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## Calm start to the next season

*Despite the recent increase in gas prices due to strikes at LNG plants in Australia, the impact on electricity prices was limited. Sensitivity to the turmoil in the gas market seems to be easing slightly for electricity markets. The effects of the energy crisis and the cooling of the economy are leaving their mark on the price of EU ETS allowances. These have fallen firmly in recent months. Less industrial activity and a rising share of renewable energy is reducing demand for allowances (for now). In this Electricity Market Update, we also look at the main conclusions of the IEA's Electricity Report and comment on the latest developments regarding plans to reform European electricity markets.*

## Electricity prices cooling...

Electricity prices have fallen slightly in recent weeks. The monthly contract with October delivery has now fallen to around EUR 93/MWh, after having traded above EUR 110/MWh in mid-August. The contract for calendar year 2024 is trading at EUR 123/MWh, which is more than 30% (or a third) higher than the current monthly contract for October.

### Netherlands baseload: month versus year futures

x EUR/MWh



Source: Refinitiv Eikon

Interestingly, the gas price is still the most dominant driver of electricity prices. Yet we see a big difference if we compare the active monthly contract with the contract for delivery in 2024. Whereas for electricity the price difference between those two contracts is around 30-35%, it is double for gas contracts.

The TTF futures for delivery in October are currently trading around EUR 35/MWh while the contract for CAL24 (delivery in calendar year 2024) is higher by about 2/3<sup>e</sup> share, at EUR 51/MWh. We believe the difference can be explained by the fact that the turmoil in gas markets can be partly absorbed in electricity generation. Among other things, coal-fired power plants can run harder, we will see more and more solar and especially wind power, and chemical processes will partly switch to oil.

A possible gas crisis in the coming winter will therefore be mainly a heat crisis, and less of an electricity crisis. Something that is not to say, by the way, that electricity prices could also rise sharply again during another period of gas scarcity.

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