

# Winter cold leads to record-high spot prices

Weather characterised by high pressure has settled across the Nordic region, and temperatures are expected to be very low over the coming weeks. On Tuesday, spot prices climbed to the highest level ever observed.



## Here and now

Once again, there was no end in sight for the virtually neverending price climbs in the Nordic energy market last week. The upturn continued for the most frequently traded contracts as a result of a persistently bullish cocktail of cold weather forecasts, high spot prices, expensive prices on the continent and uncertainty surrounding European gas supplies. The Q1-22 and YR-22 contracts have now climbed by EUR 135.93/MWh and EUR 70.60/MWh respectively and, as the EPADs in the most densely populated areas have also climbed, we have therefore experienced a significant new price jump over the last week.

## Weather change triggers new price jumps in spot market

The forecast change in the weather took place in the Nordic region over the weekend. High pressure with cold polar air has set in, and temperatures now look set to be some way below normal over the coming weeks. At the same time, wind power production is also decreasing. This has had an immediate impact on electricity prices in the Nordic region, where we observed the highest prices ever recorded on Tuesday. The Nordic system price reached EUR 309.78/MWh, more than EUR 60/MWh higher than the previous record from November. Record heights were also reached in the various price

areas, and the day price in Denmark was EUR 430/MWh on Tuesday, while the corresponding prices in Southern Sweden and Southern Norway were EUR 413/MWh and EUR 387/MWh respectively. During peak hours at the end of the afternoon, the prices climbed even higher. Even though the cold weather is continuing, prices look set to fall slightly in the coming weeks, which may partly be linked to many people taking holidays. We anticipate an average Nordic system price of approximately EUR 200/MWh this week and approximately EUR 160/MWh next week.

## Our recommendation

We are now heading into a period of very limited trading activity as we approach the New Year, as power traders have largely now closed their positions and gone off on their Christmas holidays. In a quiet market, the fluctuations could however remain significant and we can absolutely not rule out the Q1-22 and YR-22 contracts climbing even further before entering the delivery stage in the New Year.

| Forward    | Wk 50 (EUR/MWh) | Wk 51 (EUR/MWh) | Expectation (wk 52) |
|------------|-----------------|-----------------|---------------------|
| ENOMJAN-21 | 121.50          | 170.10          | ↗                   |
| ENOQ1-22   | 110.50          | 135.93          | ↗                   |
| ENOYR-22   | 62.55           | 70.60           | ↗                   |
| SYHELYR-22 | 20.40           | 27.80           | ↗                   |
| SYOSLYR-22 | 17.40           | 17.90           | →                   |

## Carbon market characterised by major fluctuations

The European carbon market has experienced some very substantial fluctuations in the days leading up to the expiration of the current benchmark contract, EUA Dec-21. On Friday, the contract fell by more than 10%, which corresponds to around EUR 8/t, before the market regained nearly all of the losses on Monday. The new benchmark contract, EUA Dec-22, is now trading at a price of around EUR 83/t and, due to the uncertainty surrounding the coronavirus situation and fuel supplies in Europe, we could very well find that the significant fluctuations will continue for some time to come.



## French nuclear power sector puts pressure on markets

The French nuclear power operator, EDF, announced last week that two of the country's nuclear reactors had been taken out of service following extraordinary safety inspections. The last thing the already pressurised European energy markets need right now is further uncertainty in the French nuclear power sector, which has been the focus of the markets several times in recent years due to unexpected shutdowns. EDF stated that no further nuclear reactor shutdowns are currently planned, but also stated that they could not rule out such a possibility. This risk must therefore now also be priced in by the markets.



## Forecasts

**Precipitation:** For the foreseeable future and at least for some time into January, the Nordic region looks set to be cold, dry and calm. The hydro-balance deficit is expected to grow to no less than -20 TWh before the New Year.

**Spot:** After reaching record-high levels on Tuesday, we now expect the prices in the spot market to fall slightly over the coming period. However, low levels of wind power production are expected given the high pressure that will dominate the weather situation over the coming weeks.

## EPADs

The already sky-high Finnish YR-22 EPAD increased further last week and now costs EUR 27.80/MWh. In Norway, the NO1 EPAD for YR-22 has also climbed, albeit only marginally to a price of EUR 17.90/MWh.

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