

NORDIC ELECTRICITY MARKET

5.2.2024 Eerik Ekström , Gasum Portfolio Services Oy

WATER SITUATION DRIED DRAMATICALLY IN A FEW DAYS

Forecast for the week 6:	
Base Quarter Q2-2024	📈 Bullish (> 2 %)
Year product Front year 2025	📈 Bullish (> 2 %)
NP System	📈 Bullish (> 2 %)
NEDEC 2024	↔️ Sideways (± 2 %)

FORECAST FOR THE WEEK 6

POWER FUTURES

The hydro balance forecast decreased sharply at the beginning of the week, instead of leveling off at around -4 TWh on Friday, the outlook for the two-week period continues to fall to a level slightly below -8 TWh compared to normal. The weather is expected to grow significantly colder than usual in the Nordic countries and temperatures are expected to remain colder than usual throughout the monthly forecast period, until the end of March.

Front quarter

We expect the drier hydro balance outlook to support the Q2 product. Chiller-than-usual weather and a reasonably affordable 2025 price level may also motivate the use of water reserves already during Q1. The price level for the quarter is lower than the annual average price for later years. French nuclear power production is expected to start decreasing from the end of February, slipping from around 45 GW to 40 GW in March, and continuing at an average output just shy of 40 GW in Q2. After a warmer-than-normal spell, temperatures in Germany, for example, are expected to be normal or slightly colder than normal in the monthly forecast until the end of March. Despite a colder outlook last week, this is likely to reduce the support provided by the German price level to the Nordic price.

Annual products

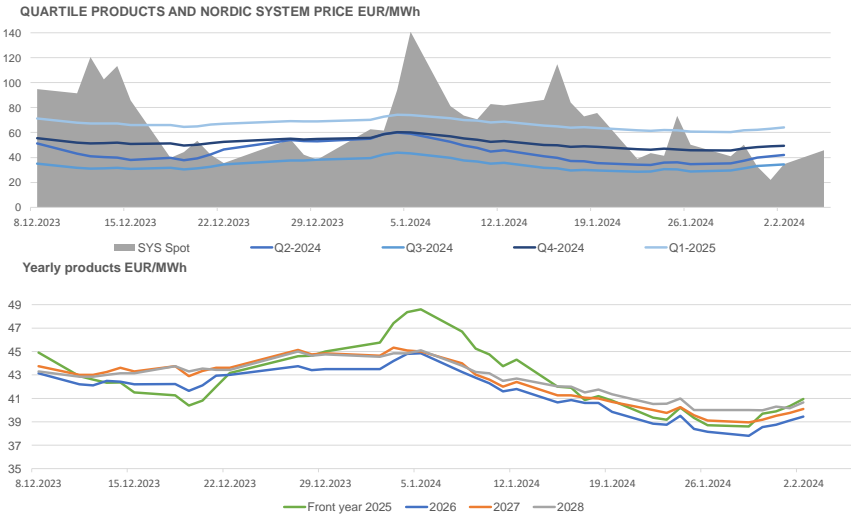
As a result of the fall in the gas price, the price of electricity in Germany, for example for 2025, has fallen from north of €120/MWh in the summer to around €80/MWh in recent days, which has also squeezed the Nordic price. In our opinion, the price level in the Nordics has again fallen to a fairly low level in order to be a sustainable price level, investing in new renewable production may not seem profitable considering the profile cost, but on the other hand, the uncertain economic situation for electricity users has reduced purchasing appetite. The pricing of geopolitical risks in the broader market has decreased, the situation of uncertainty having long continued. Regarding 2025, the replenishment of gas stocks is likely to start, like last year, from a reasonably high level in the EU, and the hydro balance outlook will not significantly deviate from normal, and electricity demand may be slightly downbeat. However, we expect a bullish outlook for the product in the range of €42-€47/MWh for the following week compared to Friday's close. The following years, we expect to rise at least towards the level of €45/MWh.

SPOT MARKET

On the spot market, both colder weather and weakening wind power production are providing support for the price level after a fairly windy and mild week. According to some forecasts, temperatures may drop in some places to close to the lowest temperatures seen early January, and colder-than-normal weather is also expected to continue for a reasonably long time. The Forsmark 2 plant should restart towards the end of the week, while the utilization rate of the other plants is good. Flows rates are expected to gradually weaken as the weather becomes drier. We expect a much more expensive week than last week, with the most expensive prices likely to be between Wednesday and Friday.

EMISSION ALLOWANCE

On the emission allowance market, the bid-cover ratio in today's auction fell from the level at the end of last week to around 1.65 but was slightly above the week's average. The near-term colder weather in Europe may slightly increase demand for fuels, but as gas is sufficient and cheaper than coal, support for emission allowances is likely to remain limited. Today's HCOB Purchasing Managers' Indices for the euro area were in line with expectations, with the overall index rising by three-tenths since December, but still showing a contracting outlook at a level of 47.9. We expect the emission allowance market to continue to be horizontal, with a clearer turn or the winding down of short-sold positions bringing rapid support of approximately €10/t to support prices in the near future. We expect the front week to be in the range of €61-€67/t.

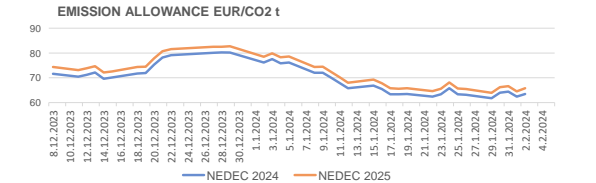


MARKET SIGNALS			
	spot	Q2-2024	2025
Hydrologic balance development		↑	→
Precipitation forecast	↑	↑	→
Temperature forecast	↑	↑	→
Spot		→	↑
Production and transmission exch.	→	→	→
Economic outlook & EUA	→	↓	↓
Coal and Natural Gas fired production costss	→	→	→
German prices	↑	↑	↑
Technical analysis		↑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

Product	Date	Value	% chg weekly	Chg (EUR)
1st Q: Q2-2024	2.2.2024	42.10	21.7 %	7.50
2nd Q: Q3-2024	2.2.2024	34.50	19.7 %	5.67
3rd Q: Q4-2024	2.2.2024	49.35	7.6 %	3.50
Q1-2025	2.2.2024	64.05	5.4 %	3.30
Front year 2025	2.2.2024	40.95	5.8 %	2.25
2026	2.2.2024	39.45	3.4 %	1.30
2027	2.2.2024	40.10	2.6 %	1.00
2028	2.2.2024	40.65	1.6 %	0.65
2029	2.2.2024	41.38	0.9 %	0.38
NEDEC 2024	2.2.2024	63.50	0.6 %	0.40
NEDEC 2025	2.2.2024	65.77	0.5 %	0.34

EPAD settlements				
	2.2.2024 €/MWH	2025	2026	2027
FI - NP System		4.00	2.25	1.28
SE1-NP System		-15.80	-14.50	-9.70
SE2 - NP System		-15.80	-14.50	-9.70
SE3 - NP System		-6.40	-4.30	-1.00
SE4 - NP System		7.15	9.05	14.00

SPOT week average:		4		VS.		5	
Product	Week avg	% chg	Chg (EUR)		Chg (EUR)	Week avg	
SYS Spot	44.72	-32 %	-14.16		30.56		
FI Spot	46.04	-76 %	-34.97		11.07		
SE1 Spot	32.05	-61 %	-19.61		12.45		
SE2 Spot	32.05	-61 %	-19.42		12.63		
SE3 Spot	36.59	-33 %	-12.23		24.36		
SE4 Spot	39.10	-32 %	-12.67		26.43		



COMMENTS ON WEEK 5 DEVELOPMENT

POWER FUTURES

The hydro balance forecast contracted slightly during the week, starting from around the usual level and ending on Friday at around -4 TWh compared to normal, this supported in particular the price development in the near quarter. GDP figures for the euro area were published, with the annual level rising by one-tenth of one per cent. Inflation figures were surprisingly slightly up in the euro area, falling more slowly than expected, the US labor market remained tight, and the Purchasing Managers' Indices strengthened more than expected.

Front quarter

Q2-2024 continued the bullish trend that started on January 29 last week, rising from south of €35/MWh to north of €40/MWh. The drier weather forecast and continued cold weather in the Nordic countries also in the longer forecasts supported the forecast and the profitability of condensate production improved, the difference with German prices narrowed as the German period closely followed changes in the production cost of gas condensate.

Annual products

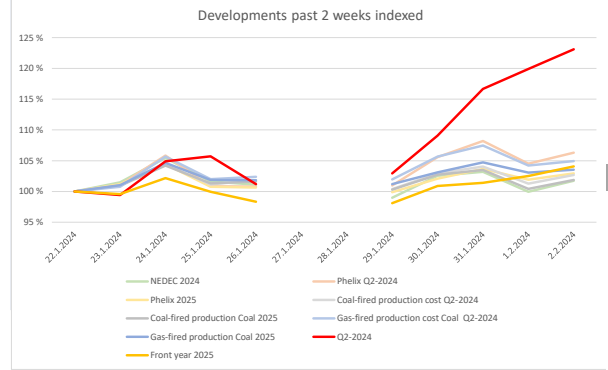
The 2025 product has continued to rise since January 30, having traded at the level of approximately €38/MWh on opening, but rising to above €40/MWh during the week. The development of the 2026 and 2027 products followed the near year, rising and the 2028 product moved more calmly. The 2025 product evolved slightly to become the second most expensive year product after 2029, with all-year products closing in the range of around between €39.45/MWh for the 2026 product and €41.38/MWh for the 2029 product. In the economic outlook, slightly higher-than-expected inflation figures and slightly weaker-than-expected manufacturing sentiment figures may have squeezed the price level, with higher condensate production costs supporting development.

SPOT MARKET

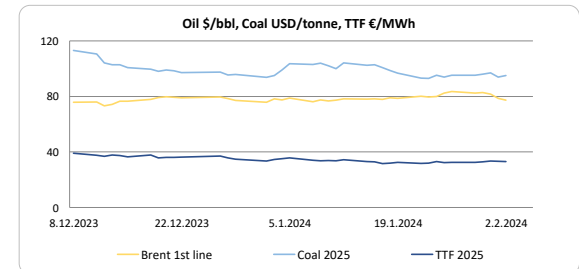
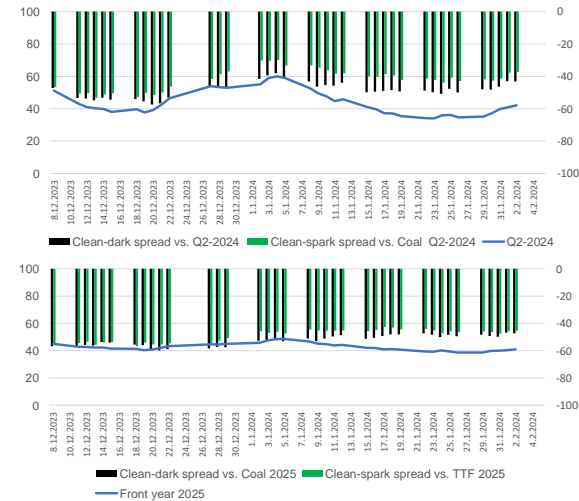
Last week saw quite strong wind power production throughout the week, for example, over 5,000 MW on several days in Finland and over 20,000 MW in the Nord Pool area on several days, at its highest almost 30,000 MW in the Nord Pool area and nearly 6,000 MW in Finland, according to Fingrid, 5,958 MWh/h at 9am on Monday January 29. The system price remained below €60/MWh, the Finnish area price lower than this, below €20/MWh. In addition to wind power production, the price was squeezed by milder than usual weather and stronger than usual flow rates.

EMISSION ALLOWANCE

On the emission allowance market, there was a low level of interest in auctions with the bid-cover ratio peaking at 1.2, as it fell to 1.25. The lowest bid was around €59.55, with prices realizing a level of more than €60/MWh, with the exception of January 30. According to market rumors, operators subject to emission allowance trading would have started buying when the price level was interesting and lower than the recent price level, the CoT showed that commercial actors had increased their long positions. The DEC24 price level has fluctuated between €61-€67 since January 17, continuing the bearish trend measured in terms of 10-, 20- and 50-day moving exponential averages.



Forecast history	5	Chg	4	Chg
Base Quarter Q2-2024	↗	21.68 %	↘	-2.54 %
Year product Front year 2025	↗	5.81 %	↘	-5.15 %
NP System	↘	-31.07 %	↗	-33.80 %
NEDEC 2024	↘	0.63 %	↘	-0.50 %



DETERMINANTS AFFECTING THE MARKET ON WEEK 6

RESTRICTIONS IN PRODUCTION AND TRANSMISSION CAPACITY

Forsmark Block 2 (1121 MW), fault 29.12.2023-9.2.2024, in use 521 MW
 Olkiluoto 3 (1600 MW), limited production 3.6.2023-2.3.2024 in use 1570 MW

FI-EE, EE-FI (1016 MW), fault 25.1.-29.2.2024, in use 358 MW
 SE1-FI (1500 MW), maintenance 30.11.2023-1.3.2025 in use 1200 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	62.02
NP Area FI - NP System	5.53	3.78	2.81	5.10	17.09	10.03	18.18	0.03	31.57
NP Area SE1 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.82	-76.80	-16.47	-13.18
NP Area SE2 - NP System	2.04	1.43	0.24	-1.00	3.46	-19.76	-73.92	-16.47	-13.09
NP Area SE3 - NP System	2.32	1.83	0.55	-0.58	10.26	3.69	-6.66	-4.74	1.78
NP Area SE4 - NP System	2.62	2.77	2.37	0.86	14.94	18.21	16.24	8.44	4.63

*Average of 1.1.2024-6.2.2024.

Copyright 2022 Gasum Oy – All rights reserved

Source for data: Gasum, Tilastokeskus

Disclaimer: This document is issued by Gasum Oy in jointly by its subsidiary Gasum Portfolio Services Oy. The information in this document, which is for private circulation only, was obtained from sources believed to be reliable but its accuracy or completeness cannot be guaranteed. No liability whatsoever is accepted for any direct or consequential loss arising from the use of this document. This document is not intended for the use of private customers. Do not distribute. If you received this from a third party that is not affiliated to Gasum Oy, please let us know. For all inquiries and notifications, contact us at gps@gasum.fi.