KYOS Energy Analytics

Insights in European energy markets

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In February, gas and power prices continued to decline, both on the spot and forward markets, thanks to mild temperatures and continuous generous LNG supply. The front year contract for German power averaged 12% lower m-o-m and the front-year contract for TTF gas declined by 13.8% m-o-m. Whether it is through voluntary measures or more caused by suffering from energy poverty - the structural power and gas demand reduction persists and remains important. For instance, due to high costs the chemical giant BASF announced last month the closure of several production factories in Germany which will result in a lay-off of 3.300 employees worldwide.

Regarding gas reserves, by the end of the winter, the gas injection season will start. Currently EU storages are still filled at around 50%, compared to 26% last year, which limits the risk of having gas supply issues next winter.

A supportive factor to prices lies on the hydrological front, where precipitation has been missing this winter, notably in the Alpine region. It leads to a substantial deficit in the snow reserves and very low groundwater levels, currently in a worse situation than last year which was already an extreme dry year. The water level of the Rhine river is also very low and could lead to coal transport disruptions.

On French power, nuclear production averaged 42.8 GW in February (+1.5 GW m-o-m) as anticipated in our last edition. Strikes in France however, regularly lead to production cuts. The current major strike illustrates this, nuclear availability is lowered by roughly 7 GW several days in a row.

In the UK, this month will mark the definite closure of two coal units at West Burton (1 GW) and two others at the Drax plant (1.2 GW) in North Yorkshire, which were extended this winter for supply security reasons. The complete coal phase out in the UK is planned for September 2024 where the last plant, Ratcliffe-on-Soar will be shut down.

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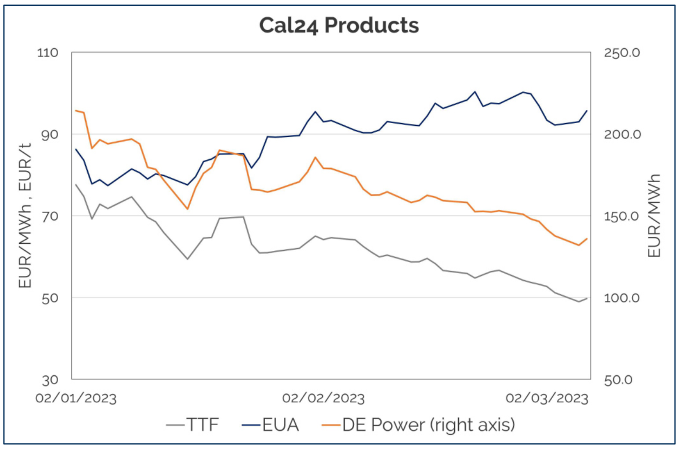

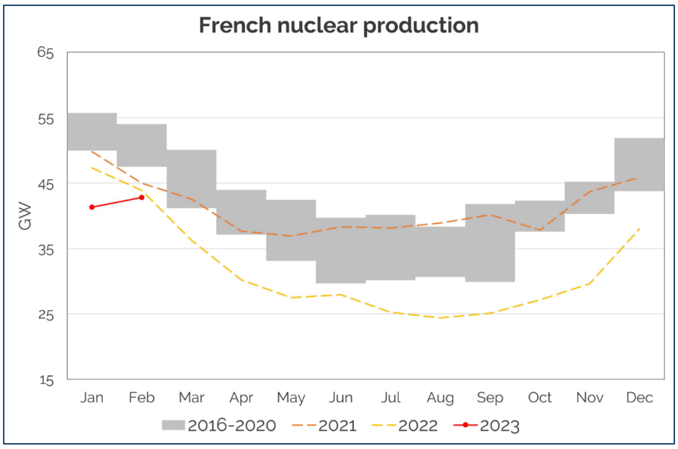

Source: EEX, RTE, KYOS Energy Analytics