

Tuesday 17 December 2024

## (Wind) Silent night, expensive power

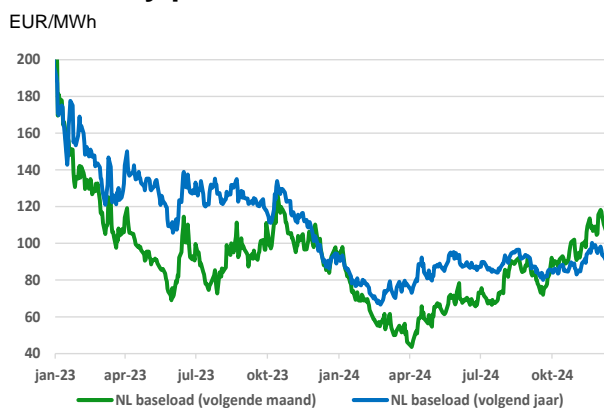
The electricity price (baseload, active monthly contract) is currently around EUR 100/MWh. The price trend in recent months broadly followed developments in the gas market. In spring and summer, on the contrary, there has been a decoupling of the two markets, mainly due to the larger share of solar energy in the electricity mix. Prices on the spot market were steep several times in the past month, peaking at EUR 873/MWh for the most expensive hour on December 12, mainly due to a lack of sun and wind (dunkelflaute). We also analyze the impact of the Delta Rhine Corridor decision for offshore wind and the general outlook for the wind sector.

The ETS price (Dec-25 contract) experienced a short-lived rebound, but the downward price trend that has persisted for almost two years still appears to prevail. At the same time, we see that speculative market participants are majority gambling on price increases.

## Gas and electricity 'decouple' in spring...

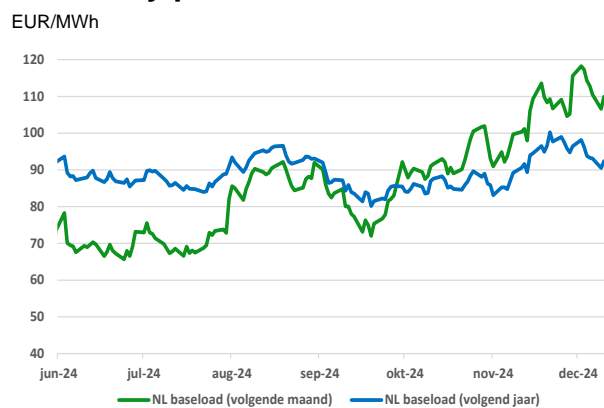
The Dutch electricity price (monthly contract, baseload) is currently quoted around EUR 100/MWh. The price has thus fallen slightly compared to a month ago, when the same contract was quoted at EUR 107/MWh. Zooming out, the price trend is still rising. This upward trend started from April, following the price trend in the gas market.

### Electricity price zoomed out



Source: LSEG Eikon

### Electricity price zoomed in



Source: LSEG Eikon

The weather forecast is a crucial factor in the gas market. The colder the winter is, the more gas will be consumed to meet residential heat demand. With that, cold temperatures in the coming weeks and months have the potential to drive up gas prices. Gas prices are especially sensitive to weather conditions because the market is still tight, especially due to the scarcity in the global LNG market. As natural gas still has a large share in the electricity mix in the Netherlands, especially in the winter months, the same price risk applies in the electricity market. If another (or several) serious cold snap occurs in (parts of) Europe in the coming winter, the already high prices for monthly gas and electricity contracts could rise even further.

## ...especially in the short-term market

Moreover, to a greater extent, the weather pattern with regard to wind and solar hours plays a role in the electricity market. With the growing capacity of wind and solar, electricity is increasingly being generated from renewable sources. The downside is that the days and hours without these renewable

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