



Insights in European energy markets



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In January, European gas, coal and power prices continued to move downward amid ample LNG supply, weak Asian demand, mild weather as well as increased French nuclear production. The temperature-adjusted power consumption drop in the residential and industrial sectors remained important in January.

New contracts often come into effect at the beginning of the calendar year. As these were benchmarked on the high prices of 2022, it is challenging to assess right now if the current price relaxation will trigger a recovery in consumption. Overall, only carbon prices remained elevated, closed 10% higher m-o-m, mainly driven by compliance buying - companies participating in the EU ETS have until end of April to cover their 2022 emissions. In addition, there are signs indicating a better economic outlook.

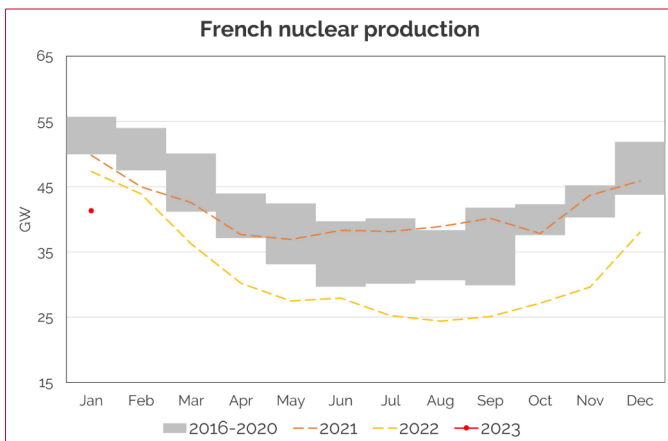
On the gas market, EU storages stand at 69% at the time of writing, almost 35 percentage points above last year's levels. And according to plan, the RWE regasification unit arrived at Brunsbruttel at the end of January. This is now the third floating LNG terminal in

Germany, following Uniper's Wilhelmshaven facility and ReGas' Lubmin terminal. This new RWE terminal should roughly offset the 10 mcm/day drop of Russian gas imports via the Ukraine transit, observed since late January.

French nuclear output averaged 41.3 GW in January (+3.3 GW m-o-m) and the production this month is expected to average slightly higher. On the other hand, the 1 GW Tihange-2 unit in Belgium permanently shut down last week which evens out the total region's production.

Looking further ahead to the second-half of February, weather models agree on a mild outlook. We will likely see a widening spread between the Nordics and the Continental power markets. These are driven by wet forecasts in Norway but dry forecasts in the Alpine region.

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Source: EEX, RTE, KYOS Energy Analytics

