

Mild winter weather continues

The weather forecasts for the Nordic region continue to indicate mild, wet weather for the coming weeks. In spite of this, prices are not falling in the forward market, as the market is being supported by other factors.



Here and now

Despite the continuously mild, wet and windy winter weather across the Nordic region, there were no notable price fluctuations in the forward market last week. Climbing prices in the fuel and carbon market, as well as yet another postponement of the new Finnish nuclear reactor, have put a stop to any price falls for the Nordic system contracts. The immediate quarter contract, Q2-22, closed on Monday at a price of EUR 52.05/MWh, while the 2023 contract now costs EUR 39.25/MWh. For both of the contracts, this level is largely unchanged compared to last week.

Mild weather forecasts unable to cause movements in market

It is remarkable that the mild, wet weather forecasts that we have seen over the last couple of weeks have been unable to cause any significant price falls in the Nordic energy market. The hydro-balance deficit has now virtually disappeared and is only at -1.3TWh, according to the PointCarbon analysis bureau. Consumption levels are low due to temperatures well above normal, at least in the Nordic areas that rely on electricity for heating. Prices refuse to fall, even though the forecasts indicate that the rest of February could very well be characterised by mild, wet weather. The Q2-22 contract, for

example, has only experienced minor fluctuations over the last two weeks, even though the hydro-balance has improved significantly during this period. It would appear that it is the continued high spot prices and the extremely high price levels in the gas, coal and carbon markets that are preventing the market from falling. There are no prospects of any notable price falls in the spot market this week either. As such, the Nordic system price is expected to average EUR 85/MWh throughout the course of the week.

Our recommendation

Price fluctuations in the Nordic region remain relatively minor. The mild, wet weather forecasts have not been enough to pull the prices down, and the question now is whether this will change next week. Once again, we believe that a neutral or slightly falling trend is most likely, but we must not underestimate the risk of price climbs as a result of the situation between Russia and Ukraine.

Forward	Wk 5 (EUR/MWh)	Wk 6 (EUR/MWh)	Expectation (wk 7)
ENOMMAR-22	76.05	69.70	→
ENOQ2-22	52.55	52.05	→
ENOYR-23	38.40	39.25	→
SYHELYR-23	6.85	6.70	→
SYOSLYR-23	24.40	23.40	↗

Spread with Germany continues to grow

The price spread between the Nordic region and Germany, known as the SYGER spread, has grown further over the last couple of weeks. The German 2023 contract now costs over EUR 100/MWh more than the corresponding Nordic contract, and the spread has therefore grown by a further EUR 15/MWh since the New Year. The high price spread is causing climbing EPADs in the parts of the Nordic region that are closely linked to Germany. This means Denmark, Southern Sweden and Southern Norway. The 2023 EPADs for all of these areas are currently close to record-high levels.



Forecasts

Precipitation: As mentioned, there have been no major changes in the weather forecasts. The next two weeks look set to offer precipitation volumes, temperatures and wind power production well above normal for the time of year, and the hydro-balance deficit has now disappeared.

Production and spot: Spot prices in the Nordic region jumped again last week, with the average Nordic system price climbing to EUR 100.30/MWh, the highest level observed since week 1. This is despite periods of high temperatures. We anticipate a fall this week.

EPADs

The Finnish 2023 EPAD remained very stable last week and now costs EUR 6.70/MWh. In Norway, there was a marginal price fall in the NO1 EPAD for 2023, which is now down at EUR 23.40/MWh.

Further postponement of new Finnish nuclear reactor

A few weeks ago, we were able to report that the new Finnish nuclear reactor Olkiluoto 3 would be ready for test production at the end of January, following a delay of more than 13 years compared to the original schedule. However, this was not to be the case, as further technical issues have now postponed the test deployment of the nuclear reactor until the end of February and full operations until July. The new delays to the nuclear reactor have helped keep Nordic electricity prices high over the last week, despite the very mild, wet weather forecasts.



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