

# Gas imports from Russia dropping further

Gas supplies from Russia have dropped further after the Nord Stream 1 pipeline was shut down for maintenance. The markets fear that the pipeline will not return to service.



## Here and now

The price climbs in the short-term contracts in the market continued last week, with the fears surrounding the general energy supply in Europe remaining enormous. The Q4-22 contract has climbed further, while the 2023 contract, on the other hand, has moved sideways somewhat. In the meantime, the EPADs continue to climb in several price areas. In the spot market, week 27 was characterised by a notable price fall compared to the previous week, but with an average system price of EUR 54.25/MWh for the week.

## Markets await Nord Stream 1 with bated breath

On Monday this week, the most important gas pipeline between Russia and the EU, Nord Stream 1, which runs through the Baltic Sea, was taken out of service for maintenance. The shutdown of the pipeline had been planned for some time, but coincides with the gas flow already having been significantly limited in recent weeks. According to Germany, among others, this reduction in gas supply is politically motivated and the market now fears that Nord Stream 1 will not return to service after the maintenance work, which is scheduled to be concluded on

21 July, ends. If this turns out to be the case, it would mean another significant decrease in Russian gas supplies to Europe and this is the fear that the markets have priced in over recent weeks. If, however, the pipeline starts up again and potentially also returns to full capacity, this should, even if only briefly, send a bearish signal to the markets. Price developments in the coming weeks will depend a lot on whether gas starts to flow through the disputed pipeline again.

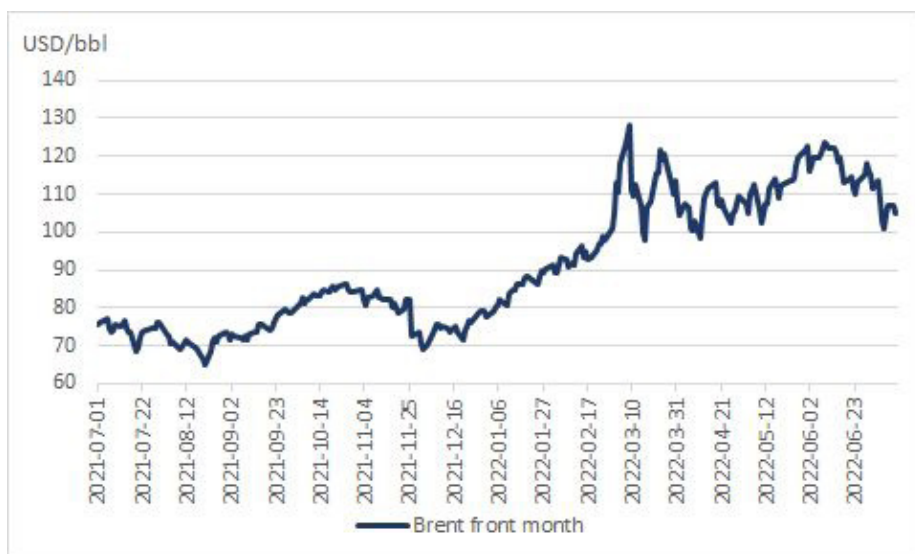
## Our recommendation

The prevailing mood across the European energy markets is panic and all focus will be on the Nord Stream 1 pipeline in the coming week. Further price climbs seem very likely and the subsequent weeks will be crucial, as this will be when we find out whether the pipeline will return to service at all after the maintenance period.

Forward	Wk 27 (EUR/MWh)	Wk 28 (EUR/MWh)	Expectation (wk 29)
ENOMAUG-22	133.00	130.50	↗
ENOQ4-22	182.00	200.00	↗
ENOYR-23	110.25	112.00	↗
SYHELYR-23	27.40	41.40	↗
SYOSLYR-23	35.90	39.40	→

## Falling oil prices due to fears of recession

Like the other fuel markets, the oil market is having to deal with the drop in supply from Russia and the EU having adopted a ban on the import of Russian oil. Nevertheless, the oil price is currently falling, as other topics are overshadowing the oil supply issues. The markets are being pushed downwards due to global fears of another recession, as a weakened economy would lead to less demand for oil. The price of one barrel of Brent oil fell below USD 100 last week for the first time since April and the markets are continuing to keep a close eye on the international economic situation.



## EU gas stores cannot be replenished without Nord Stream 1

The EU has a clear ambition for the Union's gas stores to be filled to at least 80% ahead of the coming winter to ensure maximum resources to draw on in the event that the conflict with Russia continues until then. However, it would appear unthinkable that this ambition can be achieved without Nord Stream 1 returning to operation. The Refinitiv analysis bureau therefore also notes that, with the existing limitations, the EU is already struggling to fill the gas stores and a complete stoppage in supply via Nord Stream 1 would mean that we will be looking at further supply issues throughout the winter.



## Forecasts

**The weather:** The rest of July looks set to be relatively wet in the Nordic region and there are also prospects of the hydro-balance deficit dwindling to just -3 TWh by the end of the month. Temperatures look set to drop below normal for the time of year later this week.

**Spot:** The average Nordic system price in week 27 was the lowest so far this year, but the area prices in large parts of the Nordic region were sky-high. Prices look set to climb slightly in week 28 and levels are expected to be very high, especially in Denmark.

## EPADs

Last week saw significant price climbs in the Finnish EPADs again and the 2023 EPAD is now trading at EUR 41.40/MWh. In Norway, the NO1 EPAD for 2023 is at EUR 39.40/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