

Heatwave puts further pressure on markets

As if the markets did not already have enough to worry about, Central Europe is now in the midst of a severe heatwave, which is causing prices to climb further.



Focus will take a break for the summer holidays in week 30 and 31 and will return on 10 August.

We would like to wish you all an enjoyable summer.

Here and now

Once again, there was no end in sight for the price climbs in the Nordic forward market last week. A combination of new record-high levels in the fuel markets and in Germany, as well as low hydro-resources, is having an impact on the market, and the risk of extremely low water reservoir levels during autumn and winter has now increased. In the spot market, a relatively low Nordic system price was observed for the second week in a row. The average Nordic system price for the week was EUR 72.89/MWh, slightly higher than in week 27 but much lower than the levels experienced in June.

Summer heat leads to climbing prices

Temperatures have risen sharply in Europe over the last week, and the current heatwave, especially in Central Europe, is providing a further boost to the already high prices in the markets. Demand is rising in the heat due to the need for cooling, and the high pressure means low wind power production. The heatwave also means that France has had to close down some of its nuclear reactors for safety reasons. The French nuclear sector is extremely important, including to France's neighbouring countries, especially during this current energy

crisis, but this production is now lower due to the current circumstances. This is leading to further price climbs, including in the German energy market, where the day price peaked at EUR 396/MWh on Monday, making it the most expensive level seen in four months. As the southern parts of the Nordic region, Denmark in particular, continue to connect to Germany for a large proportion of each day, this is also something that has affected the prices in our part of the continent.

Our recommendation

The price climbs in the Nordic region are continuing at full force, and further increases are absolutely a possibility in the coming week. The weather forecasts are not indicating that there is any serious low pressure or high precipitation volumes on the way and, as the Nord Stream 1 pipeline may not return to service, there will still be room for further price climbs in the market.

Forward	Wk 28 (EUR/MWh)	Wk 29 (EUR/MWh)	Expectation (wk 30)
ENOMAUG-22	130.50	139.50	→
ENOQ4-22	200.00	235.25	→
ENOYR-23	112.00	125.13	→
SYHELYR-23	41.40	37.15	↗
SYOSLYR-23	39.40	39.90	→

EU presents plan to lower gas consumption

The gas crisis in Europe continues to escalate following the - at least temporary - shutdown of the Nord Stream 1 pipeline. The EU has now presented a plan to lower gas consumption within the Union.

The uncertainty surrounding European gas supplies has increased further in recent weeks. A substantial fire at an American gas plant meant that imports of LNG from the USA have decreased significantly and, since then, exports of gas from Russia to the EU via the crucial Nord Stream 1 pipeline have ceased completely. The flow in the pipeline was initially heavily restricted, and the pipeline has since been shut off completely for scheduled maintenance.

The EU still fears that Russia may come up with an excuse not to restart Nord Stream 1 when the maintenance plan is scheduled for completion at the end of this week. This would have a catastrophic impact on EU gas supplies and, as all of the warning lights are now flashing, the EU has presented an emergency plan that sets out how the Union will lower gas consumption to ensure that the sparse gas stores can last the winter.

On Monday, the EU Commission presented a proposal to lower gas consumption in the Union by no fewer than 60 billion cubic metres this winter. The majority of this reduction will be achieved by changing the energy mix in the Union so that electricity is produced using sources of energy other than gas, e.g. coal. The Commission also expects there to be an "attitude shift" among residents and for limits to be introduced in relation to the heating of public sector buildings.

In its proposal, the Commission acknowledges that it would have preferred to replace gas with renewable sources of energy, but that it is prepared to permit the old and highly polluting coal power plants to return to temporary operation to help mitigate the gas crisis. Nevertheless, the question of whether Germany will extend the service life of the country's coal power plants or potentially reopen some of its closed nuclear reactors remains unanswered. This question is frequently debated in Germany, but for now there is no majority in favour of continuing nuclear power, despite the aforementioned circumstances.



Forecasts

The weather: After the Nordic region was struck by extreme heat this week, there are now prospects of falling prices again from the weekend and during next week. Precipitation volumes around normal are expected for most of the week, but the hydrological deficit remains.

Spot: Following two weeks of relatively low Nordic system prices, it now looks as though the level may climb again this week. We anticipate an average Nordic system price of around EUR 130/MWh in week 29 and even higher area prices, particularly in Denmark.

EPADs

Following several weeks of substantial price climbs, the price of the Finnish EPADs finally fell last week. The 2023 EPAD in Finland now costs EUR 37.15/MWh. In Norway, the NO1 EPAD for 2023 is at EUR 39.90/MWh.

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