

Further price jumps across spot and forward markets

Most of the Nordic region experienced record-high electricity prices again last week, and the level looks set to climb even further this week.



Here and now

For the second week in a row, week 34 saw record-high electricity prices in the Nordic region. The average Nordic system price for the week was EUR 315.41/MWh, a price jump of a further 33% compared to the previous week. As long as no real change in the weather occurs, prices will continue to climb, and the price level also looks set to rise further during week 35. The price climbs also continued in the forward market, and the contracts for the upcoming months, quarters and years reached their highest ever prices on Friday.

Price climbs continue as Nord Stream 1 shutdown approaches

Wednesday is the day when Russia will shut down the Nord Stream 1 pipeline due to what Russia refers to as maintenance work. The markets continue to fear that it is instead a political decision and that the pipeline will not be put back into service from the weekend as officially announced. Last week, this fear was once more the decisive factor across the European energy markets. The price climbs, including in the German energy market, were substantial, and the German year contract for 2023 exceeded an unbelievable EUR 1,000/

MWh on Monday. The price for gas for delivery in 2023 has climbed by just over 25% in the last week. The fears of a scarcity of gas this winter have not decreased, as the USA continues to experience issues exporting LNG following a major fire that recently ravaged a key industrial port earlier this summer. US gas exports to Europe are expected to remain limited until November as a result of the fire, which obviously occurred at the worst conceivable time for the European markets.

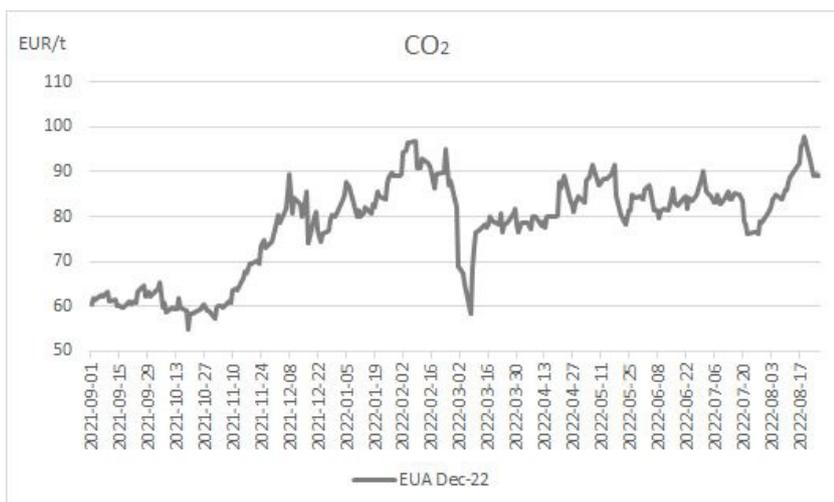
Our recommendation

The volatility has continued to grow in the markets, with unbelievable price fluctuations of several hundred euros per MWh each day in both the gas market and the German energy market. This also means that Nordic electricity prices might very well experience substantial fluctuations again next week, based on any news surrounding gas supplies to Europe in particular. Despite the crazy increases, we cannot rule out further price jumps.

Forward	Wk 34 (EUR/MWh)	Wk 35 (EUR/MWh)	Expectation (wk 36)
ENOMOCT-22	275.50	275.00	↗
ENOQ4-22	338.50	247.00	↗
ENOYR-23	196.50	240.00	↗
SYHELYR-23	33.65	342.00	↗
SYOSLYR-23	68.90	344.50	↗

Major price fall in carbon market

The European carbon market reached its highest ever price level in the middle of August. The benchmark contract, EUA Dec-22, reached a price of EUR 99.22/t on 19 August, but the price has since fallen by around 10%. There are clear fears in the market that the enormous price climbs for electricity and fuel might lead to activity in society and, not least, industrial production decreasing, which would lead to lower demand in the carbon market. The carbon price is now around EUR 90/t, and the market is awaiting further signals from the other markets before deciding which direction to take.



Continued uncertainty surrounding new Finnish nuclear reactor

With the current electricity prices, there is a great focus on when the new Finnish nuclear power reactor, Olkiluoto 3, might start producing electricity for the grid. The start date, following a number of delays over a period of many years, remains uncertain. According to the latest published plans, the nuclear reactor is expected to be fully operational in December, but with all of the bumps in the road that the project continues to experience, the market feels far from certain that this date can be trusted. The latest news is that trial production was halted again at the nuclear reactor this week due to technical issues.



Forecasts

The weather: The Nordic hydro-balance deficit continues to grow and is now expected to reach no less than -15 TWh by the start of September. The forecasts indicate relatively low temperatures in the coming week, while precipitation volumes will remain below normal for the time of year.

Spot: Spot prices might reach new record levels again in week 35, and we anticipate an average Nordic system price of around EUR 380/MWh for the week. Northern Norway and northern Sweden, however, are the two places where prices do not look set to climb any further.

EPADs

Following several weeks of climbing prices, the price of the Finnish 2023 EPAD fell last week, and it now costs EUR 30.40/MWh. In Norway, the EPADs in the southern parts of the country increased further, and the NO1 EPAD for 2023 is now trading at EUR 82.40/MWh.

Kimmo Kuusinen, Managing Director
(kimmo.kuusinen@energiasuomi.fi)
Tel.: +358 40 1633922

Communicative Analyst
Karsten Sander Nielsen
(ksni@energidanmark.dk)
Tel.: +45 8745-6948