

Substantial daily price fluctuations continue

The war in Ukraine is continuing to cause enormous uncertainty across the European energy markets. Last week, electricity prices in the Nordic region increased again, along with gas and carbon.



Here and now

Again last week the Nordic energy market did not calm down, and substantial daily price fluctuations continue to occur. Prices climbed again last week, not least because the weather forecasts are now indicating colder weather from next week. This will postpone the melting of snow in the Nordic region, thereby putting the hydrological situation under additional pressure. As a result, prices climbed across the forward market, and the Q2-22 contract has climbed by EUR 2.75/MWh to EUR 92.25/MWh. The 2023 year contract now costs EUR 50.25/MWh, EUR 2.25/MWh higher than a week ago.

Uncertainty remains high across the markets

Around a month has passed since the war broke out in Ukraine, and the international energy markets have not yet been able to find a foothold. The markets have no clear idea of how the war will end and what the geopolitical situation will be once the war has ended, whenever that is. As long as the uncertainty remains this high with regard to the development of the war and the terms under which peace may be achieved, the markets will continue to price in a significant risk premium, which is not least based

on the fears of a complete stoppage of gas exports from Russia to Western Europe. A couple of weeks ago, the USA introduced a ban on Russian gas and oil, and the markets are keeping an eye out in case the EU makes a similar decision or whether Russia ends up shutting off the supplies. At the start of this week, the prices of oil and gas climbed again, following some sharp price falls last week. There is no reason to believe that the significant volatility will cease as long as the war continues with undiminished force in Ukraine.

Our recommendation

Volatility in the markets remains very high, even though daily fluctuations are no longer as substantial as during the opening weeks of the war. There is still a risk of further price climbs if the weather forecasts continue to indicate cold weather and if we experience yet another week without any signs of a peace treaty between Russia and Ukraine.

Forward	Wk 11 (EUR/MWh)	Wk 12 (EUR/MWh)	Expectation (wk 13)
ENOMAPR-22	116.00	125.00	↗
ENOQ2-22	89.50	92.25	↗
ENOYR-23	48.00	50.25	↗
SYHELYR-23	8.05	5.20	→
SYOSLYR-23	28.65	28.50	→

Another price jump in oil market

Two weeks of price falls in the oil market were replaced by increasing prices last week. The price of one barrel of Brent oil was approximately USD 117 as of Wednesday morning, just over USD 20 higher than last week. The market is attempting to come to terms with the new reality, in which Russian oil is increasingly being rejected by the rest of the world, including in the form of the complete American ban on trade with Russia. In the meantime, OPEC is sticking to its deal on low production, which is leading to further worries about a supply crisis in the oil market.



European LNG plans challenged by Asia

The EU has ambitious plans to increase LNG (liquid natural gas) exports as early as this year, in a bid to minimise reliance on Russian gas. The European Commission is seeking to increase LNG imports by no less than 55%, but, according to analysts that the energy news site Montel has spoken to, there are significant doubts as to whether this can be achieved. Demand also remains high in Asia, which will be competing with Europe for the gas, and this will cause prices to soar. European LNG is primarily imported from the Middle East and the USA.



Forecasts

Precipitation: Following several weeks of mild weather, there are now prospects of falling temperatures in the Nordic region in the next week. Over the weekend, temperature levels are expected to fall well below normal and remain there for the rest of the month. The hydro-balance deficit is expected to rise.

Spot: The average Nordic system price in week 11 was EUR 127/MWh, slightly lower than in previous weeks. However, there are prospects of higher prices over the coming weeks, and we anticipate an average Nordic system price of around EUR 150/MWh in week 12.

EPADs

The price of the Finnish 2023 EPAD fell further last week and is now down to EUR 5.20/MWh. The Norwegian NO1 EPAD for 2023 remains relatively unchanged and now costs EUR 28.50/MWh.

Kimmo Kuusinen, Managing Director
(kimmo.kusinen@energiasuomi.fi)
Tel.: +358 40 1633922

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