

Thursday 17 August 2023

Gas again the main driver for electricity prices

Gas prices have risen sharply over the past week due to possible LNG export restrictions in Australia. The fact that this will have little direct impact on Dutch and European gas imports seems to be dismissed as irrelevant by the market. Where you should have expected a possible price reaction in the contracts for the coming winter, on the contrary, the price of the contract with delivery in September turned out to rise sharply. This also had a major impact on the prices of electricity. In this update, we also look at the impact on French nuclear plants of higher water temperatures in French rivers and the export ban on uranium by Niger's new leaders. Finally, we contrast policy and price developments between the UK and EU emissions trading schemes.

Electricity price rebounds with gas market turmoil

On Tuesday 9 August, news reached the markets that employees of export platforms of Woodside Energy Group - Australia's largest independent oil and gas company - had voted overwhelmingly in favour of entering into strikes. At the time, it was still uncertain when the strikes would take place and how long strikes would last. On the same day, employees at two Chevron platforms had also voted in favour of union action to force higher wages and better working conditions. Currently, talks are ongoing and uncertainty will continue for some time. The unions want to consult their supporters before agreeing to the proposed outcomes.

The two companies' gas platforms have a combined export capacity of about 56 bcm per year. News of future strikes at the platforms sent the price of the active monthly contract in the TTF market soaring. Moreover, on the same day, news reached the market that the outlook for renewable energy generation in north-western Europe in the coming period would be lower than previously expected. The TTF market, and especially the active monthly contract, slammed.

TTF gas price jumped higher on news of Australian LNG

x EUR/MWh

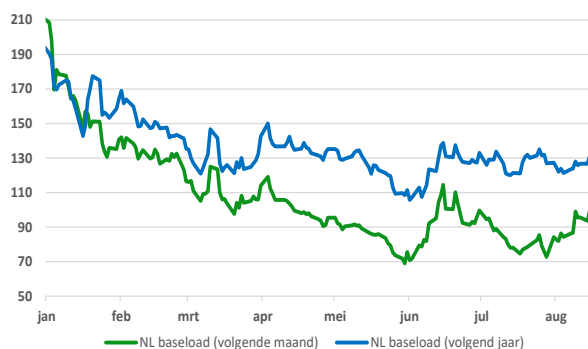


Source: Refinitiv Eikon

For instance, the price of the TTF market's monthly active contract reached an intraday rise of 40%, after which it still ended up closing more than 24% higher that day than it opened. At the same time, the active monthly contract of the Dutch electricity price bounced along. Although the relative increase was not as high as in the gas market, the price for the active monthly Dutch electricity contract (baseload) also rose from around EUR 85/MWh to over EUR 98/MWh, as shown in the chart below. The price for the annual contract (CAL 24) kept trading around EUR 130/MWh.

Dutch electricity price rises along with it

x EUR/MWh



Source: Refinitiv Eikon

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