

NORDIC ELECTRICITY MARKET

29.1.2024 Eerik Ekström , Gasum Portfolio Services Oy

HEAVY RAINS TAKE HYDRO BALANCE TO NEAR NORMAL

Forecast for the week 5:	
Base Quarter Q2-2024	📈 Bullish (> 2 %)
Year product Front year 2025	📈 Bullish (> 2 %)
NP System	📉 Bearish (< 2 %)
NEDEC 2024	↔️ Sideways (± 2 %)

FORECAST FOR THE WEEK 5

POWER FUTURES

The weather forecast took a slightly drier and colder turn compared to Friday's outlook, but during the day has returned to similar to Friday's weather outlook. The inflation figures for the euro area will be published this week, later year products have slipped to around €40/MWh, with nearer years priced below this.

Front quarter

With today's (Monday) rain forecasts of about 1 TWh, the hydro balance forecast for the next two weeks has returned to a levelling off at about -2.5 TWh as on Friday. Most of the rainfall is in this week, with next week at most slightly rainier than usual. In longer-range forecasts, a cooler and drier period than usual is expected for February, or at least part of it. However, since there are not yet any threats seen in the water situation to the filling of reservoirs, the control of hydropower producers has remained good. Over the past few days, French nuclear power output has remained at around 45-50 GW, German prices have recently fallen sharply along with the gas price, Q2-2024 in Germany was today (Monday) priced at around €63/MWh, around €28/MWh higher than the Nordic product. We consider the difference to be reasonably high and the potential of a fall in the near quarter to be quite limited, mainly due to a risk arising through the continued fall in gas prices and thus the price of electricity in Germany. Unless the water situation rises much stronger than expected, we expect the Q2 period to increase from current prices. We expect the following week to range between €32-€45/MWh.

Annual products

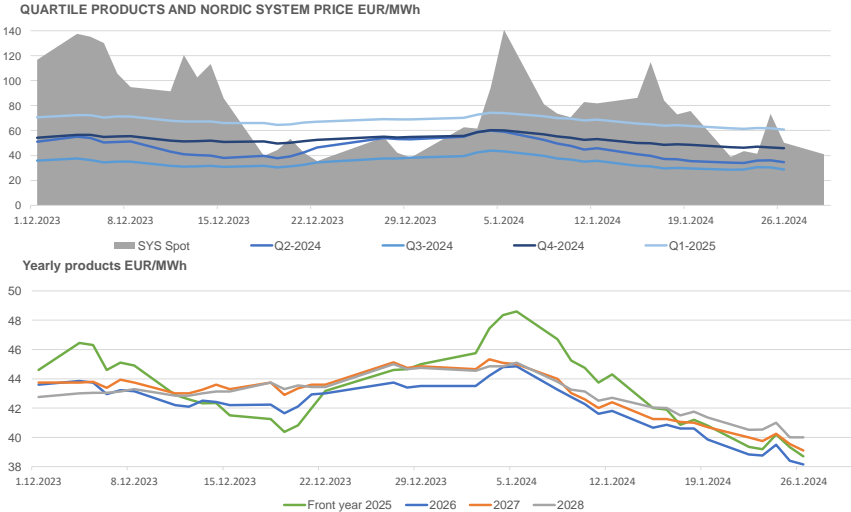
The prices of year products have also retreated as the price level in Germany has dropped, which may be due to lower near-term gas prices and a general decrease in risk pricing. Taking into account inflation in recent years, the price level will already be at the pre-war in Ukraine level by 2025, which could be justified by a rather weak demand picture and a sufficient amount of investments in renewable production capacity for the next few years. However, at current prices, these seem unprofitable in the Nordic countries, which should provide support for prices, especially in the next few years after a possible weak economic situation, as climate ambitions call for more investments. Given the fundamentals, we consider the current price level to be too low on average, possibly with producers selling periods in a poor outlook to cautious protective electricity users. In a high water situation, individual years can, of course, be realized even more advantageously than the current level. We expect a bullish outlook for the 2025 product, in the range of €38-€42/MWh for the following week. We expect the 2026-2027 products to rise to a level of at least €41-€45/MWh in the medium term.

SPOT MARKET

On the spot market, the estimated continuation until the end of February of the repairs to Estlink 2 is likely to increase price risks in Finland to both very low and possibly high prices in the event of a cool and calm period in the weather or a disruption in production capacity. At the SYS level, the week is expected to be milder than normal and the rains to increase flow rates to stronger than normal. Overall, we expect a much cheaper week on the spot market than last week.

EMISSION ALLOWANCE

Today's (Monday) emission allowance auction saw the lowest bid interest of the year in terms of bid-cover ratio, the ratio at the beginning of the year was approximately 1.78 bids per allowance sold, in this Monday's auction the ratio dropped to 1.41 and prices were down. The lowest bid was at a level of €55/t. The EU is awaiting the publication of the Commission's 2040 climate targets this week, which could strengthen long-term faith in climate action. In milder than usual weather, with reasonably good French nuclear power and a soft short-term economic situation, near-term demand is expected to remain weak, support for prices could come at the latest at the level of €50-€55/t from switching fuel to coal. We consider this to be an unlikely scenario and expect neutral development to close the week in the range of €58-€68/t, with the closing of short positions bringing an upward potential of around €10/t as a level correction.

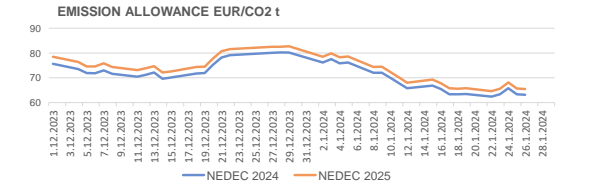


MARKET SIGNALS			
	spot	Q2-2024	2025
Hydrologic balance development		→	→
Precipitation forecast	↓	→	→
Temperature forecast	→	→	→
Spot		→	→
Production and transmission exch.	→	→	→
Economic outlook & EUA	→	↓	↓
Coal and Natural Gas fired production costss	→	↓	↓
German prices	→	↑	↑
Technical analysis		→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

Product	Date	Value	% chg weekly	Chg (EUR)
1st Q: Q2-2024	26.1.2024	34.60	-2.5 %	-0.90
2nd Q: Q3-2024	26.1.2024	28.83	-2.4 %	-0.72
3rd Q: Q4-2024	26.1.2024	45.85	-5.4 %	-2.60
Q1-2025	26.1.2024	60.75	-4.8 %	-3.03
Front year 2025	26.1.2024	38.70	-5.1 %	-2.10
2026	26.1.2024	38.15	-4.3 %	-1.70
2027	26.1.2024	39.10	-3.9 %	-1.60
2028	26.1.2024	40.00	-3.3 %	-1.35
2029	26.1.2024	41.00	-2.4 %	-1.00
NEDEC 2024	26.1.2024	63.10	-0.5 %	-0.32
NEDEC 2025	26.1.2024	65.43	-0.6 %	-0.38

	26.1.2024 €/MWH	2025	2026	2027
FI - NP System		4.00	2.00	1.15
SE1-NP System		-14.75	-13.50	-9.70
SE2 - NP System		-14.75	-13.50	-9.70
SE3 - NP System		-5.00	-2.50	0.50
SE4 - NP System		7.15	9.05	14.00

SPOT week average:		3		VS.	4	
Product	Week avg	% chg	Chg (EUR)		Week avg	
SYS Spot	77.93	-43 %	-33.21		44.72	
FI Spot	91.89	-50 %	-45.85		46.04	
SE1 Spot	66.24	-52 %	-34.19		32.05	
SE2 Spot	66.24	-52 %	-34.19		32.05	
SE3 Spot	87.08	-58 %	-50.49		36.59	
SE4 Spot	87.13	-55 %	-48.03		39.10	



## COMMENTS ON WEEK 4 DEVELOPMENT

## POWER FUTURES

The Nordic hydro balance forecast improved during the course of the week, closing on Friday in an outlook of about -2 TWh compared to normal at the end of the two weeks.

## Front quarter

Last week, near quarter prices varied between around €33.75-€37/MWh. However, the price level remained higher than was seen in the early days of October-November, at a level of around €31-€32/MWh. The weather was expected to be colder than normal in the Nordic countries in February. The profitability of condensate production continued to be horizontal, as the price had already fallen at the end of the previous week in reaction to the water situation.

## Annual products

Year products continued to develop in line with the changes in condensate production costs, with their calculated profitability remaining fairly horizontal over the two-week period. The upward impact of the German price level decreased with year products, and the level has fallen below that seen in recent years. The 2029 product was the most expensive year product at €41/MWh at Friday's closing price, while the 2026 and 2025 products were priced as the most affordable years, possibly squeezed by the European economic outlook.

## SPOT MARKET

Last week, spot prices varied in terms of system price from a level of around €30/MWh on Saturday to a level of around €73/MWh on Thursday, correspondingly the price in Finland varied from prices south of €15/MWh during the weekend to average prices of around €75-€80/MWh seen from Wednesday to Friday. Wind power production varied between much weaker than normal on Thursday evening to much stronger than normal on Monday and at the weekend. A fault was detected in the Estlink 2 transmission link between Finland and Estonia, the repair timetable has been updated today (Monday) once the fault had been pinpointed, a restriction to around 658 MW of the total output of 1016 MW is expected to last until the end of February. The repair timetable for Forsmark 2 was slightly delayed, but the other nuclear power plants were operating at full capacity towards the weekend once repairs to Oskarshamn 3 had completed.

## EMISSION ALLOWANCE

The price of the DEC24 correlated with the development of gas prices in line with the weather outlook for the near future in Europe. The demand for electricity produced with condensate production was expected to remain weak, and the cost difference between coal and gas is only bringing support to the price level at slightly below €50/t. In weekly auctions, there were an average of 25 bidders and an average bid-cover ratio of 1.72. The market outlook continued to be weak, the CoT showed that investment funds had increased their short positions.

## DETERMINANTS AFFECTING THE MARKET ON WEEK 5

## 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 29.12.2023-9.2.2024, in use 521 MW

SE1-FI (1500 MW), maintenance 17.4.2023-2.3.2024 in use 1200 MW  
FI-EE, EE-FI (1016 MW), fault 25.1.-29.2.2024, in use 358 MW

- Nordic nuclear power plant utilization capacity was this morning (Monday) 95%
- 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	69.45
NP Area FI - NP System	5.53	3.78	2.81	5.10	17.09	10.03	18.18	0.03	42.86
NP Area SE1 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.82	-76.80	-16.47	-12.77
NP Area SE2 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.76	-73.92	-16.47	-12.70
NP Area SE3 - NP System	2.32	1.83	0.55	-0.58	10.26	3.69	-6.66	-4.74	4.04
NP Area SE4 - NP System	2.62	2.77	2.37	0.86	14.94	18.21	16.24	8.44	7.35

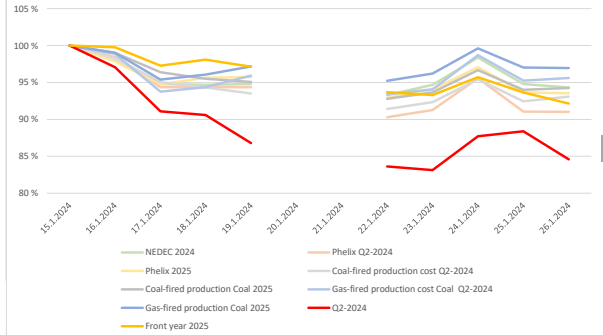
\*Average of 1.1.2024-30.1.2024.

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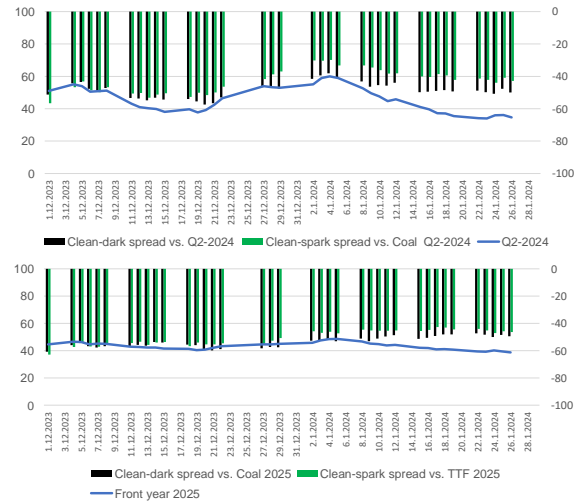
Source for data: Gasum, Tilastokeskus

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## Developments past 2 weeks indexed



Forecast history	4	Chg	3	Chg
Base Quarter Q2: 2024	↩	-2.54 %	↗	-22.49 %
Year product	↩	-5.15 %	↗	-7.90 %
Front year 2025	↩	-5.15 %	↗	-7.90 %
NP System	↗	-33.80 %	↗	-7.45 %
NEDEC 2024	↩	-0.50 %	↗	-3.63 %



## Oil \$/bbl, Coal USD/tonne, TTF €/MWh

