



Insights in European energy markets



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In October, the gas markets reacted to new geopolitical tensions, on one hand with the damage at the Baltconnector pipeline that will remain out of use for several months and on the other hand due to the fear of an escalation of the war between Israel and Hamas. The TTF price for next year delivery increased by 3% m-o-m but retreated in the first half of November on weak fundamentals.

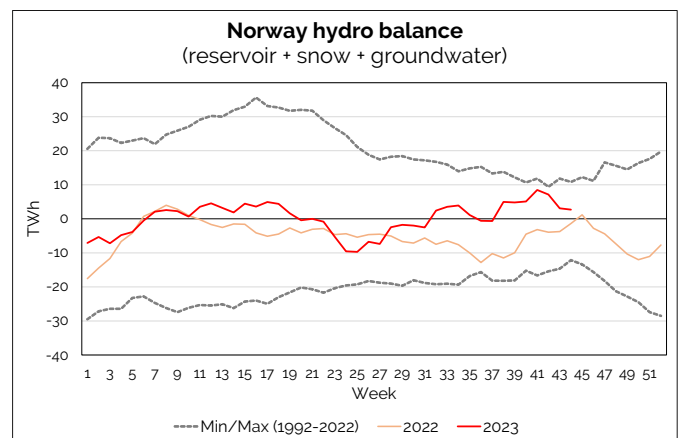
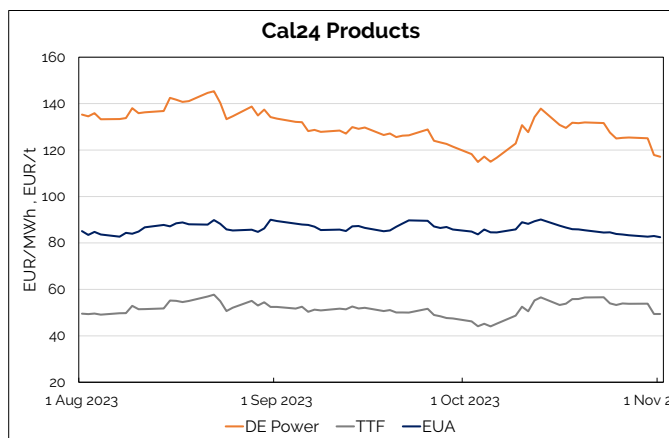
In fact, LNG imports jumped 30% m-o-m and European gas storages are almost completely full. This is no reason to relax on the supply though, with LNG surplus now flowing into floating storages. With the weather forecasts favoring milder and windier than normal conditions for the rest of November in North Western Europe, gas use for heating demand and power generation shall be limited.

The recent wind spells also pushed coal further out of the merit order and these developments weigh on carbon prices which lost 1.6% m-o-m. Generally, with

the persistent weak demand and uptick in renewables, we expect a y-o-y reduction emission levels in 2023. Looking at 2024 contracts though, the CO₂-switching price is favoring coal versus gas and shall limit the EUA price downside.

On power, nuclear production in France averaged 38.2 GW in October, 10 GW more than last year. According to EDF remit data, nuclear availability shall climb to 45 GW by mid-December. It is likely that France will remain a net exporter throughout the winter months however this will depend on weather conditions in particular, where French consumption can vary by 12 GW depending on temperatures. But the focus of French consumers was rather on the awaited decision to replace the Arenh mechanism in 2026. Indeed, a new regulation was agreed on between the State and EDF, which still requires parliamentary approval though.

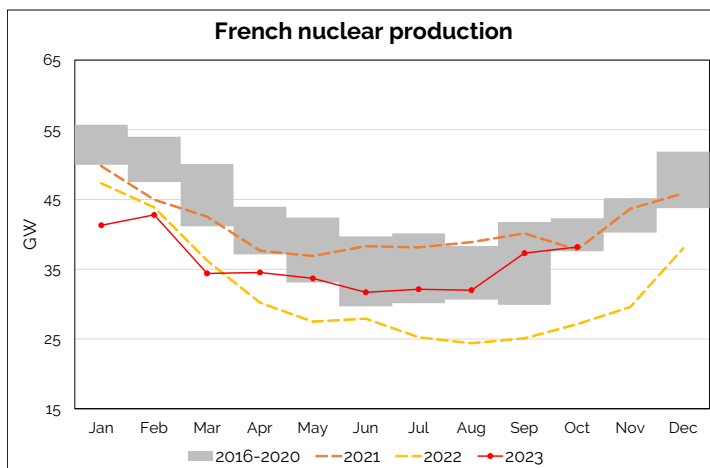
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Source: EEX, ENTSO-E, KYOS Energy Analytics

On one hand, the deal provides a 15-year price guarantee of 70 EUR/MWh for EDF nuclear output, which is estimated close to its production costs. On the other hand, the government will protect consumers by taxing EDF's extra revenues at 90% if prices exceed 110 EUR/MWh and redistributing the surplus rent.

In the Nordics, the hydro balance surplus weakened with lower inflows to reservoirs and because the snowpack has not started to build-up just yet. With a cold snap expected in the region later in November, spot prices shall get closer to the Continental markets.



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