

NORDIC ELECTRICITY MARKET

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STILL DRY AND COLD BUT SIGNS OF DAMPER, MILDER WEATHER BRING DOWNWARD PRESSURE

Forecast to week 5:

ENOFUTBLQ2-21	↔ Sideways (± 0,5%)
ENOYR-22	↘ Bearish (<0%)
NP System	↗ Bullish (>0%)
NEDEC21	↘ Bearish (<0%)

FORECAST TO WEEK 5

POWER FUTURES

Front quarter

The weather type is dry and cold, and the hydro balance is falling considerably. The current weather picture and spot price level are clearly lifting prices of near products. However, during the course of Monday the market took a downward turn since some forecasting models indicate the possibility of the cold, dry weather type ending after next week. Should signs of any turn in the weather gain additional confirmation, there is a possibility of a corrective downward movement in near products during the week after a strong rise. However, for the time being any turn in the weather type to mild or wet is very uncertain. We expect near products to approach last week's levels and market sights are strongly on the mid-February weather picture and beyond. However, strong movements in near products could be seen towards the end of the week with any additional confirmation of the weather picture. In keeping with the strong technical trend, we still consider a rise to be more likely than a fall in the longer term.

Annual products

Except for the Nordics, the broad weather picture in Europe is mild and this means demand for fuels and emission allowances will be lower than last week. Auctions have now restarted, and this could bring downward pressure on the emission allowance price and demand was subdued in the first auctions. We expect the prices of annual products to show a slight fall. However, the weather picture after next week is bringing significant uncertainty to the nearest annual product.

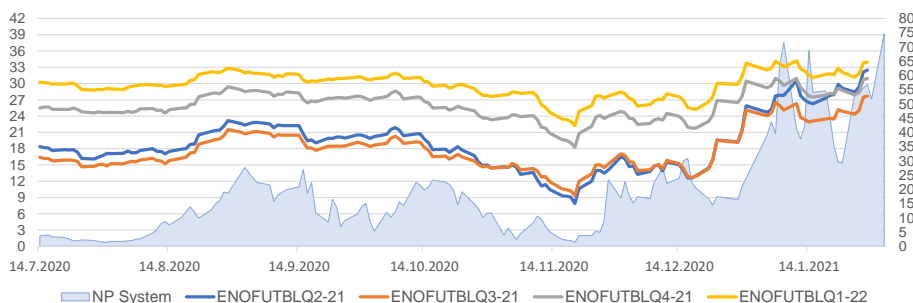
SPOT MARKET

The weather is cold and dry, and wind power production will be very weak in the early part of the week. On Monday, spot prices rose considerably with the prevailing weather. However, wind power production will increase after Tuesday and Nordic wind power production will approach normal levels during the end of the week. This being the case, we expect intra-week spot prices to fall after Monday. However, temperatures will fall towards the end of the week and demand for electricity will rise. Electricity imports from Russia to Finland will be slightly higher compared to last week's level. Wind power production in Finland will rise to approach almost normal levels after Tuesday. We expect spot prices to rise. We expect the system price to settle at an average level of €59.5/MWh and the Finnish area price to settle at an average level of €63.0/MWh.

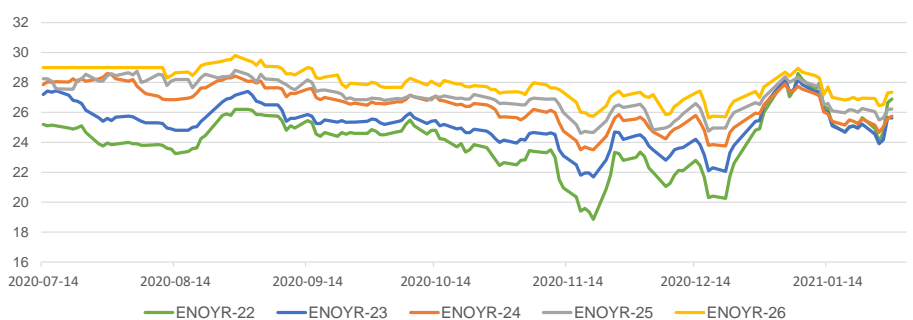
EMISSIONS

Market availability will rise considerably during the current week once emission allowance auctions return to their normal daily rhythm. The emissions trading period 4 allowances now being auctioned may not be used for emission allowance surrenders in the spring and this could mean that demand at auctions is weak. The weather in Europe will be mostly mild during the current week and will not be supportive of demand for emission allowances, but wind power production will at times be weak in Europe. The technical picture on the emissions market has weakened. We expect the emission allowance price to seek direction or to fall slightly.

Quarters EUR/MWh (left), NP System EUR/MWh (right)



Years EUR/MWh



Market signals

	spot	Q2-21	YR-22
Hydrologic balance	↑	↑	↑
Precipitation forecast	↑	↑	↑
Temperature forecast	↑	↑	↑
Spot	↓	↑	↑
Production and transmission exch.	↑	↑	↑
Emissions allowance	↓	↓	↓
Coal price	↓	↓	↓
German prices	↓	→	→
Technical analysis	↓	↑	↑

Product	Date	Value	% chg	Chg (EUR)
ENOFUTBLQ2-21	29.1.2021	32.50	8.9%	2.65
ENOFUTBLQ3-21	29.1.2021	27.70	9.9%	2.50
ENOFUTBLQ4-21	29.1.2021	30.95	6.2%	1.80
ENOFUTBLQ1-22	29.1.2021	33.95	3.5%	1.15
ENOYR-22	29.1.2021	26.90	4.9%	1.25
ENOYR-23	29.1.2021	25.63	1.6%	0.41
ENOYR-24	29.1.2021	25.75	0.8%	0.20
ENOYR-25	29.1.2021	26.23	-0.1%	-0.03
ENOYR-26	29.1.2021	27.35	1.5%	0.40
NEDEC21	29.1.2021	32.94	-3.9%	-1.34
NEDEC22	29.1.2021	33.18	-3.8%	-1.30

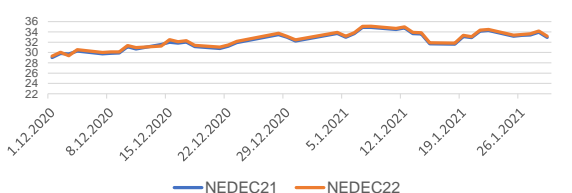
EPAD settlements

29.1.2021 (€/MWh)	2021	2022	2023
SYHEL	11.80	4.83	4.63
SE1-NP System	-2.50	-3.00	-3.00
SE2 - NP System	-2.50	-3.00	-3.00
SE3 - NP System	3.63	2.58	2.63
SE4 - NP System	8.85	8.00	8.00

Week's spot price change

Price area (€/MWh)	Date	Value	% chg	Chg (EUR)
NP System	31.1.2021	52.52	33.1%	13.07
NP Area FI	31.1.2021	55.74	18.0%	8.51
NP Area SE1	31.1.2021	50.77	35.5%	13.30
NP Area SE2	31.1.2021	50.77	35.5%	13.30
NP Area SE3	31.1.2021	55.45	37.7%	15.17
NP Area SE4	31.1.2021	55.45	37.7%	15.17

Carbon EUR/CO2 t



COMMENTS ON WEEK 4

POWER FUTURES

Front quarter

Last week, the weather turned dry and temperatures dropped towards the end of the week. However, near products fell in the first half of the week when the weather forecasts showed signs of damper, milder weather the following week. However, after the early part of the week, these signs receded and at the end of the week it seemed very likely that the weather type would continue dry and cold for the time being. Near products reversed to a sharp upward turn with the dry, cold weather picture. Products also rose to their highest prices during the current year and the strong technical trend also strengthened the upward pressure.

Annual products

During the first half of last week, annual products fell along with near products. Also, general more jittery market sentiment, and with it, lower fuel prices and emission allowance prices, brought downward pressure on annual products. After the early part of the week, stock market volatility continued, but the price of coal took an upward turn. The fall in the emission allowance price also came to an end. Annual products rose driven by the rise in the price of coal and the turn to a very strong rise in near products. Annual products closed the week up.

SPOT MARKET

Last week, the weather grew colder and after Monday temperatures fell to lower than normal for the time of year. Temperatures fell towards the end of the week and demand for electricity rose. Nordic wind power production was mostly weaker than normal and flow rates decreased towards the end of the week. Also, in Finland wind power production was mostly weaker than normal. Spot prices rose at the weekly level. The Finnish area price settled close to the South Sweden price level at the weekly level. At the same time, the spread between the Finnish area price and system price narrowed significantly.

EMISSIONS

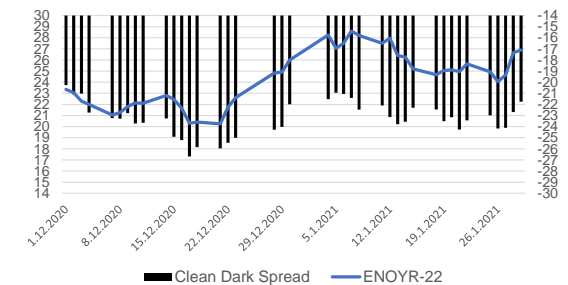
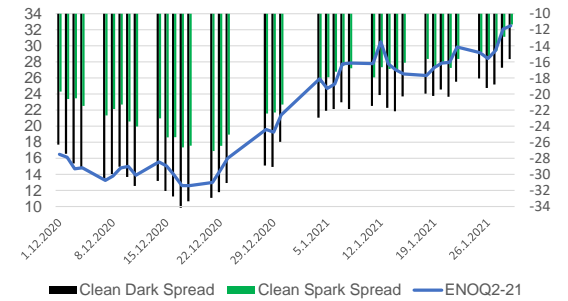
Last week, the emission allowance price fell from the previous week's levels. On Monday, the market was down as the gas market and entire energy complex fell as well under the pressure of approaching auctions. The market gained slight support mid-week from stronger fuel markets and cooler weather forecasts. On Friday, the auction settled at just under the aftermarket price at the time and prices started to fall and the emission allowance price closed €1.29 down at the weekly level.

Indicator	ENOFUTBLQ2-21	ENOYR-22
Coal-fired production	20 %	5 %
Coal price	29 %	12 %
Gas price (NBP)	18 %	28 %
German price level	53 %	29 %
Spot	0 %	0 %
Crude oil Brent	34 %	15 %
Water reservoirs	52 %	49 %
EUR/USD FX rate	8 %	2 %
Temperature	8 %	5 %
Precipitation	16 %	13 %

Definition

The above figures measure the ability of market determinants to describe the price changes occurred in last 6 months. The affect is measured as Coefficient of Determination*. Each variable is evaluated independently. We use a color scale to demonstrate efficacy, green (strong), yellow (moderate), red (weak)

Forecast history	4	Chg	3	Chg
ENOFUTBLQ2-21	↗	8.9%	↗	12.6%
ENOYR-22	↗	4.9%	↔	1.8%
NP System	↗	33.1%	↘	-45.9%
NEDEC21	↗	-3.9%	↘	8.2%



DETERMINANTS AFFECTING THE MARKET ON WEEK 5

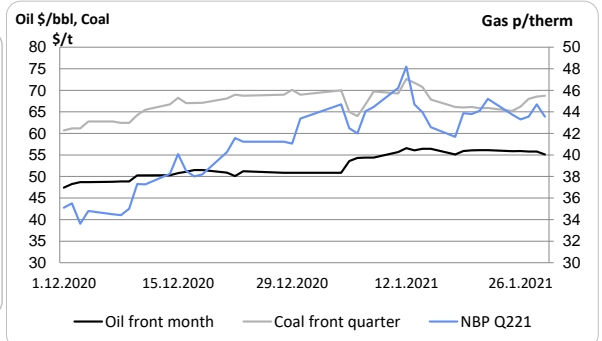
RESTRICTIONS IN PRODUCTION AND TRANSMISSION CAPACITY

- Nordic nuclear power plants are currently operating at a capacity utilization rate of 100%
- RU-FI transmission profile varies due to capacity payments, average imports from Russia last week were 75 % of the maximum

AVERAGE SPOT PRICE AND EPAD

Price area (€/MWh)	2013	2014	2015	2016	2017	2018	2019	2020	2021*
NP System	38.1	29.6	21	26.91	29.41	43.99	38.94	10.93	46.71
NP Area FI - NP System	3.10	6.40	8.70	5.54	3.78	2.81	5.10	17.28	3.61
NP Area SE1 - NP System	1.10	1.80	0.20	2.04	1.43	0.24	-1.00	3.60	-0.84
NP Area SE2 - NP System	1.10	1.80	1.00	2.04	1.43	0.24	-1.00	3.60	-0.84
NP Area SE3 - NP System	1.40	2.00	1.00	2.33	1.83	0.55	-0.58	10.53	5.18
NP Area SE4 - NP System	1.80	2.30	1.90	2.62	2.77	2.37	0.86	15.06	4.19

*Average for period between 1.1.2021-1.2.2021.



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Source for data: intStream, Tilastokeskus

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