



Energy prices at record highs – Why is that and how is Europe coping?

World Energy Council Schweiz

13 June 2022, Andy Sommer, Head Fundamental Analysis & Modelling, Axpo Solutions AG



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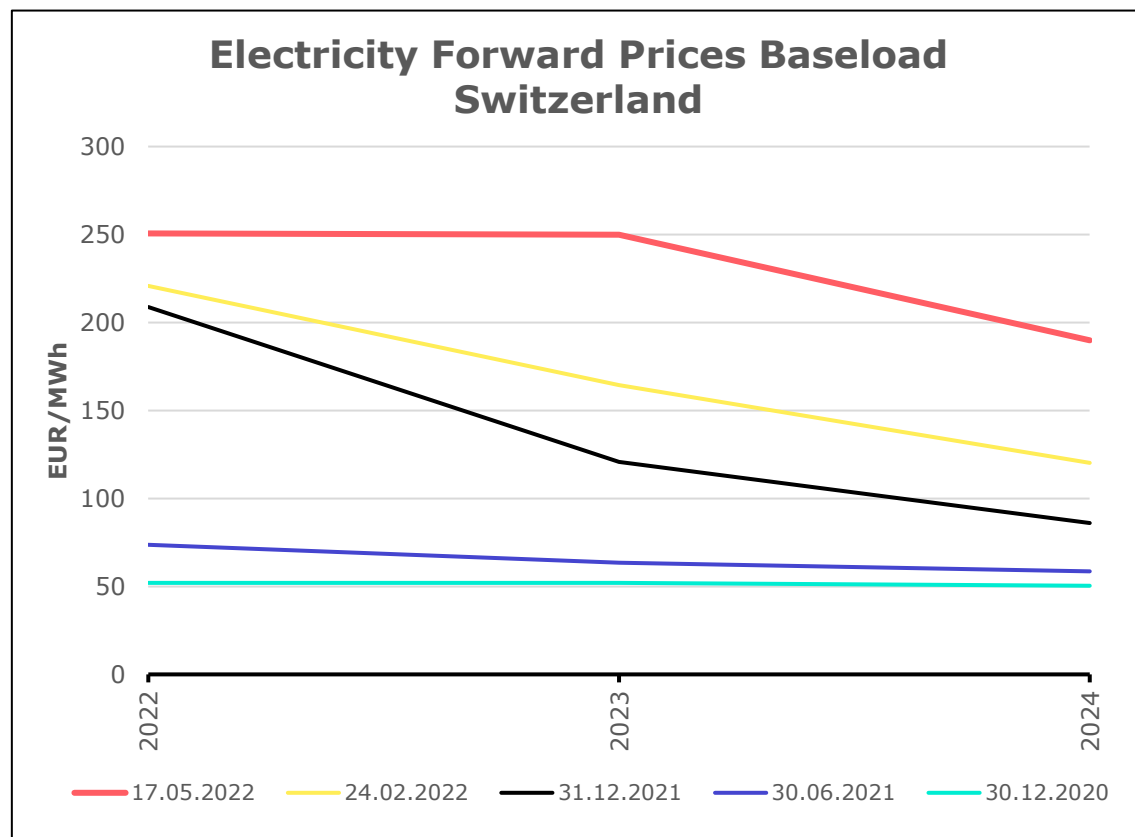
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Baden, 25 May 2022

Strong price increase since 2H21 & boost in 2022



Sources: Bloomberg, Axpo Solutions AG

- Economic recovery from COVID recession & cold winter 2020-21
- Wind still and dry year 2021
- Massive issues at the French nuclear fleet
- Lots of unplanned supply outages in LNG and the coal markets
- Lengthy discussion around approval for Nord Stream 2, followed by gas supply reduction of Russia
- 24 Feb. 22: Russian attack on Ukraine...

Russia's energy exports to Europe

- Hard coal: 45 mln tons per year of very high quality ~67% of total EU-28 imports in 2021
- Natural gas & LNG: 155 bcm per year ~40% of total EU-28 imports in 2021
- Petroleum: 3.5 mbpd crude oil
1.3 mbpd oil products ~34% of total EU-28 imports in 2021
- Electricity: 5.8 TWh in 2020 (plus 4.6 TWh from UKR and 2.5 TWh from Belarus)

A long list of reactions – from both sides...

- Generally: Sanctions of finance providers, shipping insurances, technology exports
Preparation of emergency measures
Strong increase of volatility and decline of market liquidity
- Hard coal: Ban of imports to EU (from 10.08.22), UK and Japan (later in 2022)
- Gas: Stop of Nord Stream 2 approval process
Gas storage regulation (Minimum levels & certification requirements)
Announcement to not renew expiring gas offtake contracts
EU Commission proposes «RePowerEU»: Energy independence from Russia by 2027
Delivery stops to BG, PL, FI due to EUR/RUB payment dispute
Russia sanctioned former EU subsidiaries, e.g. Yamal operator
- Petroleum: EU discusses ban of all imports; HU veto's
- Electricity: Ukraine synchronises grid with Continental European grid
Finland stops 1/3 of imports, and Russia stops remaining exports
Belgium extends lifetime of some nukes, other countries check for longer use of lignite
Spain/Portugal cap gas price for power generation for 12 months

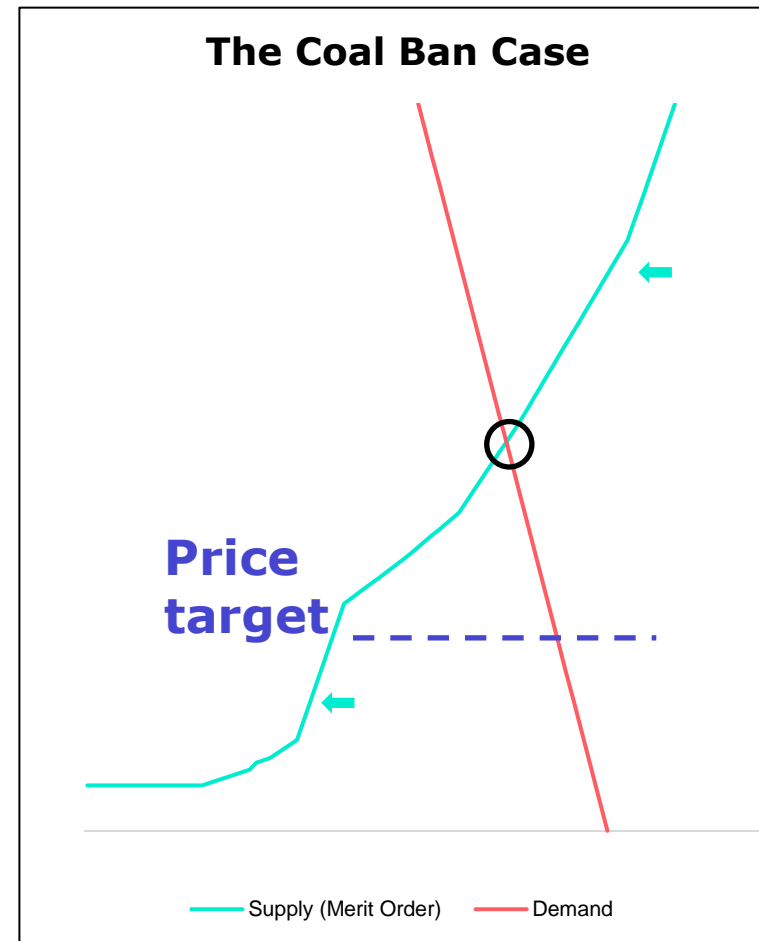
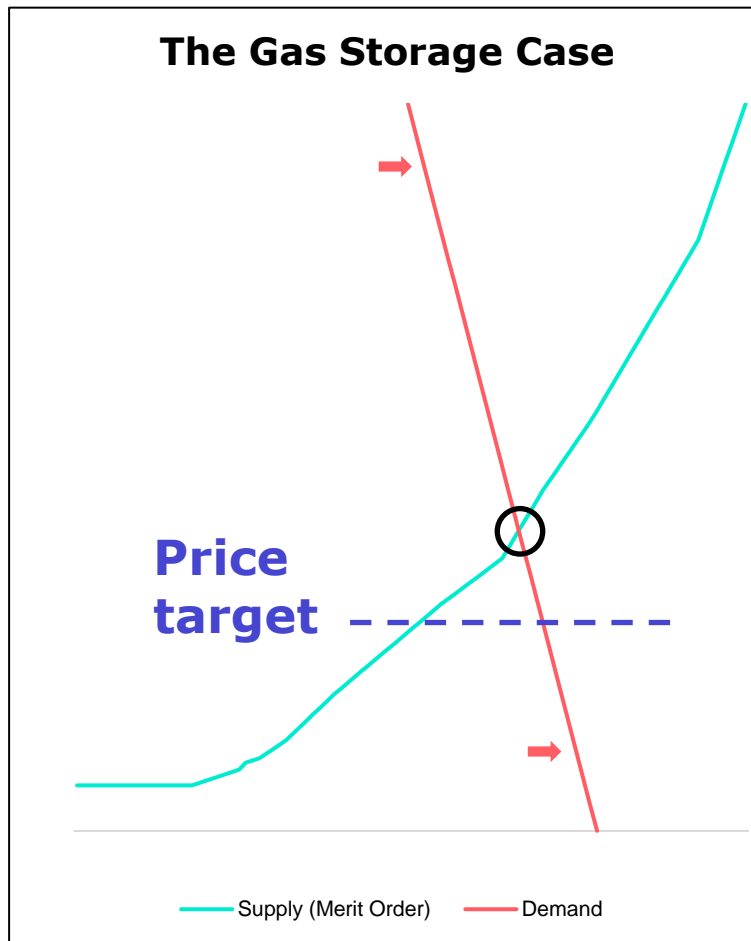
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- Generally: Sanctions of finance providers, shipping insurances, technology exports
 Preparation of emergency measures
 Strong increase of volatility and decline of market liquidity
Coal import ban vs. Stronger coal use for longer
- Hard coal: Ban of imports to EU (from 1st July 2022), UK and Japan (later in 2022)
Claw backs on RES profits vs. More ambitious RES targets
- Gas: Stop of Nord Stream 2 approval process
 Gas storage regulation (Minimum levels & certification requirements)
 Announcement of 2022-2023 gas storage targets
Coal import ban vs. Gas storage targets
 EU Commission proposes «RePowerEU»: Energy independence from Russia by 2027
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Gas storage targets vs. Gas price cap in ES/PT
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Consequence: Increasingly fragile system

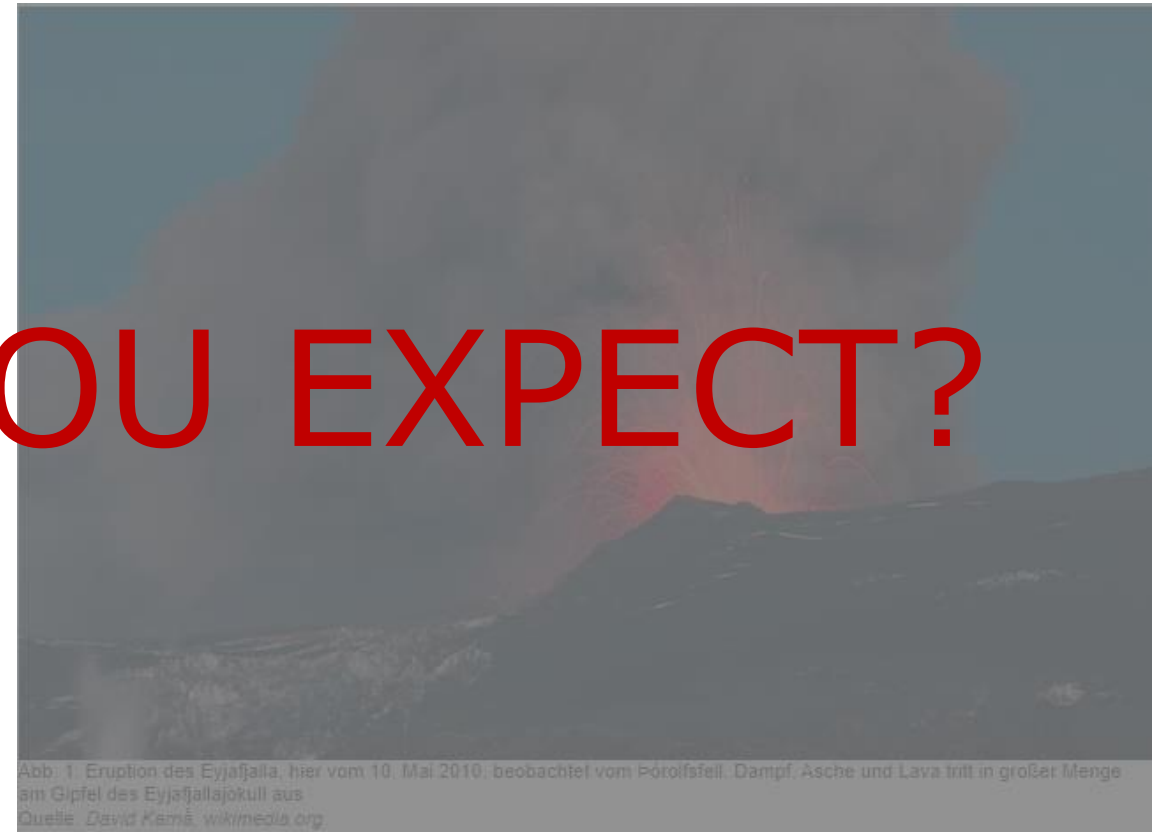


Consequence: Stress has to be released... ...in one form or the other!



Abb. 1: Eruption des Eyjafjalla, hier vom 10. Mai 2010, beobachtet vom Þórolfssfell. Dampf, Asche und Lava tritt in großer Menge am Gipfel des Eyjafjallajökull aus
Quelle: *David Kamá, wikimedia.org*

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WHAT DO YOU EXPECT?

Thank you!

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