

Wednesday 25 September 2024

The real catch

The Dutch electricity price (baseload, monthly contract) fell to EUR 75/MWh in the last month. This drop is closely linked to the development of the gas price, which fell due to very high gas stocks and relatively low (seasonal) demand. With the heating season approaching, the winter weather will become a crucial factor in the energy markets. With the possible development of a so-called weak polar vortex, a cold winter could make its appearance in Europe for the first time since the energy crisis.

In the ETS market, the price of emission allowances has recently fallen below the technical support level of EUR 65/tonne. With that, an activation of the national carbon tax before 2025 seems almost certain at current prices.

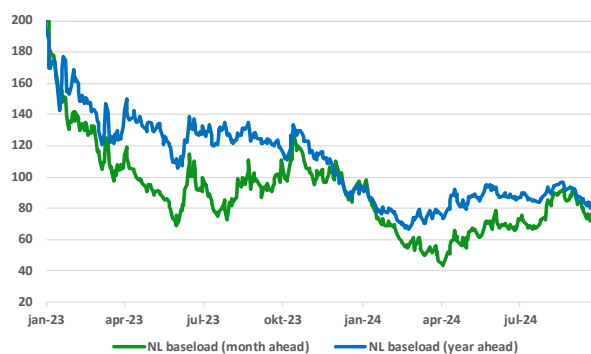
Furthermore, in this Market Update we look at the implications of the policies announced in the Budget Day documents. In these, ambitions for green (and blue) hydrogen do not seem to match the allocated financial resources. Nuclear energy, on the other hand, is being paid for. Finally, we discuss relevant recommendations concerning the energy sector from the Draghi report on EU competitiveness.

Electricity price from up to down

The Dutch electricity price (baseload, active monthly contract) is currently around EUR 75/MWh, as shown in the charts below. That is a drop of EUR 10/MWh from a month earlier. The overall trend in the monthly contract over the past month has therefore been downward. This has, at least for now, ended the upward trend that had started in April. All in all, the development of electricity prices once again took place in line with gas prices.

Electricity price (zoomed out)

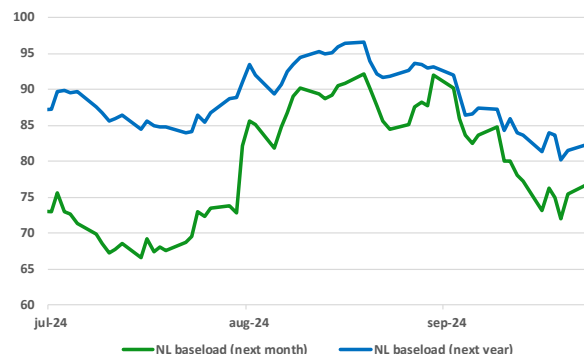
EUR/MWh



Source: LSEG Eikon

Electricity price (zoomed in)

EUR/MWh



Source: LSEG Eikon

The rising price level of gas in recent months was mainly due to the priced-in risk premium resulting from geopolitical turmoil. Here, both developments in the Middle East and the Russia-Ukraine war had their part to play. In addition, both Europe and parts of Asia experienced heatwaves in the summer that increased gas demand as a consequence of increased air conditioning. Finally, the annual maintenance of Norwegian gas facilities created upward price pressure in August and September. Although the bulk of the maintenance had already been priced-in by the market, in particular some short-term maintenance delays were responsible for upward price directions.

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