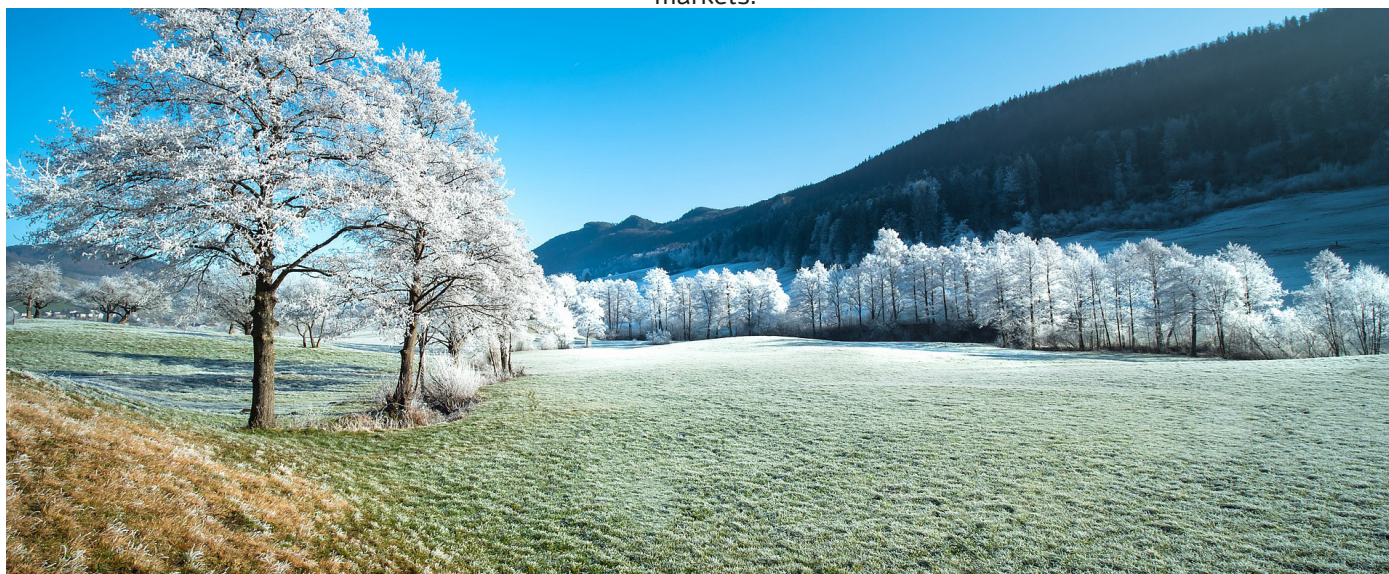


Record-high prices across the markets

Winter has set in across the Nordic region, and spot prices have climbed sharply, as expected. On Monday, we reached by far the highest Nordic system price ever experienced, and the uptrend is also continuing in the forward markets.



Here and now

The Nordic energy market was characterised by record-high prices last week, in both the forward and spot markets. We are close to returning to the situation we experienced in September, with sky-high daily price fluctuations. The Q1-21 contract, for example, climbed by no less than EUR 8.75/MWh during a single day of trading on Monday. The market had feared a cold winter, and the latest weather forecasts indicate extremely cold weather in December. On Monday, the Q1-21 contract closed at EUR 91.50/MWh, EUR 9.60/MWh higher than the previous week, while the YR-22 contract has climbed by EUR 3.75/MWh to EUR 51.00/MWh.

Our recommendation

There is still room for further price climbs in the Nordic region, even though we are already at record-high levels in the forward market. The spot prices are sky-high, and December looks set to be dominated by wintry weather. This means that the market players are pricing in an extreme winter, and we therefore believe that the market will climb further over the coming week.

Market characterised by extremely high spot prices

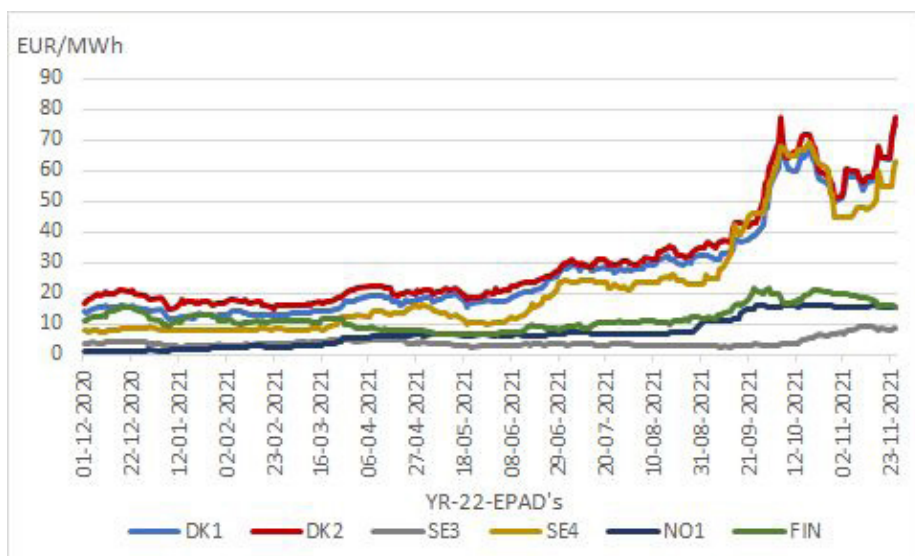
Nordic spot prices have soared over the last week. On Monday, the Nordic system price reached no less than EUR 246.86/MWh, the highest system price ever observed by some way. With the exception of northern Sweden and Norway, the area prices were even higher, and Denmark ended up most expensive, with an average hour price of EUR 265.41/MWh for the day in both DK1 and DK2. Week 47 also became the most expensive week ever, with an average Nordic system price of an enormous EUR 122.93/MWh. Both temperatures and

wind power production in the Nordic region are well below normal as we head into December and, as the prices in the surrounding countries are even higher, a large part of the relatively limited electricity in the Nordic region is being exported to other parts of Europe. Everything indicates that spot prices will remain sky-high over the coming period. The December month contract in the forward market is now trading at more than EUR 120/MWh, as everything indicates that the wintry weather will continue for at least the first half of the month.

Forward	Wk 47 (EUR/MWh)	Wk 48 (EUR/MWh)	Expectation (wk 49)
ENOMJAN-21	93.75	106.38	↗
ENOQ1-22	81.90	91.50	↗
ENOYR-22	47.25	51.00	↗
SYHELYR-22	16.40	14.80	→
SYOSLYR-22	15.90	15.90	→

Sharply climbing EPADs in several price areas

The EPADs in several of the Nordic price areas have climbed sharply in recent weeks. Even though Nordic electricity prices have climbed sharply in November and several system contracts are now at record-high levels, the increases have been even greater in Germany. Since the EPADs in Denmark and Southern Sweden follow the price spread with Germany, the prices have increased in line with this spread having grown further. We have also experienced price climbs in the EPADs in Southern Norway and Finland in November, although these remain somewhat cheaper than in the southern part of the Nordic region.



Germany to introduce a carbon price floor

Following several weeks of negotiations, the incoming German government, consisting of the Social Democrats (SPD), the Greens and the Liberal party (the FDP), was announced last week. The new government will soon increase its climate ambitions, and one of the tools will be the introduction of a carbon price floor of EUR 60/t. This news was extremely bullish for the European carbon market, as Germany is the largest carbon emitter in Europe. The European carbon price increased notably last week and is now at a record-high level of around EUR 75/t.



Forecasts

Precipitation: Last week's price climbs strongly correlate to the fact that the first half of December looks set to be cold, dry and calm across the Nordic region. The high pressure will continue until week 50 at least, and the long-term weather forecasts indicate that it could continue until Christmas.

Spot: As already mentioned, spot prices have soared to record highs in the last week, and the coming week also looks set to be expensive. We anticipate an average Nordic system price between EUR 160 and 180/MWh this week, which would make it the most expensive week ever.

EPADs

The Norwegian NO1 EPAD for YR-22 has stabilised at EUR 15.90/MWh after the price climbs earlier this autumn. In Finland, the YR-22 EPAD has fallen slightly to EUR 14.80/MWh.

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