

Thursday 6 June 2024

Gas demand Asia drives up electricity price

The electricity market is still in a slightly rising trend channel, in the wake of the gas price. Due to the global nature of the gas market - which was more regional before the energy crisis - this means the electricity price is also increasingly driven by global factors. The implications and risks of this are also discussed in this Market Update. In recent weeks, increasing gas demand in Asia - due to the ongoing heatwave in India - has been the dominant factor behind rising electricity prices in Europe, especially for monthly and annual contracts. On the supply side, unplanned maintenance at a Norwegian gas facility added another push. Overall, upward price pressure remains limited, mainly due to the favourable initial situation in the form of high gas stocks. In addition, this market update looks at regional differences in electricity prices, focusing on Germany and France. It also briefly outlines the Energy Act and the adopted amendments and motions, and provides interpretation.

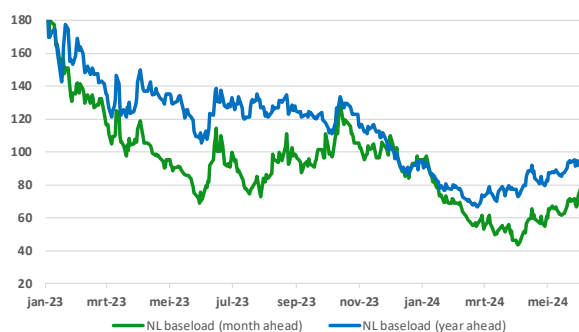
Electricity price in wake of rising gas price

The Dutch electricity price (baseload active monthly contract) has fluctuated between EUR 62/MWh and EUR 81/MWh over the last month, as shown in the chart below. In the last two weeks in particular, the electricity price has thereby started to rise to above EUR 70/MWh. It did so, not for the first time, following the gas price. This was partly due to some supply issues in the gas market. For instance, planned maintenance at gas processing plants in Troll and Kollsnes in Norway was delayed. An unexpected outage at Norwegian gas producer Equinor on the offshore platform Sleipner Riser last Sunday also showed the vulnerability of a tight gas market. As a result, production at the Nyhamna processing site was reduced to zero, where it normally has a capacity of 79.8 mcm/day. Later came reports that production will partly restart on Friday (up to 35 mcm/day), curbing the price spike the same day.

In addition, rumours of a premature halt of pipeline gas from Russia to Austria continued to hang over the market, and there is also ongoing talk of possible sanctions regarding Russian LNG. Finally, the construction of LNG terminal Golden Pass in America appeared to be delayed by six months.

Electricity price Netherlands (zoomed out)

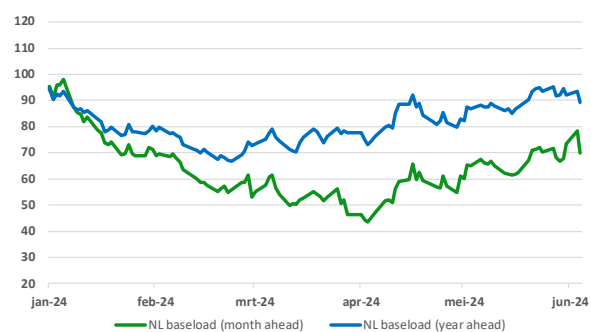
EUR/MWh



Source: LSEG Eikon

Electricity price Netherlands (zoomed in)

EUR/MWh



Source: LSEG Eikon

Gas demand Asia affects European electricity price

Besides these developments from the supply side, there were also factors from the demand side that underpinned price increases. Particularly interesting, these demand factors were precisely not driven by increased electricity demand in Europe. Since Russia's invasion of Ukraine and subsequent reduced off-take of pipeline gas from east to west, Europe has started competing in the global gas

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