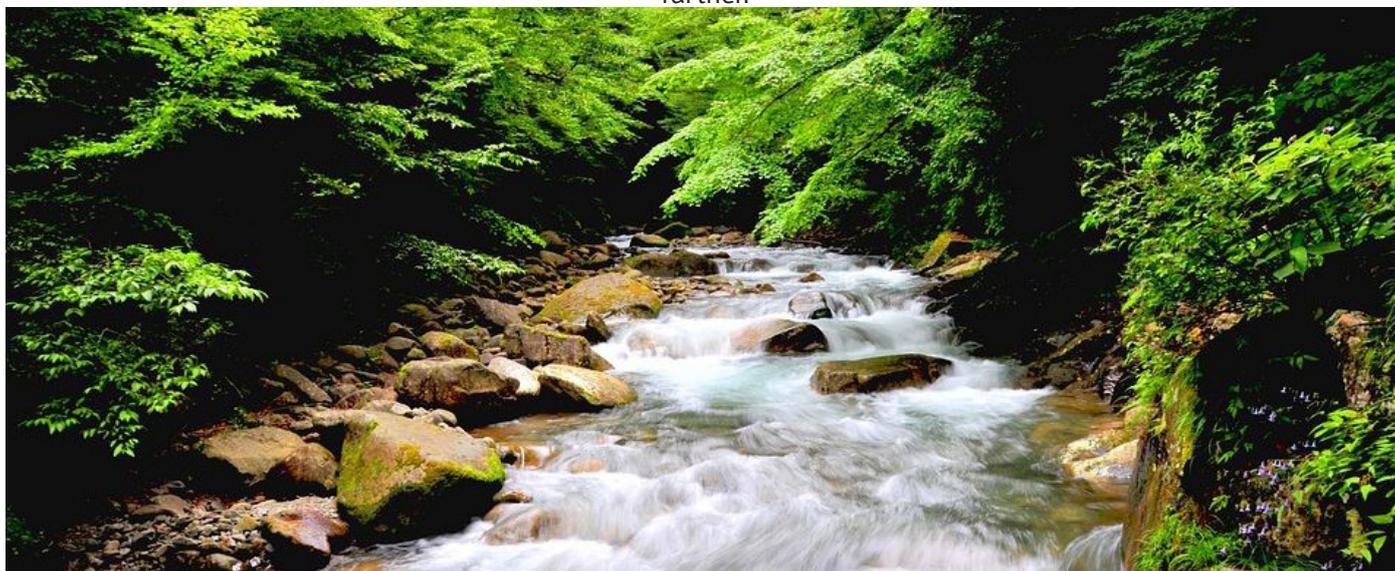


Flood under way in Nordic region

As we enter the month of May, we are approaching the time of the flood, the annual snow melting season in the Nordic region. At the same time, the hydro-balance deficit has grown further.



Here and now

Forward prices in the Nordic energy market experienced a downwards adjustment last week. The fall predominantly took place in a single day and it was attributed to a downwards correction in the carbon emissions allowance market, which had otherwise increased substantially in recent weeks. At the same time, weather forecasts have become wetter. When the market closed on Monday, the Q3-19 contract had fallen to a price of EUR 41.70/MWh, EUR 2.00/MWh lower than last week, while the YR-20 contract fell by EUR 1.39/MWh during the same period to EUR 38.35/MWh.

Our recommendation

There are no immediate prospects of the spot prices falling from the current level, as the hydro-power producers appear to have good control of the market. We believe that there will be price climbs for the short-term contracts in the Nordic energy market, while developments in the carbon emissions allowance market will determine the path we take in the long term.

Water levels in reservoirs increasing

In recent months, the water levels in Nordic water reservoirs have decreased continually, as is always the case during winter and early spring. In coming weeks, temperatures in the Norwegian, Swedish and Finnish mountains will increase, so that the snow will melt, and this will fill the countries' water reservoirs up with water. This phenomenon is known as the flood. This year's flood takes place during a time at which the water reservoir level (as of week 16) has dropped to 31.3% in Norway, 16.9% in Sweden and 28.9% in Finland. Common to these figures is that the levels are

below normal for this time of year, albeit with the exception of last year, when an extremely cold and long winter had used more resources than we have experienced this year. The fact that we are once more falling below the norm in 2019 can also be clearly seen from the hydro-balance, which currently has a major deficit of 14 TWh. The water reservoir level will now increase substantially for a few weeks, after which the influx will slow down. Nevertheless, the water reservoir level will continue to increase, typically until around the start of October.

Forward	Wk 17 (EUR/MWh)	Wk 18 (EUR/MWh)	Expectation (wk 19)
ENOMJUN-19	42.25	41.05	↗
ENOQ3-19	43.70	41.70	↗
ENOYR-20	38.35	36.96	→
SYHELYR-20	4.25	4.40	→
SYOSLYR-20	0.50	0.50	→

Oil price hits USD 75

For the first time this year, the price of one barrel of crude oil exceeded USD 75 last week. The USA's sanctions against Iran are the cause of the latest increases.

The oil market has been climbing steadily for a couple of months now and, on Thursday morning, the market hit a milestone when the price of one barrel of Brent oil exceeded USD 75 for the first time in six months. This means that the market has now climbed by just over 10% in April and nearly 40% since the New Year. Since the start of March, the uptrend has been characterised by modest daily increases and only a few days of price falls.

The price climbs in the market have accelerated in recent weeks after the USA once more set its focus on Iran. Following Donald Trump's entrance to the White House, the Americans decided to withdraw from the western nuclear agreement with Iran but left the door open for American allies when it came to future imports of Iranian oil. This possibility is no longer available. On Monday 22 April, the Trump administration announced that it would no longer permit India, China, Japan, South Korea and Turkey to buy oil from Iran from and including 2 May. If the countries concerned fail to comply, they too will be affected by American sanctions.

The Americans are therefore contributing to further pushing oil prices up, a seemingly paradoxical situation when viewed in light of US President Trump having repeatedly appealed, including via Twitter, to the OPEC countries to increase production in order to bring down prices. The USA has also contributed to placing a dampener on the price climbs by increasing its own production of shale oil.

As expected, Trump also put pressure on OPEC in this situation. On Friday, he tweeted that OPEC was prepared to increase production and, even though this statement cannot immediately be backed up by facts, it was enough to cause the market to fall again. On Tuesday, the price of one barrel of oil therefore fell to around USD 72.50 again.



Forecasts

Precipitation: There are prospects of precipitation volumes above normal for the time of year in the coming week, which looks set to be dominated by low pressure. The hydro-balance deficit could therefore be about to start shrinking.

Production and spot: We anticipate that wind power production will increase in the coming week, with the weather being characterised by low pressure. The average Nordic system price for the week is expected to be around EUR 40/MWh, slightly higher than last week's level.

The EPADs

The Finnish YR-20 EPAD has climbed marginally from last week and the market price is now EUR 4.40/MWh. In Norway, there were no fluctuations in the YR-20 EPAD in NO1 (Oslo). It still remains at EUR 0.50/MWh.

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