

Russia shuts off gas supply to some EU member states

The gas dispute between Russia and the West escalated further last week, when Russia decided to stop gas supplies to Poland and Bulgaria. This news was received with relative calm in the market.



Here and now

Low wind power production led to a week of relatively high electricity prices in the Nordic region. The average Nordic system price for week 17 was EUR 158.16/MWh, an increase of 40% compared to the previous week. In addition to the low levels of wind power production, the delayed snow melting in Norway is also helping push Nordic prices up. The war in Ukraine and the uncertainty surrounding European gas supplies continued to set the scene in the forward market, and the 2023 system contract reached new record highs throughout the course of the week.

Steady gas prices despite Russian export ban

Following a long period of more or less overt threats between Russia and the EU, the gas conflict between the two parties escalated further last week. Russia decided to put an end to gas exports to Poland and Bulgaria, arguing that the two countries had refused to comply with Russia's demand for gas to be paid for in roubles. The gas market reacted with an immediate increase, but the prices rapidly fell back to the starting point when it became clear that Russia is not immediately about to extend this export ban to other countries, especially Germany. This

is even though Germany, like most of Europe, is also unwilling to pay for gas in roubles. Stopping gas supplies to Poland and Bulgaria is considered a trial move on the part of the Russians, an attempt to see whether it is possible to fracture the unified European front and create some sort of panic. This attempt was not initially successful, and the market is therefore waiting to see whether Russia, at risk to its own economy, dares to expand its export ban to cover more EU member states or potentially even the entire Union.

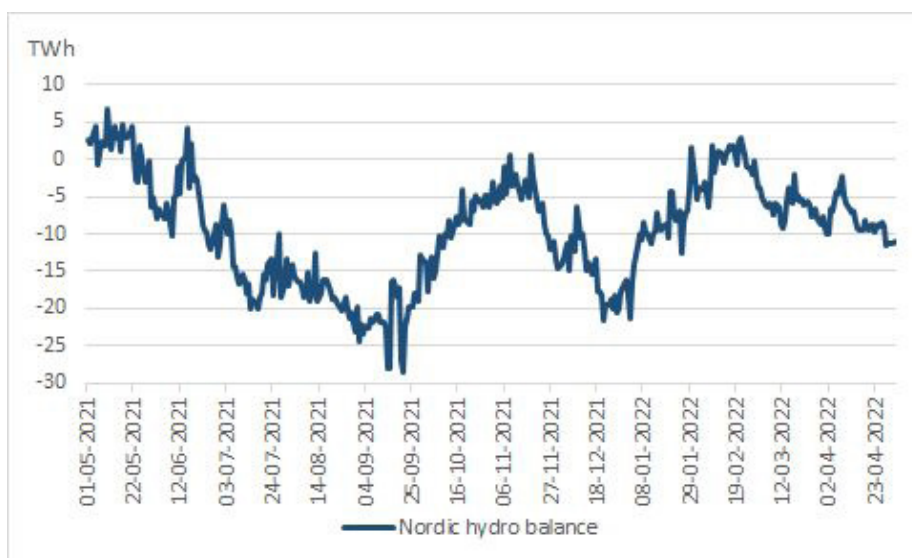
Our recommendation

While the prices of the immediate month and quarter contracts fell, there were further price climbs in the long-term contracts in the forward market last week. We believe that further price climbs are most likely in the coming week for the year contracts, but a downward adjustment cannot be ruled out if the mild and wet weather forecasts continue.

Forward	Wk 17 (EUR/MWh)	Wk 18 (EUR/MWh)	Expectation (wk 19)
ENOMJUN-22	90.50	80.00	↗
ENOQ3-22	89.85	86.30	↗
ENOYR-23	69.55	74.40	↗
SYHELYR-23	0.90	1.90	→
SYOSLYR-23	31.40	32.65	→

Double-digit deficit in hydro-balance

A so far cold and dry spring has left its mark on the hydrological situation in the Nordic region. The water reservoir level in Norway is extremely low compared to normal for the time of year, and the total hydro-balance is also experiencing a major deficit. Last week, the balance fell to a double-digit deficit (measured in TWh) for the first time since January. This according to numbers from Volve. Even when the snow melts and floods down into the reservoirs, the Nordic region will need to deal with a significant hydrological deficit, the effects of which could very well continue to be felt for the rest of the year.



Forecasts

The weather: Following a long cold period in the Nordic region, there are now prospects of warmer weather conditions from the end of this week. Next week will largely offer temperatures above the seasonal norm, as well as above-average precipitation volumes.

Spot: Spot prices will remain relatively high this week, but the price level could fall slightly compared to the prices in week 17. Wind power production slightly above normal for the time of year is expected.

EPADs

There were new increases to report for the Norwegian EPADs last week. The NO1 EPAD for 2023 has climbed to EUR 32.65/MWh, while the Finnish 2023 EPAD has climbed to EUR 1.80/MWh.

Further postponements to launch of Finnish nuclear reactor

Following more than a decade of delays, trial production is under way at the new Finnish nuclear reactor, Olkiluoto 3. The official launch date for the nuclear reactor, which has an installed capacity of 1600 MW, has, however, been postponed by another couple of months, provisionally until 30 September. Once again, the delay has been attributed to safety inspections taking longer than scheduled. The postponement means that the Nordic region and Finland in particular can anticipate higher prices over the summer and the start of autumn.



Senior Portfolio Manager
Lorents Hansen
(loha@energisalgnorge.no)
Telephone: + 47 9770 6413

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

Energi Salg Norge™