

Hefty price differences in the Nordics

The already significant price differences between various parts of the Nordics became even more pronounced last week when spot prices rose sharply in Denmark and southern Sweden.



Here and now

Last week, we reported that we are currently seeing high price differences in the Nordics, a trend that has only intensified over the past week. The average system price for week 33 was 21.42 EUR/MWh, and the level also remained extremely low in the northern price areas. Nevertheless, prices rose again in Denmark and southern Sweden, and in Denmark the average price for the week was 94 EUR/MWh. This is largely the result of rising prices in Germany, while wet summer weather is keeping prices down in the northern parts of the Nordics.

Recommendation

The price spread between Nordic system futures and Germany continues to widen, and at some point, the market will attempt to close part of this gap. German electricity prices are currently rising, paving the way for a price jump in the Nordics if the weather changes. We expect prices in the Nordics to rise over the coming week, as weather forecasts indicate drier and windless weather from the beginning of next week.

New price hikes in a nervous gas market

All eyes in the gas market remain fixed on southern Russia. A few weeks ago, Ukraine launched an offensive into Russian territory and succeeded in capturing land from Russia in the area close to the border between the two countries. This is important for the gas market because the recent fighting has taken place very close to the crucial gas pipeline that runs from Russia to Southern Europe. So far, no damage has been done to the pipeline, but market participants still fear this could happen, and gas prices have only increased further over the past week. On the TTF gas exchange, the futures

contract for 2025 has risen to 43 EUR/MWh, the highest level since last year. Even if the fighting between Ukraine and Russia does not damage the gas pipeline right now, the risk of Russian gas to Europe being cut off after the New Year is high. This is when the gas agreement between Russia and Ukraine expires; Ukraine is currently paid to act as a transit country for Russian gas to Europe and so far, the Ukrainians do not seem to be willing to extend this agreement.

Future	W 33 (EUR/MWh)	W 34 (EUR/MWh)	Expectation (W 35)
ENOMSEP-24	32.25	32.80	↗
ENOQ4-24	50.65	51.25	↗
ENOYR-25	47.45	47.60	↗
SYARHYR-25	48.63	49.13	→
SYCPHYR-25	46.73	46.63	→

Norway set to remain part of GO market

The Norwegian government appears to have shelved plans to leave the European market for guarantees of origin, despite promising to do so three years ago.

After years of major uncertainty, it now appears that the Norwegian government has decided not to proceed with plans to leave the European market for Guarantees of Origin (GOs), despite previously promising to do just that. The country's energy minister, Terje Aasland, told Montel last week that he no longer believes it would be the right decision, which suggests that the plan has been abandoned for now.

In 2021, the current Norwegian centre-left government made an election promise to withdraw Norway from the GO market. This was because the system under which the market operates resulted in unnecessary extra costs and a competitive disadvantage for Norwegian industry, as money has to be spent on GOs even though the Norwegian energy mix is already 100% green. A potential Norwegian exit from the GO market would be a bombshell for the entire system; with Norway's vast hydro resources and production of approximately 140 TWh of hydro energy per year, the country is by far the largest provider of GOs. Furthermore, not being able to sell the many certificates of Norwegian origin around Europe would be a blow to the EU's green ambitions for the near future.

The Norwegian Minister of Energy now states that the market has grown much more than expected since then, and it would be wrong to remove GOs as an income opportunity for hydropower producers, particularly considering the growth the market has experienced over the past few years. Aasland added that the government will instead consider other measures to help the competitiveness of the country's industry.

The fact that the Norwegians are not going ahead with the plans for the time being has certainly been met with relief in many parts of Europe. However, it is worth remembering that elections to the Norwegian Parliament are due in 2025, which means the parliamentary composition in the country may well change.



Forecasts

Hydrology: The prospect of drier weather in the Nordics from next week could also mean a further weakening of the Nordic hydro-balance. However, Refinitiv still expects the balance sheet to be in a marginal surplus at the beginning of September.

Temperatures: Temperatures in the Nordics look set to be just below average for the rest of this week, but with forecasts pointing to warmer weather at the start of next week.

Wind: The current unsettled weather continues to bring high wind production for the rest of this week. Next week, the shift to more high-pressure weather is likely to lead to calmer weather in the Nordics.

Spot: Weather conditions in the Nordics continue to support low spot prices at system level and in the northern price areas this week. We expect the average system price for week 34 to be as low as 10-15 EUR/MWh.

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