

# Fears of winter trigger major new price jump

There were major price climbs to track across the European energy markets last week. The Nord Stream 2 saga, combined with fears of a cold winter, have resulted in high levels of nervousness.



## Here and now

Most contracts in the Nordic forward market experienced major new price jumps during the last week. The Q1-22 contract now costs EUR 110.10/MWh, just over EUR 25/MWh higher than last Monday, while the YR-22 contract has climbed by EUR 8.95/MWh to EUR 62.55/MWh. We also experienced falling prices on Thursday and Friday, but when the weather forecasts became colder again over the weekend, the market rose, and the week closed with significant price climbs overall. At the same time, the EPADs in the southern part of the Nordic region have also climbed further, as the price spread to Germany continues to grow.

## Our recommendation

There is no reason to believe that the market will stabilise over the coming week, as significant fluctuations look set to continue. That is because there is no reason to believe that the gas market will stabilise, and the weather forecasts will also still have the potential to trigger some sudden major fluctuations. The risk of further price climbs remains very much present.

## Nervous markets lead to major price fluctuations

The enormous price fluctuations observed across the markets in the last week once more emphasise how significant the nervousness is. The winter has only just set in, and the Nordic region is still characterised by fears of a cold winter. At the end of last week, we experienced a couple of days of milder weather forecasts, which helped trigger a sharp price fall during the last days of trading during the week. However, the forecasts became colder again over the weekend, and there are now prospects of temperatures below the seasonal norm from the end of this week and for the foreseeable

future. As such, the more distant weather forecasts predict that we will experience temperatures 3-4 degrees below average for the time of year well into January, which will naturally cause consumption to soar, putting further pressure on supplies. This triggered a significant price jump on Monday, which emphasises just how nervous the market is at the prospect of a cold winter at a time when there is already a hydro-balance deficit and high levels of exports to Germany and the UK, as the prices there remain much higher, despite the significant price jumps in the Nordic region.

Forward	Wk 49 (EUR/MWh)	Wk 50 (EUR/MWh)	Expectation (wk 51)
ENOMJAN-21	97.00	121.50	↗
ENOQ1-22	86.68	110.50	↗
ENOYR-22	53.60	62.55	↗
SYHELYR-22	14.90	20.40	→
SYOSLYR-22	16.40	17.40	→

## Extreme price jump in Germany affecting Nordic region

*The major price climbs in the Nordic region faded in comparison to how much the market increased in Germany. We have experienced yet another week of climbing EPADs across the Nordic countries.*

Even though we have experienced a significant price jump in the Nordic region this last week, the uptrend has been even more pronounced in Germany, where fears of supply issues in the gas market have triggered renewed panic in the country's energy market. On Monday, the German 2022 contract climbed by as much as EUR 22/MWh and is now trading at no less than EUR 208/MWh. The price spread between the German and Nordic 2022 contracts has therefore grown further and is now at a whole EUR 145/MWh.

The enormous price jump in Germany can once again be attributed to climbing prices in the European gas market. The prospect of a cold winter on the continent has given the already highly nervous market yet another boost, and the situation surrounding the Nord Stream 2 connection has intensified further. Last week, the newly appointed German Foreign Minister, Annalena Baerbock, stressed that the connection will not be put into service before it complies with EU regulations, which is a process that could take many months.

Even the US Foreign Minister, Anthony Blinken, got involved in the matter last week, when stating that he could not imagine that any gas will ever flow through Nord Stream 2 as long as Russia continues to escalate the conflict with neighbouring Ukraine. These statements have given rise to uncertainty in the gas market, with the feared scenario of low temperatures and low imports from Russia over the winter suddenly looking set to become reality.

The enormous price jumps caused by the uncertainty surrounding gas, particularly in Germany, have also led to climbing EPADs across the Nordic region, in Denmark and Southern Sweden in particular. The overall electricity prices in these parts of the Nordic region have therefore experienced significant price climbs since both the Nordic system and the EPADs have been experiencing an uptrend. Everything indicates that the significant volatility will continue during the final weeks as we head towards Christmas, both in the Nordic and the German energy markets, as well as in the gas market

## Forecasts

**Precipitation:** The weather in the Nordic region looks set to be mild as we head towards the weekend but is then expected to change to cold, dry and calm weather. The entire week as we head towards Christmas looks set to be characterised by these conditions, and the hydro-balance deficit could very well grow again.

**Spot:** As expected, the Nordic system price set another record in week 49, averaging approximately EUR 160/MWh. The level looks set to be slightly lower this week due to the milder weather, but new price climbs could be on the cards as we head towards Christmas, should the weather forecasts come true.

## EPADs

Finland is currently experiencing extremely high prices, and the YR-22 EPAD for the country also underwent a sharp increase last week, to EUR 20.40/MWh. In Norway, there was a marginal increase in the NO1 EPAD, which now costs EUR 17.40/MWh.



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