

Wednesday 3 July 2024

Summer break in the electricity market

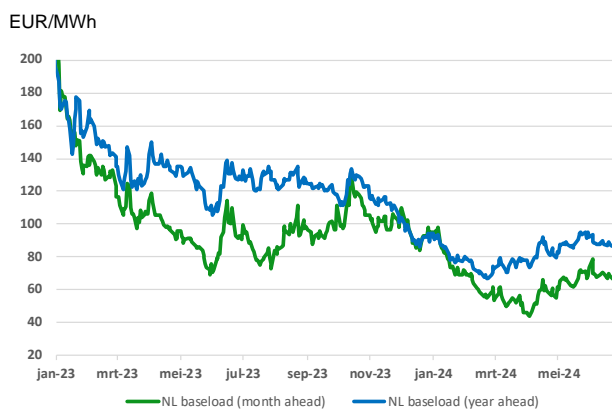
The slight downward price trend in the Dutch electricity market is mainly explained by rising solar and wind production and the above-average capacity of hydropower plants in Europe. Water reservoirs are full, pushing gas and coal-fired power plants out of the market and thus putting pressure on electricity prices. High hydropower production - together with stable generation from nuclear power - was also behind the extremely low spot price in France on 26 July last. A breakdown at trading exchange Epex Spot caused day-ahead trading for power to take place at local auctions. This Market Update describes how this - although unwise - fit well into French election rhetoric.

In addition, the EU announced the 14th sanctions package against Russia, which, among other things, restricts the transit of LNG through European ports. Finally, a technical analysis argues why the EU ETS price is likely to continue moving within a narrow range for the time being. Added to this, stricter EU ETS policies following the growth of the right-wing conservative bloc in the European Parliament are not obvious, making a faster upward price trend more unlikely.

Summer months put pressure on electricity price

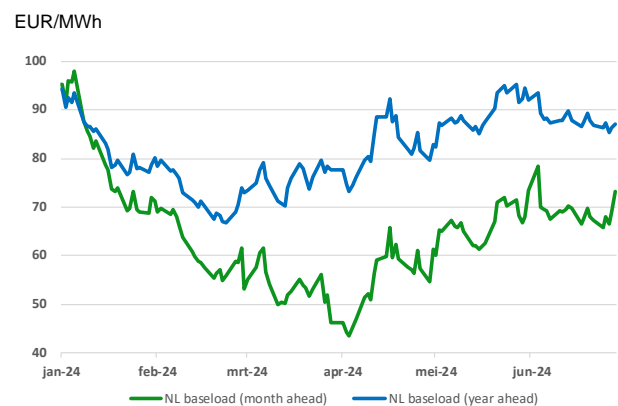
Electricity prices in the Netherlands had been on a slight downward trend since early June. Earlier this week, however, the price rose following EU ETS. Currently, the active monthly contract (delivery in August) is trading at around EUR 75/MWh and the annual contract for delivery in 2025 at around EUR 90/MWh.

Electricity price (zoomed out)



Source: LSEG Eikon

Electricity price (zoomed in)



Source: LSEG Eikon

A number of factors put pressure on the Dutch electricity price. In particular, rising electricity production from renewable sources depressed the price. Solar and wind production are rising steadily, which regularly means no fossil electricity production in the summer months. At European level, we also see that hydroelectric plants have more capacity than average and nuclear plants are running without major maintenance. Tightness in the gas market remains a risk factor, limiting downward price pressure.

Outage Epex Spot ammunition for French parliamentary elections

On 26 June, a disruption took place at exchange Epex Spot. Six European countries, including Germany, France, and the Netherlands were disconnected from the European market. Instead, day-ahead trading for power continued at local auctions, with supply and demand within national borders determining the price. For Germany in particular, highly dependent on imports in the morning and

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