KYOS Energy Analytics

Insights in European energy markets

May 2022

Authors: Elyas Kazmi & Luiscarlos A. Torres Sánchez
KYOS Energy Analytics

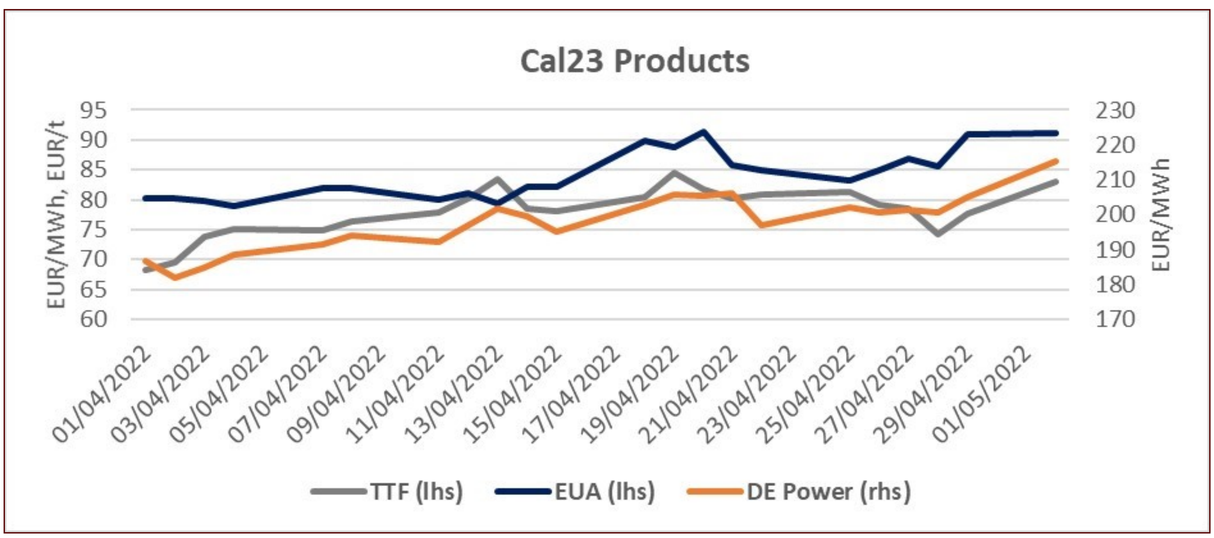
Europe is now in the middle of spring which naturally brings milder temperatures and increasing solar output. While these weather factors usually drive power prices downward, the European power market remains very well supported at this time.

Indeed, the French nuclear fleet is experiencing important issues as corrosion cracks have been identified on several units and all plants will need to be checked. As a result, the nuclear production is at record low levels (29 GWh/h, -7 GW y-o-y) and will remain well below normal levels for this and the coming year, at least.

As a reminder, a strong decline in baseload capacity will take place in Germany by the end of the year (-4 GW nuclear, -3 GW coal). This is also part of the reason for very elevated forward prices (Q4-22, Cal23).

Moreover, the war in Ukraine is of course still in the spotlight of market participants. The EU decision to ban Russian coal imports (~20% of EU total coal imports), effective as of August 2022, will make coal-fired power generation more expensive and therefore support power prices.

On gas, even though storages are starting to get filled again, uncertainty remains high on Russian supply to Europe. While it is unlikely to see a full EU embargo on Russian gas, the risk to see Gazprom halting flow if buyers fail to pay in rubles is increasing. In this context, forward prices increased furthermore over the past weeks.



Source: EEX, KYOS Energy Analytics

More information:
info@kyos.com

KYOS