

# Major new price jumps across markets

The seemingly never-ending spiral of price climbs continued last week, with both the spot prices and the forward prices reaching new record highs in the Nordic region.



## Here and now

The extremely high spot price levels continued last week and southern Norway in particular experienced explosive price climbs that saw prices reach new record highs. In Finland, the price level fell slightly compared to the previous week but remains at an extremely high level compared to what is normal for the time of year. The decisive factors continue to be the combination of high fuel prices, low wind power production, limited hydrological resources and sky-high electricity prices in the surrounding countries. Prices look set to remain high in the coming week.

## Our recommendation

The extreme developments in the markets make it increasingly hard to predict how prices will be affected in the coming week. With the market up to the level it currently is and fear playing as great a role as it does, there is definitely room for further price climbs. The market has also climbed so much now that there should be a considerable chance of correction.

## Further issues surrounding Nord Stream 1 result in price jumps

The focus in the European energy market has been aimed at the Nord Stream 1 gas pipeline between Russia and Germany for some time. The gas pipeline was in the headlines again last week, which led to significant price climbs across the markets. The state-owned Russian gas company, Gazprom, announced on Friday that the pipeline will be taken out of service completely for three days from 31 August until 2 September for maintenance reasons. However, the markets are speculating that this will instead turn into the event that leads to a final stop to Russian gas supplies

to Europe. Prices soared on Monday when the markets had to deal with the news. The gas contracts for the coming months increased by more than 20% and the developments also affected electricity prices. In the German energy market, the 2023 year contract also climbed by an unbelievable EUR 100/MWh during the morning, with explosive price climbs also experienced in Europe. The markets will now spend the coming week worrying about what will happen to Nord Stream 1 after 31 August.

Forward	Wk 33 (EUR/MWh)	Wk 34 (EUR/MWh)	Expectation (wk 35)
ENOMSEP-22	186.00	265.00	↗
ENOQ4-22	267.00	338.50	↗
ENOYR-23	167.00	196.50	↗
SYHELYR-23	29.40	33.65	↗
SYOSLYR-23	53.90	68.90	↗

## Continued debate surrounding Norwegian exports

*In Norway, the debate is continuing with regard to whether the country should limit exports abroad to ensure lower prices at home. The decision will have a significant impact on electricity prices.*

Nowhere else in the Nordic region has experienced as significant price climbs for electricity as southern Norway over the last couple of years. Last week, the average system price in the southernmost price area of the country reached no less than EUR 454/MWh. By comparison, the average price in August 2021 was approximately EUR 72/MWh and just EUR 4/MWh in August 2020. A virtually identical situation also applies to the rest of southern Norway.

The country has, of course, experienced significant developments. In addition to the already pressurised hydrological situation this year, with record-low water reservoir levels in the southern parts of the country, another main cause of the substantial price climbs is the continued high levels of exports abroad, where prices remain even higher. This trend has increased in line with major new cables to the UK and Germany having been commissioned.

The high levels of exports have led to growing pressure on the Norwegian government to limit exports to ensure lower prices in Norway, with the Norwegian Prime Minister, Jonas Gahr Støhre, announcing last week that the government is looking to implement “export-regulating measures”. However, the Prime Minister’s announcement has faced significant criticism at home and abroad and the question is whether limitations on exports would have any positive impact in Norway. The Norwegian TSO, Statnett, is therefore warning that other countries could retaliate and refuse to transmit electricity to Norway, while also noting that the initiative would lead to fragmentation in Europe, thereby helping Russia achieve its goal of shutting down gas supplies to Europe.

The risk of neighbouring countries implementing retaliatory initiatives is absolutely real if the Norwegians choose to regulate exports and what could appear to be immediate financial gains for Norway could therefore end up becoming the complete opposite.



## Forecasts

**The weather:** The now prolonged heatwave looks set to continue this week and some way into next week. However, there are prospects of the temperatures falling to around the seasonal norm from the start of September and precipitation volumes also look set to increase.

**Spot:** The coming week also looks set to offer extremely high spot prices, as the many bullish factors currently surrounding the market look set to remain in place. We anticipate an average Nordic system price of approximately EUR 300-350/MWh in week 34.

## EPADs

The EPADs in southern Norway experienced substantial price climbs last week and the NO1 EPAD for 2023 is now trading at EUR 68.90/MWh. The price of the Finnish 2023 EPAD has also increased and it is now trading at EUR 33.65/MWh.

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