



Insights in European energy markets



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In August, the energy complex was mainly driven by the gas market, with all eyes turned on the potential strike actions at LNG export facilities in Australia. The TTF price was swinging in response to news over the rising or easing uncertainty around this industrial action.

At stake is the potential production cut of the Gorgon and Wheatstone facilities owned by Chevron, accounting for roughly 28% of Australian LNG exports, most of it being shipped to the Asian market. TTF price for next year delivery rose by 2.6% m-o-m against this threat.

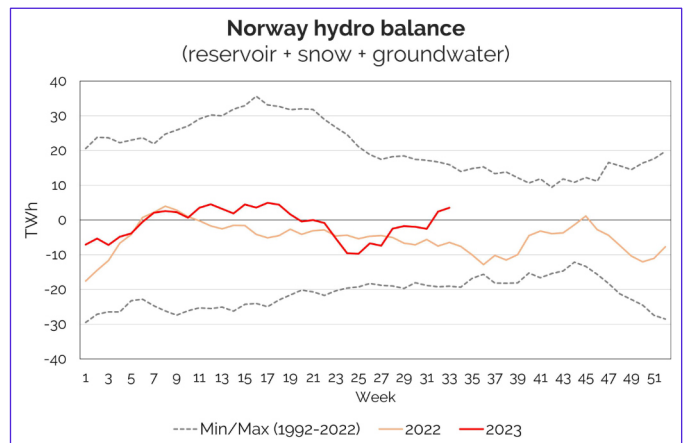
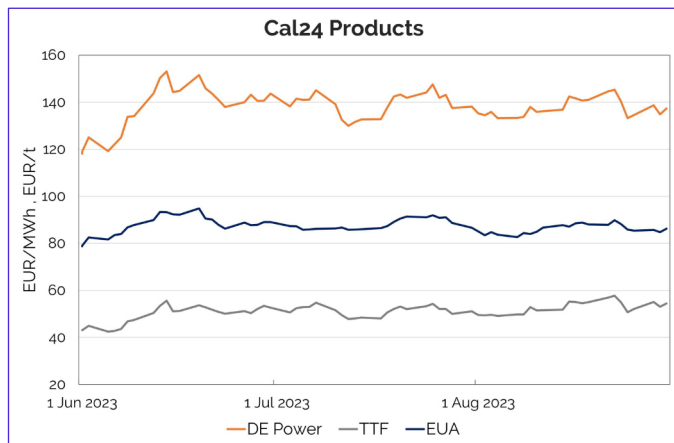
The latest announcements mention industrial action between 7-13 September. Shall the strikes be extended, another price surge is likely.

Zooming out from this supply risk however, the fundamentals show an improvement of European energy security ahead of the winter: Gas inventories are already above 92%, 10 percentage points above last year levels (see gas.kyos.com).

In addition, the successful restart of a number of French nuclear reactors lifted the available capacity from 31 GW to 35 GW during August, which was not necessarily expected by the market and increased the confidence for more output available in the coming months. The winter premium on the French power curve further eroded (Q1-24 lost 20.3% m-o-m).

On the hydro front, despite the mid-August heat-wave in the Alpine region, the situation has been far less severe than last year and reservoirs remain filled above average levels. In the Nordics too, thanks to healthy precipitations the hydro balance turned into a surplus in August. It weighed on the spot prices of the northern bidding zones (NO3 & NO4) which averaged below 20 EUR/MWh. With that, power flows to the Continent & the UK have been maxed out and are expected to remain unidirectional in the coming months, contributing to the security of supply of the North Sea region.

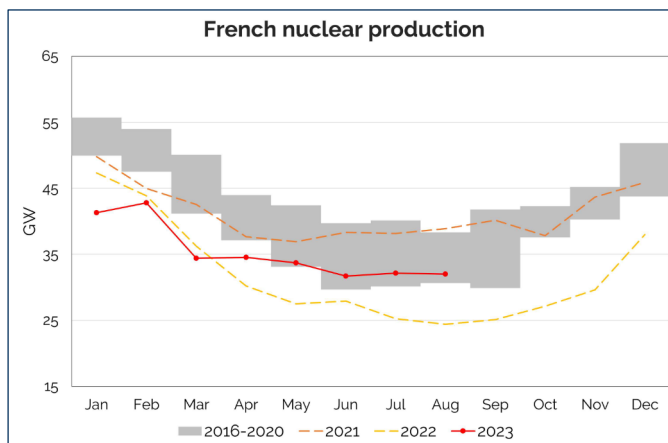
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Source: EEX, ENTSO-E, KYOS Energy Analytics

Moreover, note that the 1.4 GW Viking link between Denmark and the UK has performed successful tests and is scheduled to start commercial operation by the end of the year,

On the carbon market, EUAs traded in the 85-90 EUR/t range in August. The compliance demand for EUAs has been limited so far. In fact, year-to-date, coal-fired power production in the EU-27 dropped substantially (-26% rolling y-o-y) mainly because of muted power demand and increased renewable output.



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