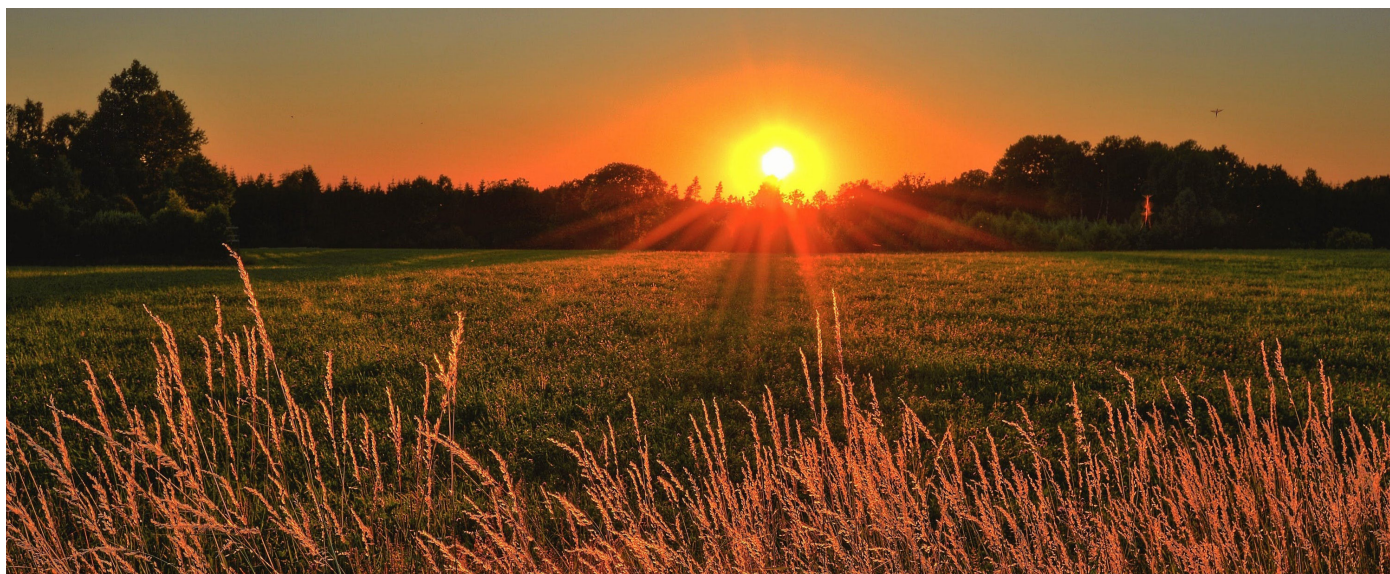


# Record-high spot prices in Nordic region

Electricity prices continued to climb in the Nordic region last week. The forward prices climbed even further, and the heatwave means that this week looks set to become the most expensive week ever in the spot market.



## Here and now

There were further price climbs in the energy markets last week, both in the forward and spot markets. A major heatwave has set in across Europe, causing consumption to soar at a time when the supply situation is already under pressure. There is limited wind power production, with weather characterised by high pressure, which means that week 33 now looks set to become the most expensive week ever experienced in the Nordic spot market. The 2023 Nordic system contract has climbed by a further 5.5% during the last week.

## Sky-high spot prices during heatwave

The warm, dry summer weather has resulted in extremely high delivery prices in the Nordic region. We anticipate an average Nordic system price of EUR 230-240/MWh for week 33, which would make it the most expensive week ever experienced in the spot market. At the same time, the EPADs remain high in all parts of the Nordic region, except northern Norway and northern Sweden. Norwegian hydro-power producers have raised their prices in line with the dwindling water reservoir levels, and efforts are being made to save resources ahead of the coming winter.

At the same time, Nordic wind power production is low, as is always the case during weather characterised by high pressure, such as we have experienced for the last couple of weeks. The Nordic hydro-balance deficit looks set to decrease later this month with more precipitation being expected, something which would be expected to have a slightly more positive impact on prices. In addition to the weather situation, sky-high fuel prices are also contributing to current developments. German electricity prices are soaring as a result, and this is also affecting the Nordic energy market.

## Our recommendation

Spot prices have climbed substantially over the last week, and the high delivery prices are generating additional fears for the coming winter. Since gas, coal and the German energy market are all continuing to climb, we believe that further price climbs are most likely in the forward market this coming week, even though the weather forecasts indicate milder and wetter weather.

Forward	Wk 32 (EUR/MWh)	Wk 33 (EUR/MWh)	Expectation (w 34)
ENOMSEP-22	157.25	186.00	↗
ENOQ4-22	250.00	267.00	↗
ENOYR-23	158.50	167.00	↗
SYHELYR-23	23.90	29.40	↗
SYOSLYR-23	50.40	53.90	↗

## Low water levels in Rhine put pressure on coal market

*The heatwave, which has currently firmly set in across most of Europe, has led to low water levels in European rivers. The Rhine is particularly badly affected, and this is now having an impact on the markets.*

Western and Central Europe have experienced a very warm, dry summer, and the water levels in the regional rivers have decreased as the heatwave has extended over several weeks. The worst situation can be found in the Rhine, a river that is of crucial importance to the European coal market, as large volumes of the coal arriving in Europe from other continents are transported into Europe via this river, which empties into the North Sea in close proximity to the major coal terminals.

The price of one tonne of coal for delivery next month has climbed by nearly 20% in the last couple of weeks, and even though there is plenty of coal at the terminals by the coast, the uncertainty in the market has been reinforced by the fact that it is now challenging to transport the coal to the rest of the continent.

The water level in the Rhine reached its lowest level in 20 years last week, and the low water level is posing challenges to shipping on the river. This problem only looks set to grow, as figures from the German authorities indicate that the water level at the normal measuring point in the Rhine is set to fall to just 33 cm this week. Anything below 80 cm is considered “critically low”.

Wetter weather is expected in week 34, which could provide some temporary improvement, but the weather forecasts indicate that the hot summer weather will return to Western and Central Europe after this point and will last well into September. The issues with the Rhine could therefore extend well into the future, and this is naturally not a good situation for the markets, which are already suffering from sky-high fuel prices and reduced production at the French nuclear power plants that are so crucial to Europe. Another additional factor is that the EU, in its bid to reduce gas consumption, is looking to increase production at coal power plants this autumn and winter.



## Forecasts

**The weather:** The heatwave looks set to wane this week, and the weather forecasts are predicting temperatures around the seasonal norm from the start of next week. Precipitation volumes in the Nordic region are expected to be around twice as high as normal during the coming weeks.

**Spot:** As mentioned, this week looks set to offer the highest average Nordic system price ever experienced. The price level is expected to subsequently fall, as next week looks highly likely to offer more rain and lower temperatures.

## EPADs

The price of the Finnish 2023 EPAD increased last week. The uncertainty surrounding the Olkiluoto 3 nuclear reactor continues to be an important theme. In Norway, the EPADs in the southern part of the country have also climbed, while northern Norway is experiencing very low prices.

Senior Portfolio Manager  
Lorents Hansen

(loha@energisalgnorge.no)  
Telephone: + 47 9770 6413

Communicative Analyst  
Karsten Sander Nielsen

(ksni@energidanmark.dk)  
Telephone: +45 8745 6948