

NORDIC ELECTRICITY MARKET

15.1.2024 Eerik Ekström, Gasum Portfolio Services Oy

FAIRLY COLD WEEK, BUT ONLY IN THE NORDICS, Milder next week

Forecast for the week 3:

Base Quarter Q2-2024	📉 Bearish (< 2 %)
Year product Front year 2025	📉 Bearish (< 2 %)
NP System	📈 Bullish (> 2 %)
NEDEC 2024	📉 Bearish (< 2 %)

FORECAST FOR THE WEEK 3

POWER FUTURES

Today's (Monday's) weather forecast confirmed the upward turn seen in the hydro balance forecast at the end of last week. The two-week period is expected to be much wetter than normal and next week to be milder than usual. Industrial output figures for November showed weaker-than-expected figures for the euro area, industrial electricity consumption is estimated to have decreased in Finland, and industrial electricity consumption has reportedly fallen by about 6% to a level of around 33 TWh, according to Finnish Energy.

Front quarter

For the near quarter, the increase in the hydro balance forecast is clearly a factor bringing downward pressure. Mild weather in Europe, high gas stocks and well-functioning French nuclear power are squeezing condensate production costs. The economic outlook is not expected to show any quick change in the next quarter, and this may weaken consumption expectations. We expect the reversal and strengthening of the hydro balance to heavily squeeze the price of the product, although a correction has already been seen from highs of around €60/MWh in the first days of the year. The level of slightly less than €40/MWh at the end of last year may act as a support level, the next one being around €35/MWh seen in early November. We expect a bearish outlook compared to Friday's close, with the price closing in the range of approximately €35-€45/MWh during the week.

Annual products

For year products, the fall has been extensive and heavy due to the recent period and the decrease in the costs of condensate production. For example, a fall in the price level to south of €42/MWh from, for example, 2026 onwards is likely to have a strong impact on the profitability analysis of production investments, as the price level seen today requires a fall in the price of fossil fuels already with the normalization of the geopolitical situation, as well as a soft demand outlook with current production capacity operating at a good level. For 2025, the fairly weak demand for fossil fuels in the near period and the ensuing high level of gas stocks will ease the refilling of stocks and the increasing completion of renewable capacity is likely to squeeze prices. Besides which, the economic situation in Europe may not have time to fully pick up during 2025, lowering the demand outlook. Nevertheless, given the continuing geopolitical risks and inflationary pressures, we consider the fall to be excessive, and especially prices for later years after the fall seen today (Monday) are quite affordable. However, compared to Friday's closing price, we expect a bearish outlook, in the range of €40-€45/MWh for 2025. For later years, we expect a level of €43-€48/MWh in the mid-term.

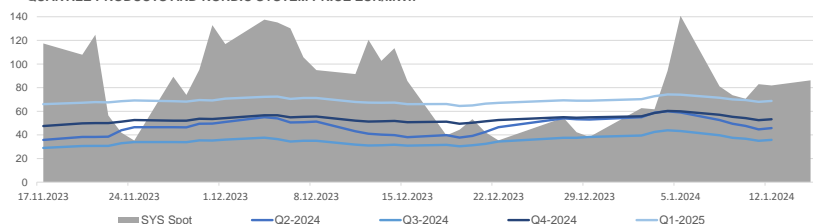
SPOT MARKET

In the spot market, clearly colder than normal weather is expected to continue in the Nordic countries until Saturday, temperatures are not expected to fall below -15C on average tomorrow (Tuesday), the coldest of days, either and wind power production is expected to exceed 7500 MW in the Nordic countries. Correspondingly, the following week is expected to be warmer than usual, wetter than usual and much stronger than usual in terms of wind power production. The length of repairs to Loviisa 2 in Finland and Forsmark 2 in Sweden, changes may affect the outlook. Overall, we expect the week to be more expensive than last week, but peak prices may also be missed also in Finland, with tomorrow (Tuesday) being the most challenging day.

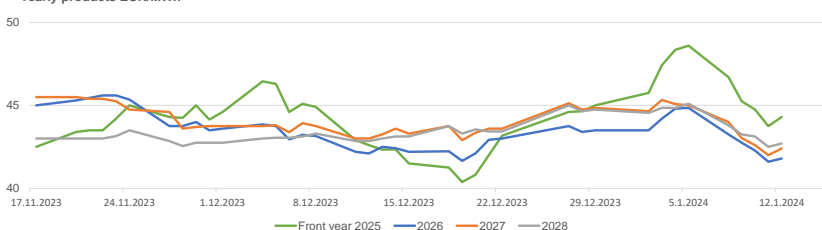
EMISSION ALLOWANCE

Emission allowance auctions re-started today January 15, after the break. The bearish fundamentals include milder weather forecasts in Europe and a potentially weaker outlook for industry in Europe due to the even stronger-than-expected fall in industrial production published today (Monday). Hints on the ECB's interest rate policy are expected by the next interest rate meeting. The French nuclear power utilization rate has remained good and is contributing to reducing the need for fossil fuels and lowering prices in Europe, EU gas stocks were still around 79.7% on Saturday and fuel switching support is well below current prices. We expect the retreat to continue, in the range of €60-€70/t over the following week.

QUARTILE PRODUCTS AND NORDIC SYSTEM PRICE EUR/MWh



Yearly products EUR/MWh



MARKET SIGNALS

	spot	Q2-2024	2025
Hydrologic balance development		↓	↓
Precipitation forecast	→	↓	↓
Temperature forecast	↑	→	→
Spot		→	→
Production and transmission exch.	→	→	→
Economic outlook & EUA	→	↓	↓
Coal and Natural Gas fired production costss	→	↓	↓
German prices	↓	→	↑
Technical analysis		↓	↓

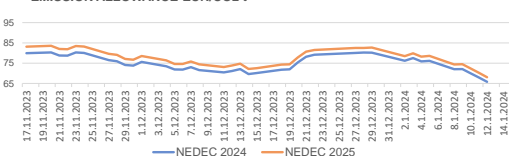
Product	Date	Value	% chg weekly	Chg (EUR)
1st Q: Q2-2024	12.1.2024	45.80	-22.4 %	-13.20
2nd Q: Q3-2024	12.1.2024	35.75	-17.4 %	-7.55
3rd Q: Q4-2024	12.1.2024	53.20	-11.3 %	-6.80
Q1-2025	12.1.2024	68.70	-7.2 %	-5.35
Front year 2025	12.1.2024	44.30	-8.8 %	-4.30
2026	12.1.2024	41.80	-6.8 %	-3.05
2027	12.1.2024	42.40	-5.8 %	-2.60
2028	12.1.2024	42.70	-5.3 %	-2.40
2029	12.1.2024	42.50	-2.6 %	-1.15
NEDEC 2024	12.1.2024	65.81	-13.6 %	-10.33
NEDEC 2025	12.1.2024	68.06	-13.4 %	-10.55

EPAD settlements

	12.1.2024 €/MWh	2025	2026	2027
FI - NP System	2.50	1.30	1.13	
SE1-NP System	-14.38	-14.25	-10.00	
SE2 - NP System	-14.38	-14.25	-10.00	
SE3 - NP System	-5.45	-2.85	0.40	
SE4 - NP System	7.75	11.00	14.50	

SPOT week average:		1		VS.		2	
Product	Week avg	% chg	Chg (EUR)		Chg (EUR)	Week avg	
SYS Spot	83.13	-9 %	-7.07		76.06		
FI Spot	242.73	-66 %	-159.92		82.81		
SE1 Spot	85.42	-43 %	-36.33		49.09		
SE2 Spot	85.70	-43 %	-36.61		49.09		
SE3 Spot	88.81	-4 %	-3.81		84.99		
SE4 Spot	88.81	7 %	6.21		95.02		

EMISSION ALLOWANCE EUR/CO2 t



COMMENTS ON WEEK 2 DEVELOPMENT

POWER FUTURES

The weather forecasts brought minor downward pressure last week, the tail end of the hydro balance forecast turned slightly upwards and there was a slight turn towards milder weather forecasts in Europe.

Front quarter

With the exception of Friday, the strong fall that started with the near quarter at the end of the previous week continued, with prices falling from around €60/MWh to around €45/MWh. The fall possibly started as a correction movement to the strong upward trend seen earlier, but the bottoming out of the decrease in hydro balance and eventually a reversal to a slight upward trend increased pressure on prices. The technical analysis saw indications of a MACD reversal, for example, as a sign of a fall.

Annual products

The 2025 product fell like Q2-2024, at the rate of condensate production costs and emission allowances in the big picture. Prices fell from a level of almost €49/MWh at the end of the previous week to below a level of €45/MWh. There was a bearish indicator for the MACD towards the end of the week, and prices were below the moving averages. 2025 continued to be the most expensive year product, with other year products also following in retreat during the week. In addition to the fall in the costs of condensate production, sentiment was weighed down by the outlook for the economic situation, and a slightly slower picture of the ECB's interest rate policy was seen than earlier, for example due to inflation that has started to rise slightly. Year products from 2026 onwards have slipped to below a level of €43/MWh.

SPOT MARKET

A much milder and windier spell than the previous week kept spot prices reasonably low, with Friday of concern mostly in Finland, but temperatures did not drop to as low as expected and wind power production was well above expectations. The most expensive day of the week for the system price was Thursday, at a level of around €83/MWh and the cheapest weekday was Wednesday at a level of around €71/MWh. Correspondingly in Finland, Friday was the most expensive day at a level of around €130/MWh, with Wednesday being the cheapest at a price of below €45/MWh. Maintenance meant Forsmark 2 continued to run at undercapacity, provisionally until January 24, a fault in the measuring system was detected on Sunday afternoon at Loviisa 2, which was why a start was made on shutting down the installation for inspections. Whereas there was no certainty as to when the installation would be able to continue producing electricity, according to the latest information the installation will begin to produce electricity and continue at roughly half capacity until January 17, CET. Wind turbines continued to suffer icing problems because of weather conditions, with times of strong wind production reducing the impact of the problems.

EMISSION ALLOWANCE

The sharp fall in the emission allowance market that started at the beginning of the year continued, and further impetus was provided by the CoT, in which short positions had shifted from financial to commercial actors, and investment funds had maintained their positions unchanged while the net change in positions was neutral, which in turn contributed to the conclusion that the decline was due to fundamentals and not to changes in positions. Options have set levels quite widely. The price of the DEC24 product fell during the week from a level north of €75/t to below €67.5/t. In the technical analysis, the product has bearish indications, but on the other hand, based on the RSI, it is only just oversold.

DETERMINANTS AFFECTING THE MARKET ON WEEK 3

RESTRICTIONS IN PRODUCTION AND TRANSMISSION CAPACITY

Olkiluoto 3 (1600 MW), limited production 3.6.2023-2.3.2024 in use 1570 MW

Forsmark Block 2 (1121 MW), fault 29.12.2023-24.1.2024, in use 490 MW

Loviisa Block 2 (507 MW), fault 14.-17.1.2024, in use 0 MW until 11:00 CET on January 15, after which 280 MW again in use until 17:00 CET on January 17

SE1-FI (1500 MW), maintenance 17.4.2023-2.3.2024 in use 1200 MW

- Nordic nuclear power plant utilization capacity was this morning (Monday) 90%

- RU-FI transmission has been out of use since May 2022 because of payment transaction issues, average imports from Russia last week were 0% of the maximum

SPOT AVERAGES AND EPADS

Price area (€/MWh)	2016	2017	2018	2019	2020	2021	2022	2023	2024*
NP System	26.91	29.41	43.99	38.94	10.93	62.31	135.86	56.44	80.04
NP Area FI - NP System	5.53	3.78	2.81	5.10	17.09	10.03	18.18	0.03	78.47
NP Area SE1 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.82	-76.80	-16.47	-11.69
NP Area SE2 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.76	-73.92	-16.47	-11.56
NP Area SE3 - NP System	2.32	1.83	0.55	-0.58	10.26	3.69	-6.66	-4.74	6.88
NP Area SE4 - NP System	2.62	2.77	2.37	0.86	14.94	18.21	16.24	8.44	11.56

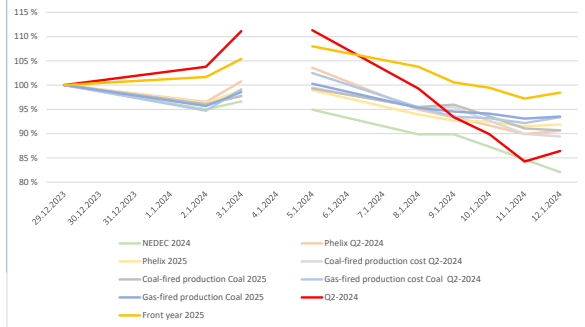
*Average of 1.1.2024-16.1.2024.

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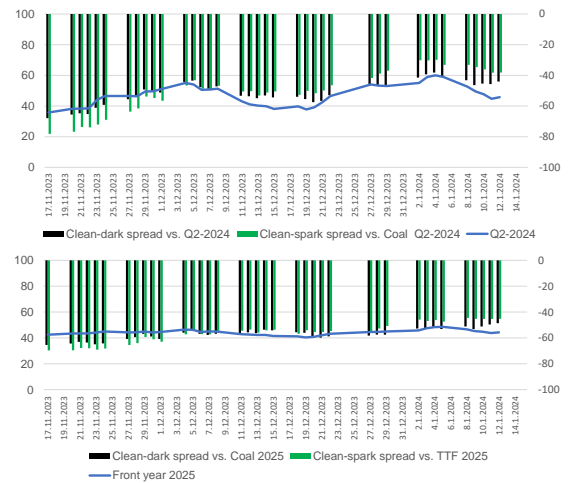
Source for data: Gasum, Tilastokeskus

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Developments past 2 weeks indexed



Forecast history	2	Chg	1	Chg
Base Quarter Q2-2024	↘	-22.37 %	↻	11.32 %
Year product Front year 2025	↻	-8.85 %	↗	8.00 %
NP System	↘	-41.90 %	↗	267.83 %
NEDEC 2024	↘	-13.57 %	↻	-5.05 %



Oil \$/bbl, Coal USD/tonne, TTF €/MWh

