

NORDIC ELECTRICITY MARKET

22.1.2024 Eerik Ekström, Gasum Portfolio Services Oy

STRONG RISE IN HYDRO BALANCE FORECAST TO START THE WEEK

Forecast for the week 4:	
Base Quarter Q2-2024	↔ Sideways (± 2 %)
Year product Front year 2025	↔ Sideways (± 2 %)
NP System	📉 Bearish (< 2 %)
NEDEC 2024	↔ Sideways (± 2 %)

FORECAST FOR THE WEEK 4

POWER FUTURES

Precipitation forecasts showed a clear turn towards rain over the weekend, especially with the clear strengthening of next week's precipitation forecast. During Monday morning, the forecast recovered slightly, but the hydro balance is rising about 5 TWh above Friday's outlook to a level of around -6 TWh compared to normal. However, the longer-term weather forecast shows a turn towards drier and cooler temperatures in the Nordic countries, which may support the market despite the near period.

Front quarter

For the next quarter, the increase in the hydro balance forecast is clearly a factor exerting downward pressure. The fall in condensate production costs will also squeeze the price, and the price difference with Germany may bring some downward pressure as the water situation improves towards normal. However, the drier and colder than normal weather forecast for February is a supportive factor. In Germany, the weather in the two-week period is expected to be much warmer and windier than usual, French nuclear power production is expected to briefly reach a power level of up to 55 GW in the next few weeks ahead of the summer maintenance period, with the power level in recent days varying at higher than the past two years at a level slightly more than 50 GW. In last Thursday's update, Refinitiv's fundamental model estimate Q2 pricing to be much higher than the current price, around €57/MWh, with this week's update likely to significantly decrease this level. With the hydro balance forecast having strengthened confirmed, the price level has decreased to the same level as in the corresponding hydro balance outlook at the beginning of November, but lower gas prices and German prices may justify an even lower price level. We expect prices to vary between €30-€40/MWh and the overall outlook to be horizontal compared to Friday's close.

Annual products

For year products, the decrease has been sharp due to the costs of condensate production, and in our opinion, the overpricing built up by risks has been discharged from the price level of electricity in Germany. In our opinion, a squeeze in the prices of year products in the Nordic countries to €40/MWh and, with regard to 2026, slightly below it would require, in addition to a good water situation, a calm geopolitical situation and weak demand for electricity. The weakness of the European economy may affect demand, especially in 2025 and 2026, but on the other hand, pushing back production investments may reduce oversupply situations in renewable generation. We consider the price level to be indicative of low hedging interest due to the economic uncertainty of electricity users. For the 2025 product, only the relatively weak economic situation, production investments to be completed and the replenishment of gas stocks that are likely to start at a reasonably high level, possibly partly hedged by recently favorable prices, are fairly certain. For the 2025 product, we expect a neutral outlook in the range of €37-€47/MWh, a bullish outlook for the 2026 product at €45-€50/MWh and for later years a range of €35-€45/MWh.

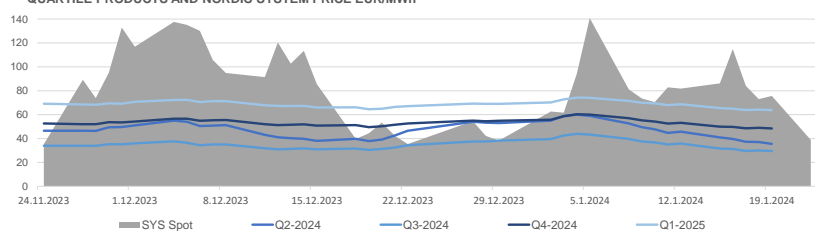
SPOT MARKET

The weather is expected to weaken this week towards Thursday, but stronger than normal wind power production and milder than usual temperatures in the Nordic countries. Consumption is expected to fall below last week's level, with production facility shortages mainly in only two nuclear power plants in the SE3 area. More precipitation is likely to increase flow rates from Tuesday onwards, which may in turn increase hydropower production especially until Thursday. Overall, we expect a much cheaper week than last week for SYS, FI and SE3 areas alike.

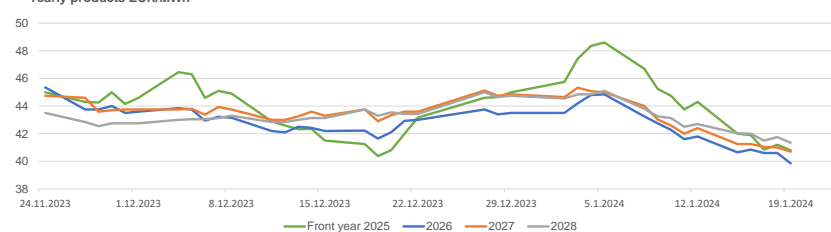
EMISSION ALLOWANCE

On the emission allowance market, the price in the first auction of the week fell below €60/t, and the bid-cover ratio fell to its lowest level of 1.62 during the year. The lowest auction bid was at a level of €55/t as on January 18, bringing at least briefly a support level to the market. The switch from coal condensate to gas has continued to be very profitable and the fall in the gas price, for example in Q2 to already south of €28/MWh, may further reduce interest in coal condensate and squeeze the market. On the economic front, the January HCOB Purchasing Managers' Indices for the euro area, to be published on Wednesday, and Thursday's ECB interest rate decision could be moments of upturn in the economic outlook, but we expect the emission allowance market to continue to be horizontal with the DEC24 product in the range of €58-€65/t.

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	19.1.2024	35.50	-22.5 %	-10.30
2nd Q: Q3-2024	19.1.2024	29.55	-17.3 %	-6.20
3rd Q: Q4-2024	19.1.2024	48.45	-8.9 %	-4.75
Q1-2025	19.1.2024	63.78	-7.2 %	-4.92
Front year 2025	19.1.2024	40.80	-7.9 %	-3.50
2026	19.1.2024	39.85	-4.7 %	-1.95
2027	19.1.2024	40.70	-4.0 %	-1.70
2028	19.1.2024	41.35	-3.2 %	-1.35
2029	19.1.2024	42.00	-1.2 %	-0.50
NEDEC 2024	19.1.2024	63.42	-3.6 %	-2.39
NEDEC 2025	19.1.2024	65.81	-3.3 %	-2.25

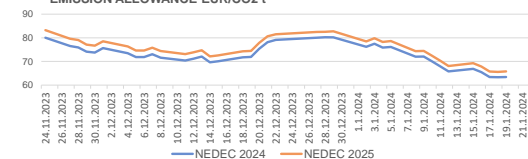
EPAD settlements

	19.1.2024 €/MWh	2025	2026	2027
FI - NP System	3.50	2.00	1.15	
SE1-NP System	-14.85	-13.60	-9.90	
SE2 - NP System	-14.85	-13.60	-9.90	
SE3 - NP System	-5.00	-2.75	0.50	
SE4 - NP System	7.00	10.50	14.00	

SPOT week average:

Product	Week avg	% chg	2 VS. Chg (EUR)	3 Week avg
SYS Spot	76.06	2 %	1.87	77.93
FI Spot	82.81	11 %	9.08	91.89
SE1 Spot	49.09	35 %	17.15	66.24
SE2 Spot	49.09	35 %	17.15	66.24
SE3 Spot	84.99	2 %	2.09	87.08
SE4 Spot	95.02	-8 %	-7.89	87.13

EMISSION ALLOWANCE EUR/CO2 t



COMMENTS ON WEEK 3 DEVELOPMENT

POWER FUTURES

Electricity and gas products continued falling sharply last week. The hydro balance outlook showed an increase towards the end of the period due to heavier than usual rainfall, to around -11 TWh compared to normal on Friday morning. The gas price fell sharply also squeezing the German electricity price.

Front quarter

The fall in the near quarter continued every day, January 12 was the only upward day since the downward run began on January 5. The potential support level from December at a level of around 37 was undercut on Friday, with the next levels potentially being around 31 in early October and around 32.5 in early November.

Annual products

The 2025 product fell in line with the fall in condensate production costs over the past week. The price reached mid-December levels of around 40.5 to close the week. Open interest has fallen from the peak of the early days of the year. The price for the 2026 product fell below a level of €40/MWh at Friday's closing price, with closing prices for the following years varying between €40-€42/MWh.

SPOT MARKET

Tuesday was by far the most expensive day of the week for both the STS and Finnish area price, with prices dropping towards Sunday. Apart from on Sunday, the Finnish price level remained more expensive than the SYS price despite the extremely strong availability of Finnish installations. Wind power production varied in Finland from an average level of less than 1 GW to an average of more than 3.5 GW on Thursday. Average temperatures on Tuesday and Saturday fell to below -17C in Finland, with other days varying between -8C and -15C. Similarly, in the Nordic countries, the coldest day was Tuesday at an average temperature of around -13C, with Saturday being the second coldest at an average temperature of around -11C.

EMISSION ALLOWANCE

The emission allowance market continued its steady downward run that started at the beginning of the year, with only two days of growth in the DEC24 product's closing price since January 10. The price level remained below €65/t to close the week. Auction demand was rather weak, the bid-cover ratio remained at around 1.83 during the week and the price dropped towards the €60/t level. Mild yet windy weather in Europe again squeezed demand and there was no clear confirmation of an improvement in the economic situation, the fuel switch from coal to gas continued to be very profitable.

DETERMINANTS AFFECTING THE MARKET ON WEEK 4

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 29.12.2023-3.2.2024, in use 490 MW
Oskarshamn 3 (1400 MW), fault 19.-23.1.2024, in use 1200 MW

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) 88%

- 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	77.21
NP Area FI - NP System	5.53	3.78	2.81	5.10	17.09	10.03	18.18	0.03	56.82
NP Area SE1 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.82	-76.80	-16.47	-12.12
NP Area SE2 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.76	-73.92	-16.47	-12.03
NP Area SE3 - NP System	2.32	1.83	0.55	-0.58	10.26	3.69	-6.66	-4.74	7.02
NP Area SE4 - NP System	2.62	2.77	2.37	0.86	14.94	18.21	16.24	8.44	10.22

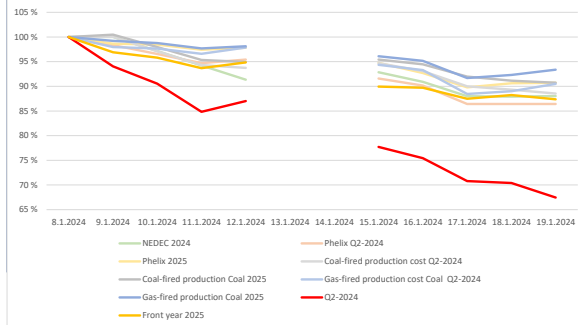
*Average of 1.1.2024-23.1.2024.

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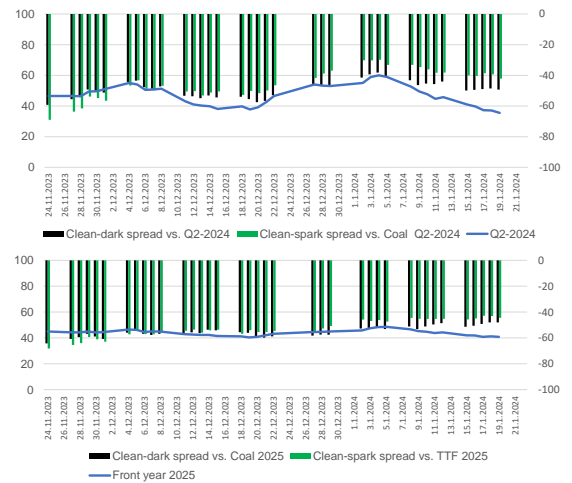
Source for data: Gasum, Tilastokeskus

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Developments past 2 weeks indexed



Forecast history	3	Chg	2	Chg
Base Quarter Q2-2024	📉	-22.49 %	📉	-22.37 %
Year product Front year 2025	📉	-7.90 %	📉	-8.85 %
NP System	📈	-7.45 %	📉	-41.90 %
NEDEC 2024	📉	-3.63 %	📉	-13.57 %



Oil \$/bbl, Coal USD/tonne, TTF €/MWh

