



# Insights in European energy markets



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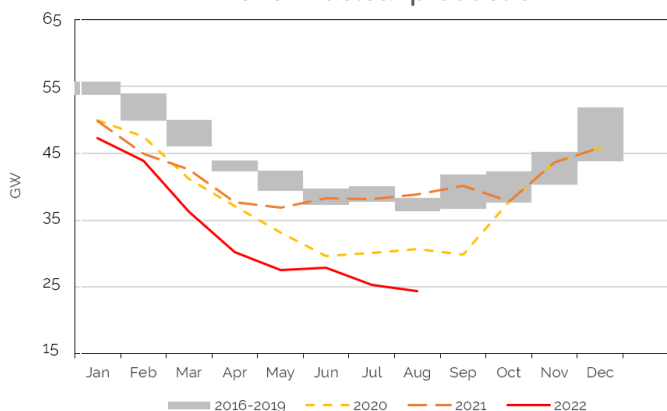
**For energy market participants, the summer holiday period was not very relaxing: any news on the Nord Stream 1 flow could lift price curves by levels never seen before, despite the strong LNG send-outs and the EU storages filled at normal levels. This week, it is the fear that NS1 won't return at all, after unscheduled maintenance, that drives price volatility.**

At the same time, the market nervousness comes from the record low nuclear production in France. In addition to the units offline for corrosion issues, the very dry weather in August forced EDF to lower nuclear outputs even further, as warm river waters could not cool down the reactors anymore. Currently, 32 out of the 56 reactors are offline. This situation forces France to look at its neighbors for power. Usually an important power exporter, the country imported a net 6.5 GWh/h in August, mainly from Germany, Belgium, Spain and the UK. There is no doubt France will need to rely on imports this winter as well. But neighboring countries have very tight supply balances too, and having RWE and Steag bringing back coal and lignite plants in Germany (2.3 GW in total) won't be enough to curb prices. Delaying the shutdown of the remaining 4 GW of nuclear is still an option being reviewed by the government.

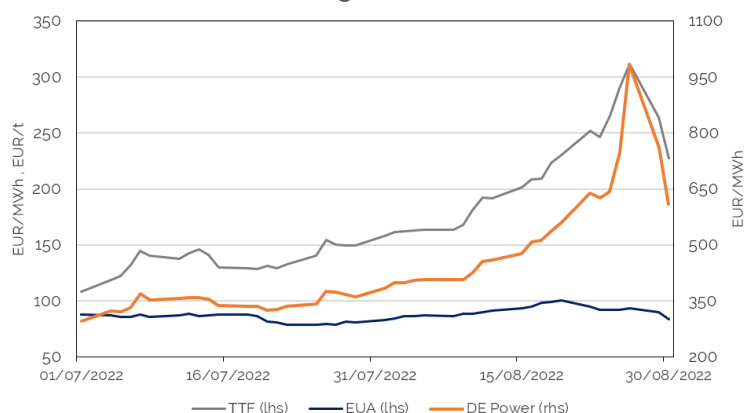
In this context, it could well be that politics will intervene in the market to stop spiraling prices. The agenda of the EU Commission show some meetings to prepare such action. On this news, Cal-23 power contracts retreated heavily. Apart from strong gas inventory builds, two factors can trigger bearish price moves: the weather and an economic recession. Hopefully we will see a wet autumn so that Alpine countries can quickly (re)build their hydro stocks. Likewise, an economic outlook, with growing demand destruction from the industrial sectors, should affect carbon prices too. This is illustrated by the examples of EUAs which reached record highs at 99.22 EUR/t earlier in August but corrected down quickly after, most likely pricing-in an economic recession to some extent.

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French nuclear production



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Source: EEX, RTE, KYOS Energy Analytics