

# Russia remains centre of attention across markets

All headlines in the energy market involved Russia again last week. The country has shut down exports of electricity to Finland, and the markets also fear a complete stop to gas exports.



## Here and now

Spot prices fell in the Nordic region for the second week running, and the weekend in particular ended up being cheap due to high levels of wind power production. The average Nordic system price for week 19 was EUR 94.33/MWh, a fall of 28% compared to the previous week, making it the cheapest week since week 7. Nevertheless, the downside remains limited due to high prices on the continent and the relatively low hydro-resource availability in Norway. There were sharp price falls in the forward market at the start of the week, before the markets regained the losses throughout the course of the week.

## Our recommendation

We still believe that there is scope for climbing prices in the Nordic region, both because high pressure has been forecast for the coming weeks, and because Nordic contracts seem to have been priced fairly low compared to German levels. However, the gas market will be the decisive factor once again this week and, if Russia does not carry out its threats to shut down gas supplies to the EU, we could also see price falls in the Nordic region.

## Russia shuts down electricity exports to Finland

On Saturday, Russia discontinued all exports of electricity to Finland. The Russian energy company RAO officially justified the export stop as a result of "payment issues", but the Russian decision appears to be closely linked to the substantial Western sanctions imposed on Russia in connection with the war in Ukraine and Finland's anticipated NATO membership application. Finland, which imported no less than 8.8 TWh of electricity from Russia last year, decreased its imports from Russia last month, but Russian electricity has now been turned off completely for at least one month. The

market had feared the Russian move, even though the Finnish TSO, Fingrid, has made reassurances that there is no risk of supply issues. According to estimates from the analysis bureau Volue, the lack of imports from Russia could cause electricity prices to rise by up to 30% in Finland in the coming year and, all else being equal, the Nordic system price will also climb. However, the impact of the Russian export ban will be limited to a large extent by the fact that Finland has finally succeeded in putting the Olkiluoto 3 nuclear power plant, which has been delayed for more than a decade, into service..

Forward	Wk 19 (EUR/MWh)	Wk 20 (EUR/MWh)	Expectation (wk 21)
ENOMJUN-22	72.75	81.25	↗
ENOQ3-22	80.00	87.75	↗
ENOYR-23	77.00	76.00	↗
SYHELYR-23	2.15	2.40	→
SYOSLYR-23	34.28	34.03	→

## EU prepares emergency plan in case Russia stops gas supplies

*The EU has plans in place for both rationing and pricing in the event that Russia decides to shut down gas supplies to Europe completely.*

The big story across the European energy markets in recent months has been the fears that Russia might choose to stop gas supplies to Europe. For now, deliveries to Poland and Bulgaria have already been stopped and, since the diplomatic tensions caused by the war in Ukraine continue to grow on a weekly basis, the risk of Putin expanding the supply shutdown to cover the EU as a whole is deemed to be high.

If this fear becomes reality, it would lead to an immediate gas crisis in Europe and, if the recently leaked documents from the European Commission are to be believed, the Union already has emergency plans in place to manage such a situation. According to the new documents, which are expected to be published later this week, the EU is considering, among other things, the introduction of special rules to limit consumption in certain countries and allocating larger proportions of the remaining gas resources the EU will have access to, even if Russia was to end its supplies, to other more gas-dependent nations.

An EU-managed price ceiling for gas might also be introduced to prevent prices from exploding completely in the chaos that will ensue if the Russians were to turn off gas supplies. Naturally, the EU cannot regulate the prices of e.g. the LNG we receive from the Middle East, and a price ceiling on gas within the EU would therefore be linked to enormous public costs, and there is still no word as to how these costs will be covered.

The emergency plans will remain in force for as long as necessary and, since the EU does not expect to be rid of its dependency on Russian gas before 2027, there is a potential risk of a prolonged period of European gas trading being publicly regulated. All players in the market are therefore holding their breath whilst observing developments, but, at the time of writing, gas continues to flow westwards from Russia to the EU. Russia typically supplies around 150 billion cubic metres of gas to the EU each year, which corresponds to 40% of the total consumption in the Union.



## Forecasts

**The weather:** There are prospects of temperatures above average levels in the Nordic region for the next ten days, and precipitation volumes are expected to be around the seasonal norm. The warm weather means that the flood will now set in for real and water reservoir levels will rise.

**Spot:** Following the price fall last week, Nordic spot prices look set to climb again this week, and we anticipate an average Nordic system price of around EUR 130/MWh. The prices are subsequently expected to fall gradually over the coming weeks.

## EPADs

In Finland, the 2023 EPAD climbed slightly last week, but uncertainty has grown following the Russian decision to shut down electricity exports. The NO1 EPAD for 2023 in Norway fell marginally.

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