

Tuesday 19 November 2024

## Calmness increases importance of coal and gas plants

October and November saw upward price pressure in the Dutch electricity market. This was mainly due to the low production of renewable energy sources, giving natural gas a large share in the electricity mix. And that while the gas price - thanks to a multitude of reasons - also trades at a relatively high level. Besides gas, the share of coal in electricity generation is also increasing.

The rise of weather-dependent renewables is at the heart of a changing role of conventional power plants in the energy system. The spark and dark spreads show that power plants are being squeezed out of the market in the longer term, particularly due to the low operating costs of solar and wind. In the shorter term, however, gas and coal plants remain important to meet electricity demand. This is regularly reflected in the dark and spark spreads for shorter-term power contracts.

In addition, this Market Update contains an analysis on the development of the heat pump and its potential impact on the electricity market. Finally, we touch upon the COP29, where financing is again a thorny issue and many countries' priorities seem to lie elsewhere.

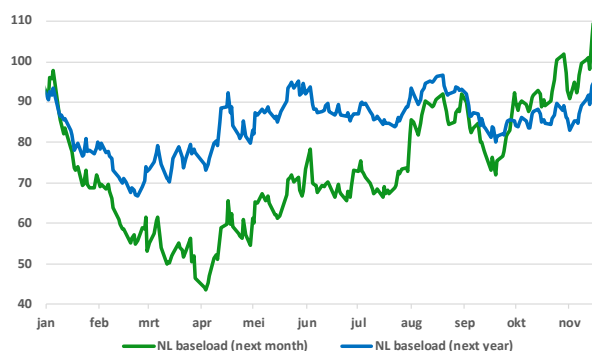
## Monthly electricity contract volatile

The active monthly Dutch electricity price (baseload) is at a relatively high level at around EUR 107/MWh. Whereas the average price was still around EUR 80/MWh in September, it rose rapidly in October (average EUR 93/MWh) and November (average so far EUR 98/MWh). This is mainly because renewable sources (solar and wind) production was at a relatively low level.

This makes natural gas important in the electricity mix, so price increases have a major impact on the electricity market. In addition, low renewable production has a price driving effect for natural gas. This makes both the share of gas and the gas price higher due to weather conditions, creating double upwards price pressure.

### Electricity price in 2024

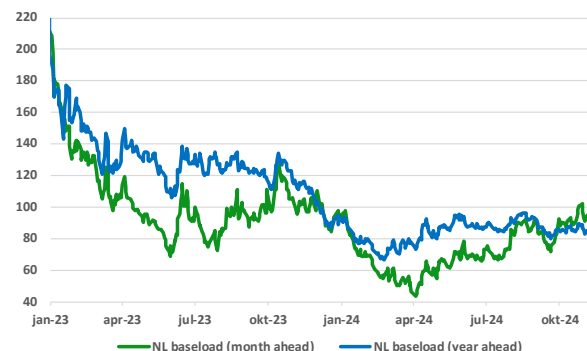
EUR/MWh



Source: LSEG Eikon

### Electricity price longer term

EUR/MWh



Source: LSEG Eikon

The active monthly TTF gas price contract was at a relatively high level in the month of October, averaging EUR 40.40/MWh. This increase continued in November, where the gas price is currently trading around EUR 45/MWh. In terms of the weather picture, not only the lack of wind and sun was responsible for the upward price pressure on the gas market, the lower-than-average temperatures in large parts of October and November also contributed to this. Partly due to this combination of weather factors, gas stocks in Europe fell from 95% to 92% in a fortnight.

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