore more vulnerable to the current price climbs in the fuel markets. The German quarter contract for Q2-22 has now climbed to more than EUR 400/MWh, while the 2023 year contract has climbed to EUR 169/MWh. These major price jumps also mean that the price spread between Germany and the Nordic region (the SYGER spread) has grown further during recent weeks. With regard to the year contracts, Germany is now around EUR 116/MWh higher than the Nordic region, which is affecting the Nordic EPADs.



## New record highs for several EPADs

It was not only the Nordic system contracts that soared last week. The EPADs have also climbed in line with the growing price spread to the surrounding countries. All Danish, Southern Swedish and Southern Norwegian 2023 EPADs experienced notable price climbs last week, and the trend was even stronger for the short-term contracts in the market. For the majority of the EPADs, we are now looking at record-high prices, and the levels could very well climb even further as a result of the volatility we are currently experiencing in connection with the war in Ukraine.



## Forecasts

**Precipitation:** Nordic weather forecasts indicate mild but dry weather for the coming weeks. The weather forecasts have currently been pushed into the background in the energy markets, but changes to the forecasts could very well influence prices.

**Production and spot:** Spot prices are climbing sharply across Europe, and week 9 became the most expensive week of the year in the Nordic region. The average price for the week reached EUR 151/MWh. This week looks set to become even more expensive, and the question now is whether we will reach the record-high levels observed in December.

## EPADs

The substantial climbs in the Southern Norwegian EPADs continued last week, and the NO1 EPAD for 2023 is now trading at EUR 27.50/MWh. In Finland, the 2023 EPAD has climbed to EUR 7.90/MWh.

Senior Portfolio Manager  
Lorents Hansen

(loha@energisalgnorge.no)  
Telephone: + 47 9770 6413

Communicative Analyst  
Karsten Sander Nielsen  
(ksni@energidanmark.dk)  
Telephone: +45 8745 6948