



Insights in European energy markets



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The year 2022 was one for the history books of the energy markets. At the start, the view of most market participants was that Russia would deliver 110 bcm of gas to Europe thanks to NordStream 1 and 2. Just a few months later, the fact is that the tap is turned off without a single molecule flowing through these pipelines.

As a result, gas and power prices spiraled, politicians made emergency market interventions, and as a replacement of Russian gas, LNG imports reached record highs in Europe. Energy consumers have been hit hard subsequently, illustrated by demand destruction in the industry sector. EU aluminum production for example, went down by 12% y-o-y. In this context of energy crisis, climate efforts in the power sector lost some of its priority with coal and lignite plants brought back online in Germany as well as some coal production restrictions canceled in the Netherlands.

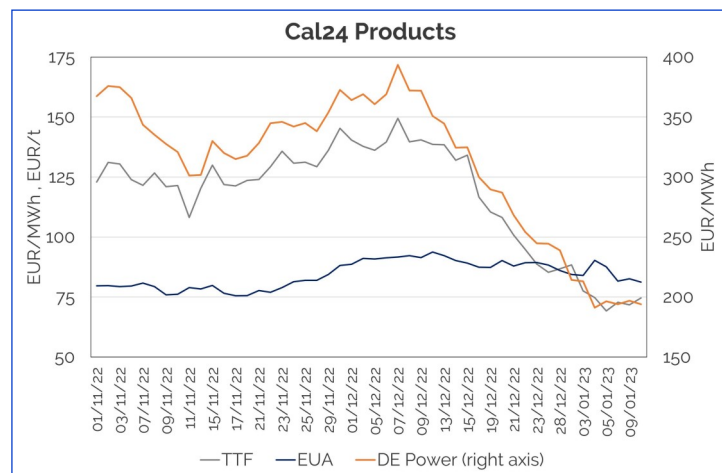
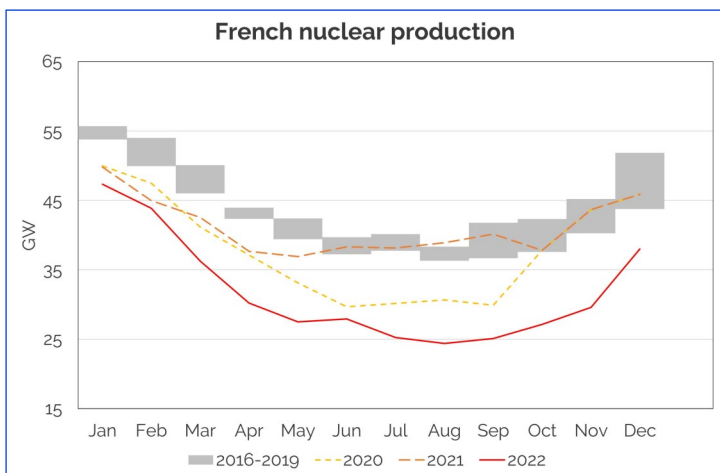
Nevertheless, some indicators showed that the energy transition is progressing: The solar market in Europe grew by 25% y-o-y, with Germany adding most capacity in 2022 (+7.5 GW), followed by Spain (+6 GW) and Poland (+4.5 GW). The Nordics lead the onshore wind market with 8 GW of capacity additions.

Regarding electrification, the market share of electric vehicle sales was 25.6% in Germany, slightly up y-o-y. The leader remains uncontestedly Norway with 80% of its car sales being electric vehicles in 2022.

On the hydrogen front, it could well be that the 2022 crisis will actually speed-up the energy transition to this greener fuel. For instance, both Germany and the UK have doubled their initial electrolyzer capacity targets announced in 2020, from 5 to 10 GW by 2030. While many projects are in their initial phases, we will hopefully see final investment decisions taken in 2023.

Coming back to the current state of the market, 2023 weather started exceptionally mild, wet and windy, driving prices down. Gas supply uncertainty will remain one of the most impactful market drivers in 2023 however, with eyes turned on Asia and its potential rebound in gas demand.

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Source: EEX, RTE, KYOS Energy Analytics