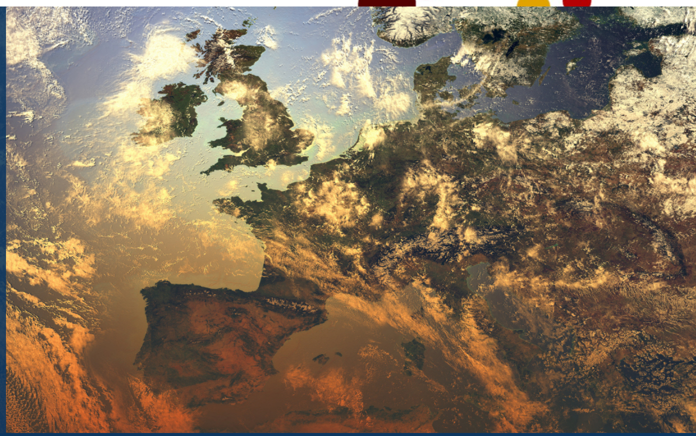
KYOS Energy Analytics

Insights in European energy markets



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KYOS Energy Analytics

Energy prices continued to declined in March, both on the spot and forward markets. Gas prices for 2024 delivery decreased by 15%, similar to the German Cal-24 power contract that dropped 16% m-o-m, while coal prices lost 8% and EUAs just 3%. The recent developments lead to a situation where the short-run marginal cost of production of a gas and coal-fired power plant are trading sideways, favoring the prospect of generators to switch back from coal to gas. Year-to-date, it is estimated that EU ETS emissions were 15% lower than last year partly thanks to this narrowing spread. In general, low energy demand and strong LNG supplies remained the main bearish drivers.

Note that the French power curve is an exception as the winter contracts (Q4-23 and Q1-24) gained massively m-o-m. This jump was driven by a request from the ASN to EDF to revise its nuclear inspection strategy after an unexpectedly important crack was found at the Penly reactor. Market players instantly priced-in a premium even though there is no clarity so far on new maintenance schedules.

In March, French nuclear production averaged 34.4 GW (-8 GW m-o-m) as a result of the important and on-going strike actions. In April, production levels are not expected to exceed the ones from March.

Looking at the Dutch and German markets, the start of April is supported by low wind conditions and colder than normal temperatures. And the last 3 GW of nuclear capacity going offline in Germany will give further support to the spot. However, bearing in mind that both markets together added a significant 11 GW of solar capacity in the last twelve months and that Easter holidays are approaching, some mid-day price drops are likely as well on the spot market this month.

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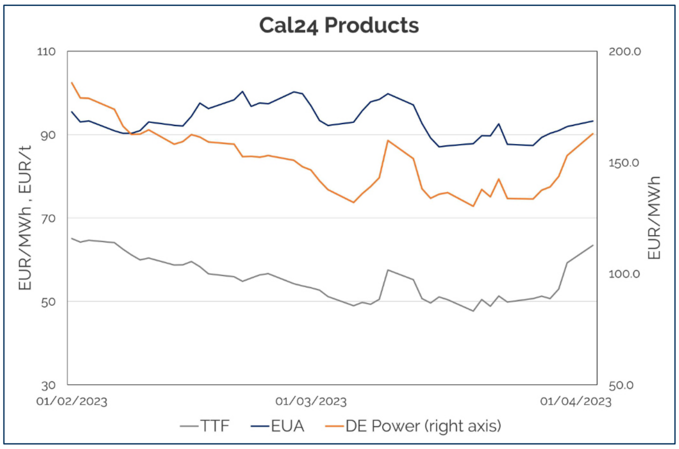

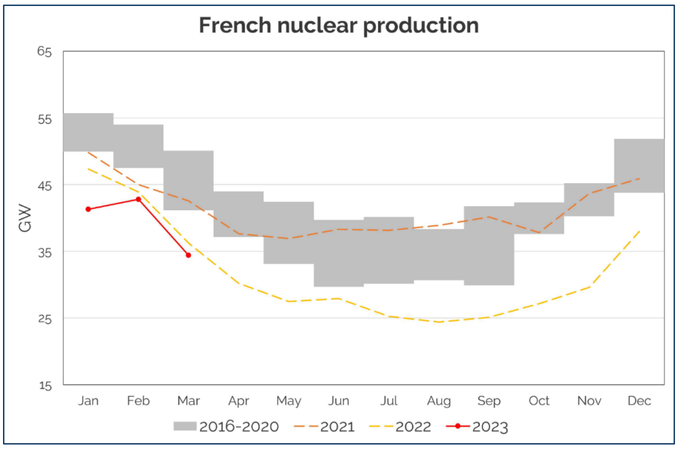

Source: EEX, RTE, KYOS Energy Analytics