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The logo symbol consists of a white, stylized geometric shape on a blue background. It features a vertical line on the left, a horizontal line at the top, and a diagonal line on the right that forms a triangular shape pointing towards the bottom right.

Market Update Gas, Power & Carbon

Nathalie Gerl

Senior Analyst European Power

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Gas Europe: from Russian imports to...?

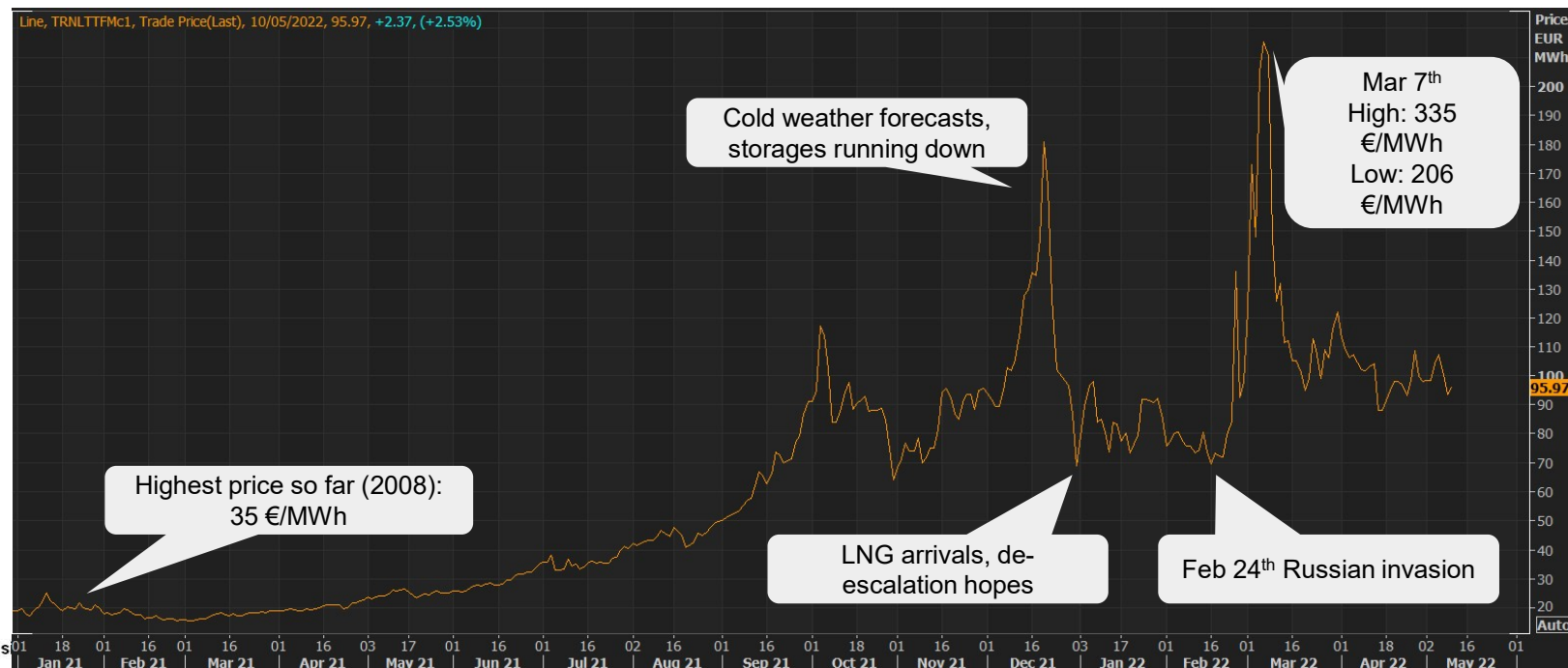
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Gas in Europe: Ukraine crisis

TTF Front Month contract: Price surge has receded

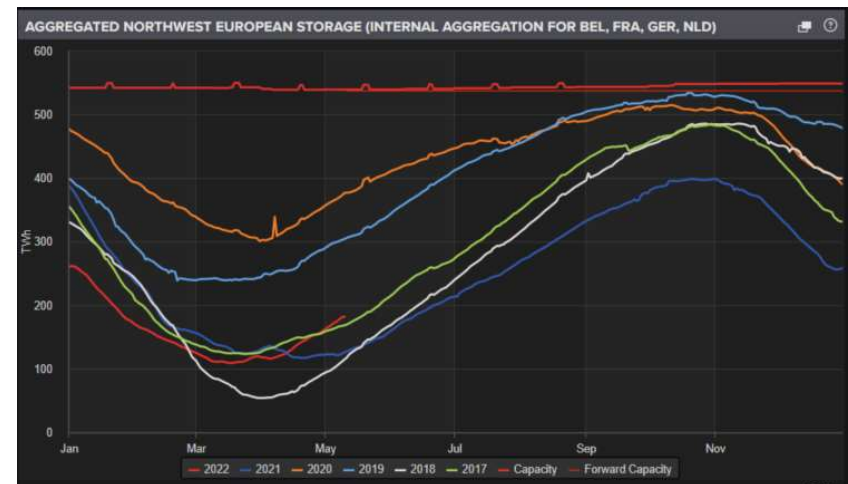
- The contract has fallen back to levels seen in Jan-22 - Loss of momentum?
- Europe and especially the UK are very well supplied now
- De-escalation regarding Ruble payments to Gazprom



Gas in Europe: Ukraine crisis

TTF Summer vs. Front year:

- Anomaly in Mar-22: Sum22 > Win22/23 as most liquidity in the short term and fear of shortages for storage injections in summer
- Storage situation improving – Gazprom storage in hands of German regulator, injections have started
- Cal-23 gaining and closing the discount to the spot:
 - Europe moving away from Russian imports means gas will arrive from further away (LNG)
 - The risk of a sudden cut of Russian flows prevails for the time being

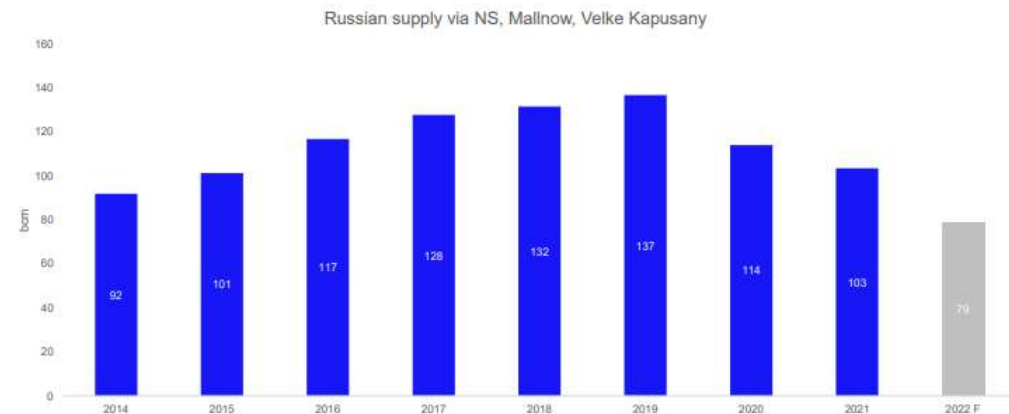
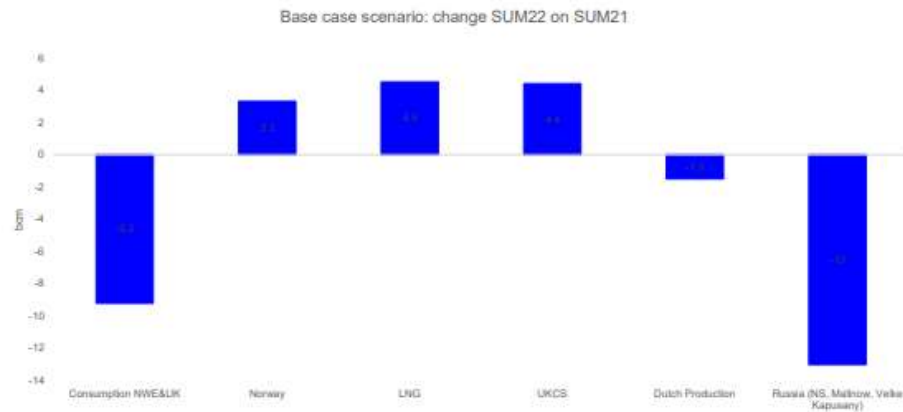


Gas in Europe: Summer Outlook Refinitiv

TTF gas surge:

- Minimum contractual obligations with Russia continue to be fulfilled
- Europe expected to reduce Russian imports by 13 bcm in Sum-22, to be replaced by LNG and alt. pipeline gas

Summer 2022 Balance: Moving away from Russian molecules



Power Europe: Continued reliance on gas

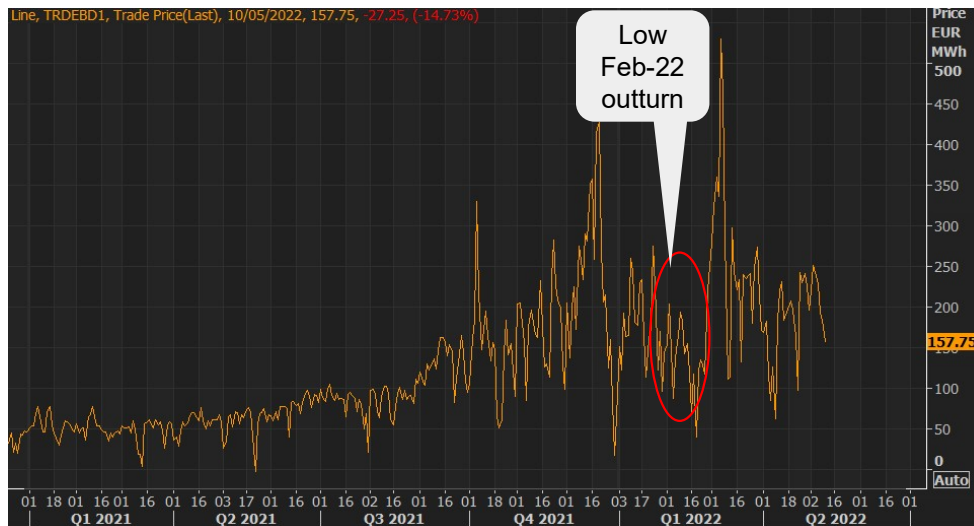
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German Power in 2022 (1/2)

Day Ahead Price:

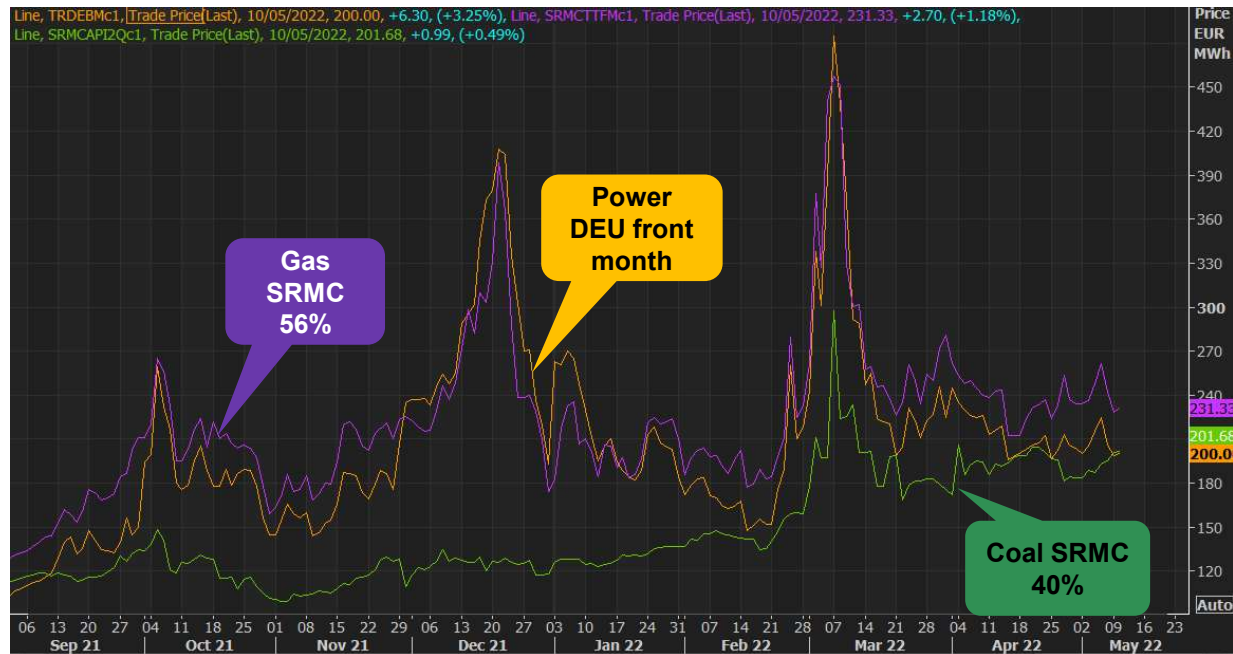
- **Spot in Winter: all-defining factor WIND**
- **Feb-22: strong wind on most days leads to very low spot outturn of 129 €/MWh**
- **Day-on-day fluctuations as marginal production costs on strong/weak wind days vary strongly**
 - Weak wind days: full exposure to gas price and reliance on imports
 - Strong weak days: low prices, price decoupling and strong exports



German Power in 2022 (2/2)

Front Month Contract:

- Coal prices have followed the bullish gas/oil sentiment – coal SRMC (green) continues to rise
- Power contracts with strong focus on TTF gas



(SRMC = short run marginal cost = fuel + carbon cost at specific efficiency)

Outlook Power Europe 2022/23

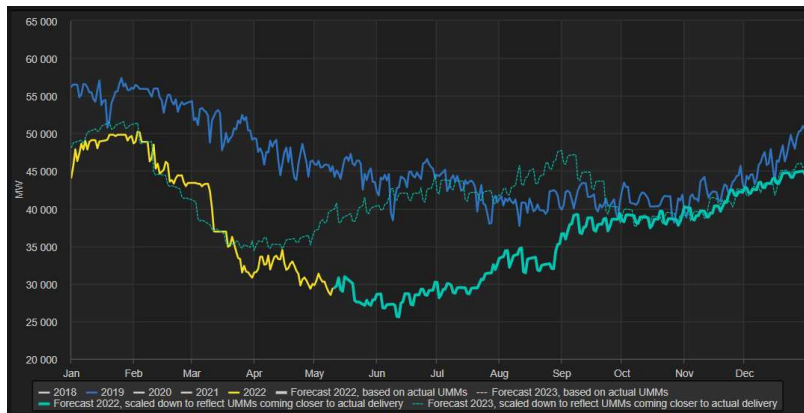
Risk Factors: Downside

- Renewable energy push? REPowerEU initiative to replace gas by renewable generation
- Return of decommissioned coal plants?
- Governmental interventions: Spain & Portugal capping gas at 50 €/MWh

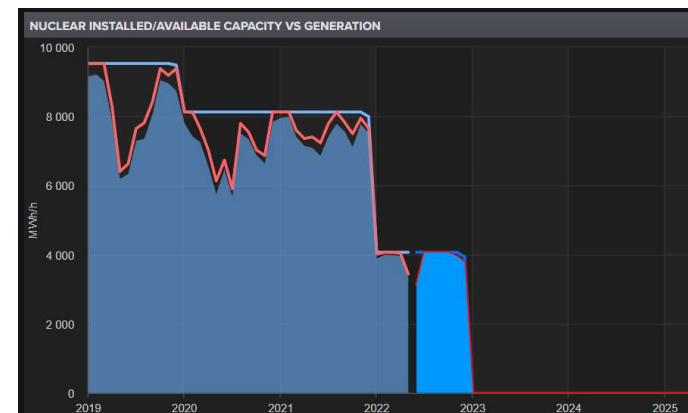
Risk Factors: Upside

- Tightness from nuclear/coal phaseout: in wind-poor hours the risk for very tight hours will increase as baseload supply is narrowing
- Russian gas supply cut: would the power sector's gas supply be curtailed?

French nuclear: current nuclear availability at 50%



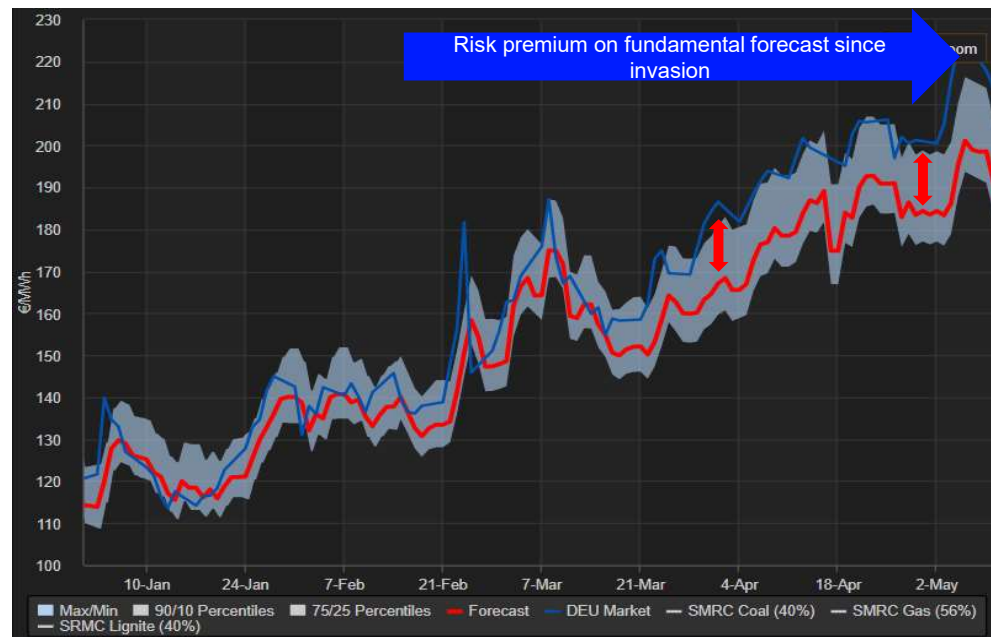
German nuclear phaseout concluded in Dec-22: - 4GW



Outlook Power Europe 2022/23

Refinitiv Power Outlook Europe

- Front Year: bearish outlook based on market fuel prices
- ...while the market maintains a sustained risk premium on top of the fundamental value since the beginning of the war



EUA Carbon: Decoupling from the energy complex

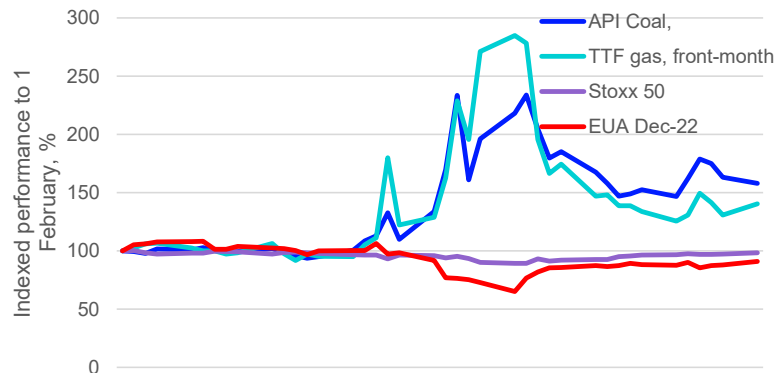
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Carbon price hit by Russian invasion



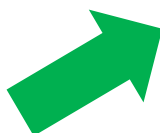
Mar 2022:
correlation to
coal/gas turns
negative



- In 2021 prices increased 150% - high gas prices → more coal-burn
- Crash from almost 100 to €55/t: EUA following equities and pricing in recession risks
- Cash-constrained industrials possibly forced to sell off surplus allowances
- Liquidation of EUA positions to cover margins call in other energy positions
- **EUA got bullish momentum back in the last two weeks:**
 - dip-buying
 - compliance demand returning

Carbon outlook – short term (2022-2023)

Bullish EUA



- Increased coal burn → increased power sector emissions
- Nuclear outages in France driving fossil-fuelled power in general

Bearish EUA



- High energy and metal prices might force industry to stop/limit production.
- War-induced economic downturn impacting industry sector's emissions
- Concern that ongoing climate policy process ('fit for 55') will take backseat delaying fit for 55 progress

Policy events 2022:

- Ongoing Fit-For55 negotiations
- CBAM: Carbon Border Adjustment Mechanism
- Earlier end of free allocations for industry under discussion
- Introduction of ETS for transportation and heating



Thank you!

Nathalie Gerl

nathalie.gerl@lseg.com

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