

Further price climbs leading up to Easter

In the week leading up to Easter, electricity prices in the Nordic region climbed further due to the cold, dry weather forecasts and the continued uncertainty surrounding European energy supplies.



Here and now

Spot prices in the Nordic region experienced substantial climbs last week, after having been at relatively low levels the previous week. The average Nordic system price for the week was EUR 151.22/MWh, 45% higher than the previous week. Denmark, southern Sweden and Finland in particular experienced climbing prices, not least due to low levels of wind power production, while the price level remained largely unchanged in Norway. The already record-high prices for both the upcoming quarter contracts and the year contracts jumped further, partly because German electricity prices are continuing to climb.

Our recommendation

Even though the forward prices have climbed consistently for two weeks in a row, there could very well be further price climbs on the way in the coming week. Most factors in the market remain bullish. The hydro-balance remains at a notable deficit, while the fuel markets and the German energy market could also very well continue to climb.

Cold forecasts cause further price jumps in Nordic region

The price of the Nordic system contracts climbed again last week, and both the Q3-22 and 2023 contracts reached new record-high levels. Easter was relatively mild, which allowed a provisional start to the melting of snow in the Nordic region. The longer term weather forecasts do, however, indicate that the temperatures will drop down to below the seasonal norm this week and remain there for the rest of the month. This means that the inflow of water to the reservoirs will decrease again. This will provide a further upside in the market, which is already

being affected by the uncertainty surrounding European energy supplies in general. The 2023 system contract has now climbed for no less than seven consecutive days of trading and is now 25% higher than one month ago. The German energy market in particular, where prices have also reached new record-high levels over the last week, pulls the Nordic region up, and the situation affects the southern parts of the region in particular, where the prices are closely linked to Germany due to the transmission cables.

Forward	Wk 15 (EUR/MWh)	Wk 16 (EUR/MWh)	Expectation (wk 17)
ENOMMAY-22	103.00	107.00	↗
ENOQ3-22	83.75	87.20	↗
ENOYR-23	59.25	61.50	↗
SYHELYR-23	2.45	1.90	→
SYOSLYR-23	29.90	30.28	→

War to cause big decline in European gas consumption.

The International Energy Agency (IEA) predicts a substantial decline in European gas consumption in 2022 as a result of the war between Russia and Ukraine.

The European gas market has been thrown into an extremely turbulent situation since war broke out in Ukraine back in February. European dependence on Russian gas has become the central question across the energy markets, where the questions relate in particular to how rapidly Europe can free itself from this dependency. For now, gas continues to flow from Russia to Europe, but the question is how long for, now that the EU has introduced a complete ban on the import of Russian coal just before Easter.

The war and the resulting high gas prices will, according to the International Energy Agency (IEA), have the effect that European gas consumption will drop by 6% in 2022 compared to the previous year. This estimate was published by the agency in its last interim report, published last week, and the agency argues that European countries are doing everything in their power to reduce general gas consumption, despite the fact that there is not yet a ban on gas imports from Russia.

Before the war broke out, Russia covered around 40% of the EU's gas consumption, and the union's member states have agreed to reduce this dependency by two thirds by the end of this year. Naturally, this means that the large volumes of gas need to be purchased elsewhere and, according to the IEA, Europeans will generally look to the USA and Middle East for LNG in order to achieve this objective, while gas consumption will generally also decrease.

While European gas consumption is expected to fall in 2022, the IEA does, however, expect consumption levels to continue to rise in Asia. Here, there are still unanswered questions as to how the relationship between China and Russia may affect Russia's ability to sell their coal and gas now that both Europe and the USA have turned their backs on Russia.



Forecasts

The weather: The mild weather we experienced during Easter will continue into this week, but there are prospects of colder weather in the Nordic region again from the end of this week. According to the PointCarbon analysis bureau, the Nordic hydro-balance is expected to have a deficit of around -5 TWh at the end of this month.

Spot: Following the substantial price jumps during Easter, spot prices look set to fall again this week. We anticipate an average Nordic system price of around EUR 140/MWh for the week, and this level could fall further during May.

EPADs

The price of the Finnish 2023 EPAD continues to fall, and it now costs EUR 1.90/MWh. In Norway, however, the NO1 EPAD for 2023 experienced slightly climbing prices, and it is now trading at EUR 30.28/MWh.

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