

Wednesday 31 July 2024

## Rising EU electricity demand despite higher prices

The Dutch electricity price recovered to around EUR 70-75/MWh, from a low of EUR 66.60/MWh in mid-July. Price fluctuations were partly caused by shutdown of the Freeport LNG plant and a heat wave in Europe, which increased electricity demand. For the coming months, risks lie mainly in the maintenance of Norwegian gas infrastructure and French electricity exports. The European electricity price has stabilised but is still relatively high, especially compared to the US one.

In the remainder of the Market Update, the carbon intensity of western Europe is contrasted with that of eastern member states. The extent to which coal is represented in the electricity mix - and the extent to which this share is being phased out - is an important factor in the evolution of the EU ETS price. Finally, two key IEA reports are discussed, looking at the electricity and coal markets for 2024 and 2025.

## Electricity price climbs out of valley

The Dutch electricity price (baseload, active monthly contract) currently stands between EUR 70/MWh and EUR 75/MWh, as shown on the charts below. This makes the current price level virtually unchanged from the price level a month ago. Nevertheless, the price reached a low of EUR 66.60/MWh on 15 July, representing a 9% drop from the beginning of the month. Since the low point on that day, the price has recovered to the current level. The price of the annual contract showed a similar pattern.

Electricity price (zoomed out)

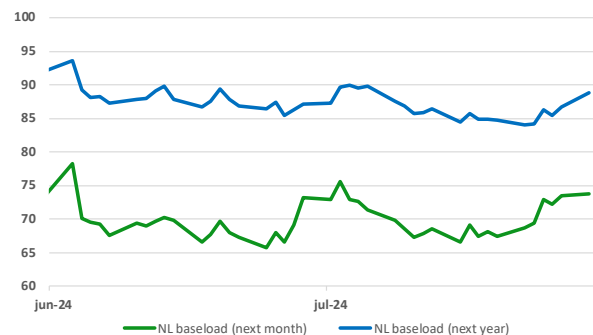
EUR/MWh



Source: LSEG Eikon

Electricity price (zoomed in)

EUR/MWh



Source: LSEG Eikon

With this, the electricity price broadly followed prices in the TTF market. There, the price of the active monthly contract has been just above EUR 30/MWh for the last three months. The price movements in the TTF market, and thus indirectly those in the electricity market, have a number of causes. Among others, market analysts and investors followed the developments around the Freeport LNG plant in the US. This important link in US LNG exports (capacity of more than 20 bcm per year) was temporarily shut down by hurricane Beryl on 7 July. Market nervousness increased at the end of this month - and with it the volatility of gas prices - when the restart of the plant seemed to cause some problems.

In addition, weather models created upward price pressure last week as it became increasingly clear that large parts of Europe would experience a heat wave in the last month of July. For instance, during a heatwave, electricity demand increases due to increased use of air conditioning. This additional electricity demand is partly harnessed by electricity generated in gas-fired power plants, which also increases the demand for gas. This development logically leads indirectly to a higher electricity price.

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