

Wednesday 13 March 2024

More energized into spring

After a brief upturn, downward price pressure has returned to the Dutch electricity market. The TTF gas price and weather conditions are the determining factors here. On the gas market, the mild winter weather and stable supply ensure relatively full gas stocks, and thus pressure on the price. The low impact of the outage of Norwegian production sites is indicative of the calmness in the gas market. With the gas price, demand and thus the price for coal also rose. Additional upward price pressure here came from new US sanctions on Russian coal.

The price of EU ETS allowances experienced a brief rebound simultaneously with the gas price, mainly due to additional gas demand and the entry of speculative market participants. After a failed test of the EUR 60/tonne price cap, market fundamentals, especially mild winter weather and low industrial production, are taking over again and putting pressure on EU ETS price. In addition, this Market Update looks at the expected production of renewable energy in the coming months, based on weather forecasts and growth in capacity. It also analyses why growth in this capacity is stalling. This is especially true for wind power, with interest rates playing an important role.

Electricity prices closely follow TTF gas price

From the moment gas prices climbed out of a trough in late February, electricity prices followed suit. Currently, the period of upward price recovery is over, and the slight downward trend has resumed. The active monthly contract (baseload) in the Netherlands stands at EUR 56/MWh, while delivery of an MWh in 2025 (Cal25) currently costs EUR 74.55.

The winter of 2023/2024 is generally characterised by a downward trend in electricity prices. On the one hand, this is due to the same trend in gas prices, which is discussed further in the Market Update. In addition, the falling electricity price is explained by what we call in meteorological terms a strong positive North Atlantic Oscillation. This brings with it a strong westerly wind, which ensures mild temperatures. This increases the share of wind power in the electricity mix, which put pressure on the electricity price.

Pressure on gas price again after brief upturn

Last week saw slight upward pressure on the TTF gas price, in a long period of downward price movements. Currently, the price is under pressure again, mainly due to above-average warm temperatures, and the TTF gas price is currently hovering around EUR 25/MWh again. There have been several drivers for the short period of upward price pressure. First, the temperature, which fell slightly at the end of February, bringing it closer to the long-term average.

A slightly lower temperature increases gas demand, thus triggering the slight price rise. In addition, a demand impulse may also have been caused by speculative market participants. The TTF gas price (active monthly contract) went towards EUR 22/MWh at the end of February, which market participants apparently found low enough to open long positions and close short positions. With that, the tide turned and the price rose again to EUR 29/MWh. This price rise ended a long period of downward price movement.

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