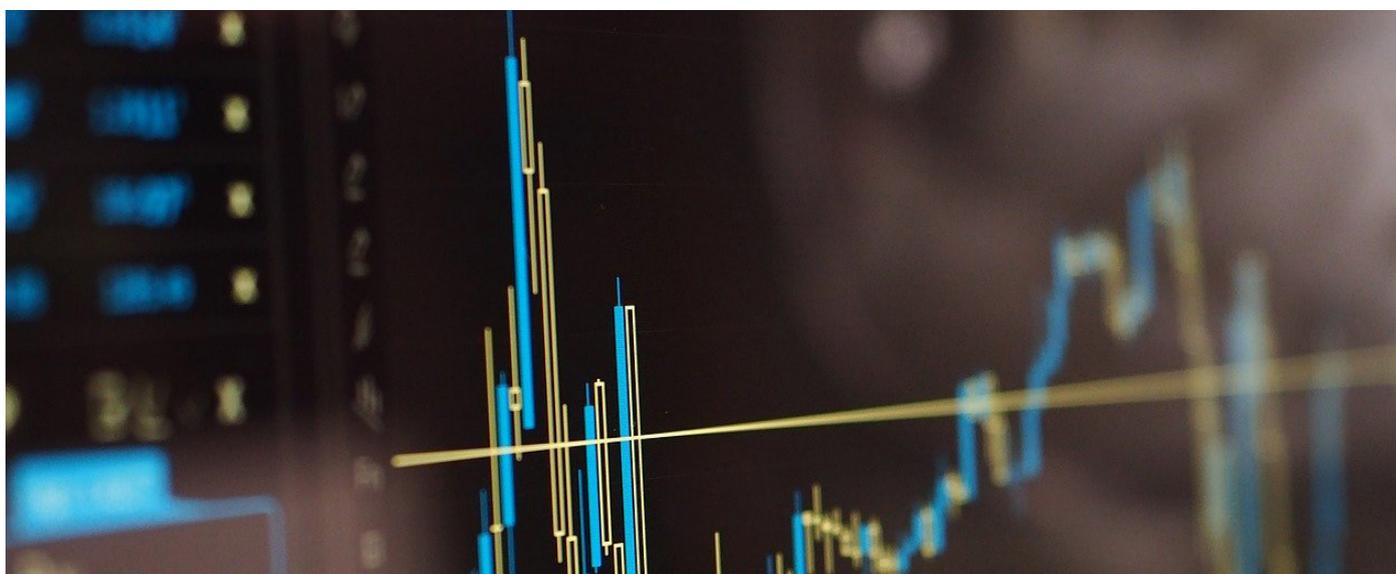


Low trading activity during uncertain times

Liquidity is low across European energy markets. Market players are unsure what market interventions the EU and its member states may introduce to influence prices.



Here and now

Spot prices climbed slightly in the Nordic region during week 41, but remained at a relatively low level compared to the enormously high prices we experienced in August and September. The prices are also low compared to what the contracts for these weeks were previously trading at in the forward market. One of the big factors keeping prices lower than what the market had feared is the mild, wet and windy autumn weather and the most frequently traded contracts in the forward market even fell last week.

Market players await news

There is relatively low liquidity across European energy markets at the moment. The highly uncertain times, with war, enormous price climbs and the expectation of political intervention are causing the usual players in the market to stay calm and wait to see how things develop rather than participating in ordinary trading activities. The great political uncertainty surrounding the markets is currently a decisive factor. Earlier this month, EU member states agreed on a new energy deal to reduce electricity consumption and cap profits for

certain electricity producers, but the details of how this will be implemented remain unclear. Everyone is also waiting for news on whether a price ceiling will be introduced for gas, an intervention that has seen frequent debate over several months as we experienced enormous price climbs this summer. With such significant uncertainty about what could happen, few players are willing to risk heading in the wrong direction and the market players are therefore largely holding their breath as they wait to take any new positions.

Our recommendation

It would seem highly likely that the price falls may continue this coming week unless we suddenly receive much colder weather forecasts. A lot will also depend on whether the EU manages to agree on a market intervention and price ceiling for gas, which is something the players in the market will keep a keen eye on during week 42.

Forward	Wk 40 (EUR/MWh)	Wk 41 (EUR/MWh)	Expectation (w 42)
ENOMNOV-22	220.00	172.00	↘
ENOQ1-23	315.00	259.00	↘
ENOYR-23	160.50	136.50	↘
SYHELYR-23	28.50	32.00	→
SYOSLYR-23	77.05	75.72	→

New EU proposal for gas price ceiling

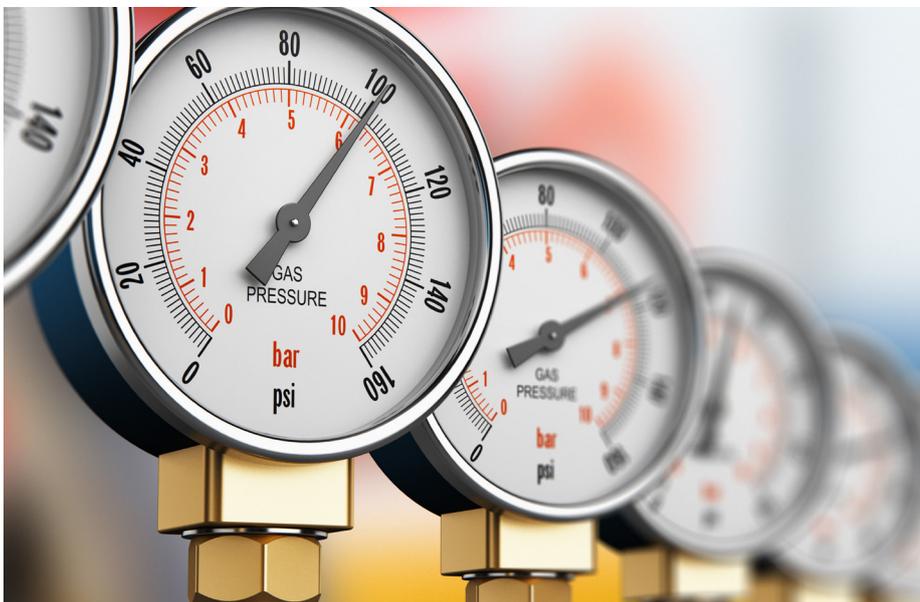
The EU member states have so far failed to agree on a price ceiling for gas. The European Commission has now presented another proposal that will be considered at the summit this week.

Natural gas prices in Europe have increased nearly tenfold over the last couple of years and prices soared this summer in particular. The enormous additional costs incurred by private consumers and businesses across Europe have resulted in a debate about introducing a price ceiling for gas. For now, the EU member states have been unable to agree on such a ceiling, but the European Commission has now made another suggestion for the member states to consider.

The President of the European Commission, Ursula von der Leyen, confirmed that the Commission has another legislative proposal ready to tackle the high energy prices and the Financial Times believes that this will also include a proposal for a price ceiling for gas. According to the newspaper, this is a “dynamic max price” at which gas can be traded in the exchanges and will allow politicians to put a stop to prices such as those experienced in the market this summer.

As well as the price ceiling for gas, the new proposal from the Commission is also expected to include a proposal for a new gas exchange, a mandatory requirement for all member states to lower gas consumption by 15% and a gas redistribution agreement so that the countries with the least gas are guaranteed to receive gas from those whose inventories are full ahead of the winter. As with the previous agreements that the EU has entered into to tackle the energy crisis, the details of the new proposal from the Commission remain unknown and it is therefore difficult for the players in the gas market to consider these at the current time.

The European Commission is set to approve the legislative proposal on Tuesday and it will then be up to the EU member states to determine whether the new proposal is more acceptable than previous ones. There is still great disagreement among the various member states regarding how the optimal proposals need to look, so the scene is set for tough negotiations when heads of state and governments meet in Brussels on Friday for the energy summit.



Forecasts

The weather: Following some very wet weeks, more normal precipitation volumes are now expected in the Nordic region. The next two weeks look set to be very average with regard to temperatures and precipitation alike and the hydro-balance deficit will stabilise.

Spot: Week 42 looks set to offer further increases in the Nordic system price, not least because of the prospects of some cold and dry days during the course of the week. We anticipate an average Nordic system price of around EUR 80/MWh for the week.

EPADs

While the Nordic system contracts fell last week, the price of the Finnish EPADs continues to climb. The 2023 EPAD is now trading at EUR 32/MWh. However, in Norway, the NO1 EPAD for 2023 experienced further price falls and is now trading at EUR 75.72/MWh.

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