

U-turn on panic-stricken fuel markets

The fluctuations in the international fuel markets and energy markets remain sky-high. Both gas and coal prices fell drastically last week, following the extreme price climbs earlier in the month.



Here and now

The tense situation continued across the energy and fuel markets last week. Following extremely large price climbs in the preceding weeks, this week saw large price falls in the gas and coal markets, as well as the German energy market. There have also been falling prices in the Nordic region, which can be attributed both to the wet weather forecasts for the second half of October and to the consequential impact of the major falls in Germany and the fuel and carbon markets. The Q1-22 and YR-22 contracts now cost EUR 62.50/MWh and EUR 40.50/MWh respectively.

Our recommendation

Major daily fluctuations and high levels of nervousness continue to affect the markets, and there are no reasons to believe that this will not remain the case in the coming week. The weather forecasts will continue to play a crucial role in the Nordic region, and we believe that further price falls are most likely, as the weather looks set to remain wet. However, this trend could turn if we see large fluctuations in the gas market and the German energy market.

Sharp downward adjustment in fuel markets

Following several weeks of climbing prices, we experienced a sharp price fall in the European fuel markets last week. This trend may have been predictable following the extreme price jumps in the preceding weeks, which, to some extent, seemed to have been triggered by a self-reinforcing atmosphere of panic. The speculative players in the market suddenly started to close their positions to secure gains on the major increases, and the sudden increase in sales activity also had a self-reinforcing effect, resulting in several days of

sharply falling prices in the gas and coal markets. The price of one tonne of coal for delivery next year fell by more than USD 50 during the course of Wednesday, Thursday and Friday last week, while the 2022 contract for gas fell by more than 25% to approximately EUR 50/MWh during the same period. The price falls were, to some extent, justified by Russian indications that the country might increase gas deliveries to Western Europe, but the political games relating to winter gas supplies are far from over.

Forward	Wk 40 (EUR/MWh)	Wk 41 (EUR/MWh)	Expectation (wk 42)
ENOMNOV-21	74.00	72.00	↘
ENOQ4-21	71.93	62.50	↘
ENOYR-22	46.00	40.50	↘
SYHELYR-22	20.40	17.40	→
SYOSLYR-22	15.65	16.40	→

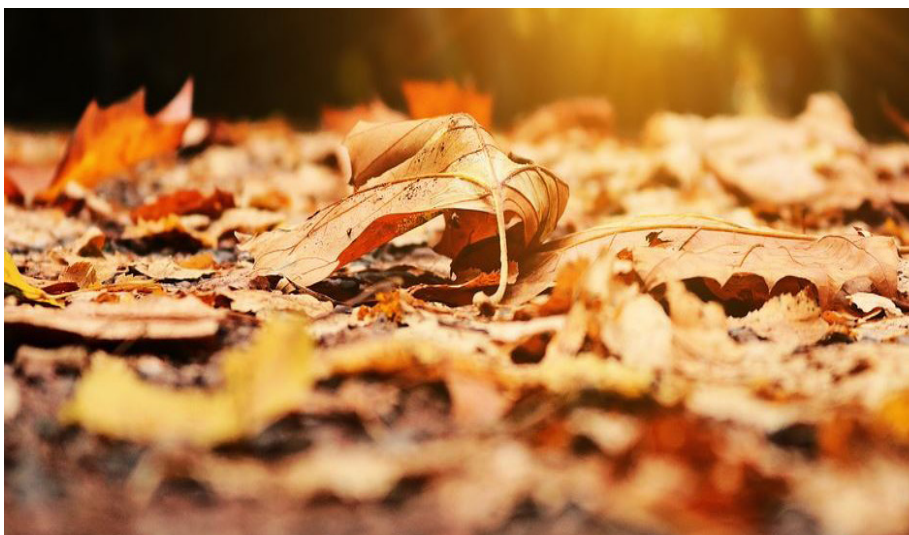
Russia considering increased gas exports

The focus was once more on Russia when gas prices started to fall drastically last week. The Russian President, Vladimir Putin, has become the focal point of the European energy markets, as he holds the key to preventing the supply crisis that the gas market fears this winter. Last week, Putin claimed that the state-owned energy company Gazprom would be happy to export more gas to Europe, albeit without specifying what requirements the company will set for such exports. Nevertheless, the statement was enough to trigger a price fall that left its mark across the markets.



Record-high spot prices in Denmark and Germany

The extreme price fluctuations in the fuel markets are not only affecting the distant contracts in the energy market. Spot prices are also climbing notably in Germany, where we saw a day price of more than EUR 300/MWh for the first time ever last week (7 October). As Denmark still remains closely linked to Germany, this also meant that the Danish EPADs soared further, and that Danish spot prices also reached EUR 300/MWh for the same day. The trend of extremely high area prices in the southern part of the Nordic region is therefore continuing.



Forecasts

Precipitation: The weather forecasts for the Nordic region remain wetter than normal for the time of year. Weather largely characterised by low pressure is expected for the next ten days, and the hydro-balance deficit continues to shrink.

Spot: The average Nordic system price for week 40 was EUR 81.20/MWh and, even though this is high in and of itself, the EPADs also remain sky-high. Denmark and Southern Sweden in particular continue to experience extremely high day prices.

EPADs

The price of the Finnish YR-22 EPAD fell last week, and it now costs EUR 17.40/MWh. In Southern Norway, however, prices have climbed again, and the NO1 EPAD for YR-22 is now up to a price of EUR 16.40/MWh.

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