

Enormous new price jump in forward market

While spot prices in the Nordic region fell to their lowest levels this year last week, the price climbs continue in the forward market, where we reached record-high prices again last week.



Here and now

Following several weeks of sky-high prices, we experienced a sharp price fall in the Nordic energy market last week, not least due to several days of high wind power production levels. The average Nordic system price for the week was EUR 64.74/MWh, which makes it the cheapest week this year so far and almost reminiscent of price levels from previous years. The weekend in particular was characterised by extremely low prices, not least Saturday, on which a Nordic system price of EUR 13.17/MWh and negative hour prices in Denmark meant we experienced the lowest price levels so far this year.

New record-high prices in forward market

The uptrend in the forward market accelerated further last week, with extremely sharp price climbs in the short-term contracts in the market in particular. The Nordic system contract for Q3-22 has exceeded EUR 100/MWh for the first time and closed at EUR 106.05/MWh on Monday. The 2023 year contract has also climbed to its highest ever level, now costing EUR 79.00/MWh. The climbing prices are largely attributable to the weather conditions and, according to the PointCarbon analysis bureau, the hydro-balance deficit is set to grow to no less than -11 TWh over

the coming weeks due to the dry weather. This would make it the largest hydro-balance deficit observed since January. The water reservoir levels in southern Norway are at the lowest level ever recorded for this time of year and, although the snow melting has set in for real now, it would require significant precipitation volumes for the hydrological situation to normalise. This does not look like it will become reality, and the prices are therefore climbing sharply, especially for the summer contracts, as we are facing a summer of limited hydro resources.

Our recommendation

Even though prices soared last week, we cannot rule out that the market will climb further in the coming period. If the weather forecasts continue to indicate dry, calm weather, there would be room for further price climbs due to the pressurised hydrological situation in the Nordic region. We believe that a sideways or slightly climbing trend is most likely next week.

Forward	Wk 21 (EUR/MWh)	Wk 22 (EUR/MWh)	Expectation (wk 23)
ENOMJUL-22	76.48	92.00	↗
ENOQ3-22	87.90	106.05	↗
ENOYR-23	74.00	79.00	↗
SYHELYR-23	3.90	4.90	→
SYOSLYR-23	34.15	33.90	→

Coal prices climbing ahead of end of imports from Russia

The EU embargo on Russian coal takes effect on 10 August, and the EU is now increasing imports from other countries. Coal prices are climbing as the deadline approaches.

It has now been several weeks since the EU adopted a complete ban on Russian coal imports as part of an extended package of sanctions against the Russians in connection with the war in Ukraine. The ban on Russian coal does not, however, take effect before August, and until then European consumers will be able to continue buying from Russia. However, Russian imports are falling, and Europe has started to look towards other large coal exporters to find solutions for meeting demand when the embargo against Russia takes effect.

For now, Europe is looking to the USA, Colombia and South Africa in the hope that these countries, which were already major exporters to Europe prior to the war, will be able to increase supplies further. These countries are now shipping so much coal to Europe that the stock levels in European coal terminals are at their highest in two years. However, it is far from certain that the countries in question will have the resources to also meet the 40% of European coal consumption that was met by Russia in 2021 in the long term. In the meantime, Russia has chosen to look towards the two largest coal-consuming countries, China and India, to find new buyers for its coal.

Even though European coal terminals are currently well supplied, the markets fear that there could be a scarcity of supply in the longer term if the embargo against Russia is not repealed or if Colombia and South Africa, for example, are unable to maintain the high levels of exports. The price of one tonne of coal for delivery in 2023 was around USD 230 on Monday.

With prospects of a very volatile summer in the coal market, we are now looking at yet another factor of uncertainty when it comes to European energy supplies at a time when the disputes relating to Russian gas are also continuing.



Forecasts

The weather: The hydro-balance deficit is growing as the next few weeks look set to offer high-pressure weather in the Nordic region. Wind power production is also expected to be lower than normal for most of the coming week.

Spot: Following a week of very low prices, spot prices look set to climb again this week in the Nordic region, with wind power production expected to fall. We anticipate an average Nordic system price of EUR 120-125/MWh in week 22.

EPADs

The price climbs in the Finnish 2023 EPAD continued last week in the wake of the Russian decision to stop all exports of gas and electricity to Finland. There were no significant fluctuations in the NO1 EPAD for 2023 in Norway.

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