

MONTEL



Where we are



The Montel group



Turnover

Around 11 million EURO i 2019. Steady growth and more than 90% of turnover come from internet based solutions.

Customers

Around 5,000 users from more than 1000 companies around in Europe.

Products

Montel News and Data | Analysis | AI-products

Green trading | Price forward curves

API -and Excel-solutions | Newsletters

Trading Advisory Service | Courses and Conferences

Advertisements | IT-consultancy projects

- 1990:** Montel AS – private company – founded in Oslo.
- 1994:** Montel launches the first professional information service for the power market
- 1997:** Montel establishes its own editorial desk and launch Montel Internet Service
- 1998:** 220 users on Montel Internet Service
- 2000:** All turnover via internet based solutions (ca EURO 1m), 12 employees.
- 2016:** Turnover is around EURO 8m, customers in more than 30 countries
- 2017:** Takeover Price-IT, established EnergyQuantified (EQ), launched Montel AI
- 2018:** Increased growth. Successful launch in Spain and France. Launched EQ
- 2019:** Green Power Hub launched. Montel Weekly podcast
- 2020:** LNG service launched. Montel TV, webinars etc.

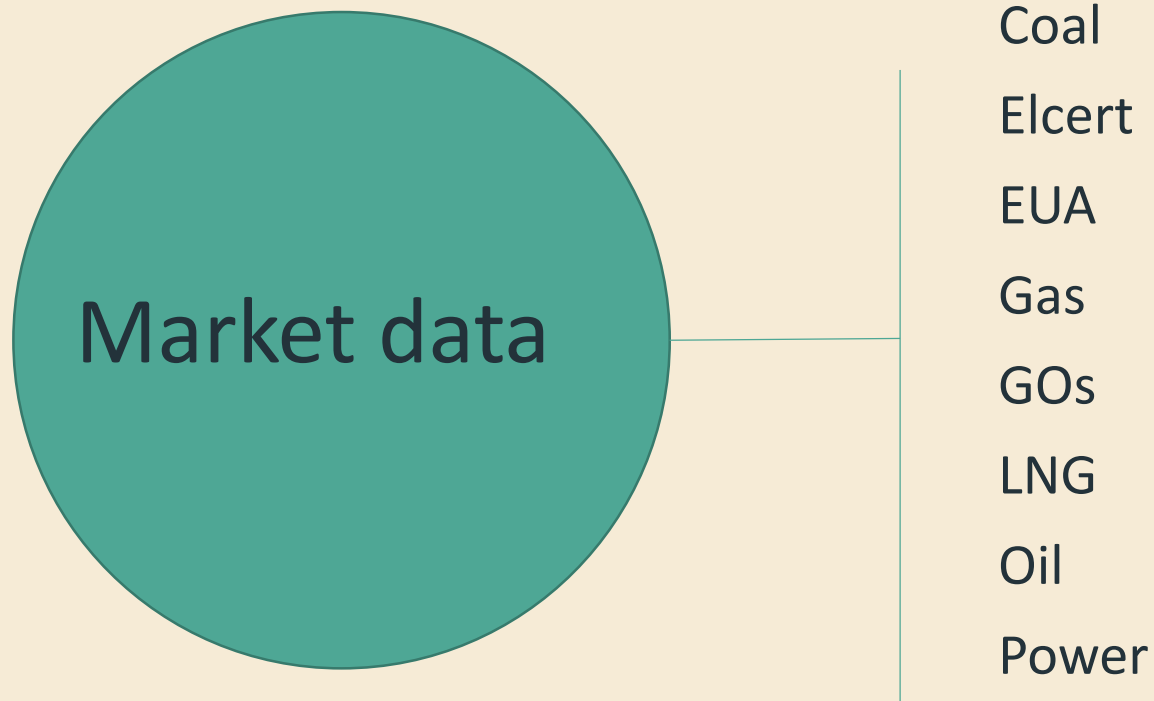
Still an independent privately owned company, owned by the founder and leading employees. Approx. 100 employees in the group.

News

News drives markets. Can you afford to miss out?

- Independent
- Market moving
- Multi-lingual
- Pan-European

Market data



Montel Online

Up-to-the-minute news | Live price feeds
Advanced charting tools | Price-driving fundamentals

Web-based | No installation | Efficient support

- Data in graph/table
- Download history
- Export to Excel

The screenshot displays the MONTTEL website interface, which is a comprehensive energy market news and data platform. The main content area is titled "RESULTS MONTTEL'S WEEKLY TRADERS POLL" and lists various news items with timestamps, such as "Facebook dropper dataseten | Esbjerg" and "Dutch solar to grow to 23 GW by 2023 - lobby".


On the right side, there are several market data widgets, including:

- Needaq Nordic Power F...**: A table showing power prices for different time periods (Front-Month, Front-Quarter, Front-Year) with columns for Product, Last, Chg, and Close.
- ICE Crude Oil (USD/bbl)**: A table showing oil prices for different time periods.
- ICE EIA EA**: A table showing energy prices for different time periods.
- ICAP UK NGP Gas prices**: A table showing gas prices for different time periods.
- Needaq Nordic Power C...**: Another table showing power prices for different time periods.
- ICAP German/Australian Po...**: A table showing power prices for different time periods.


At the bottom of the page, there are several smaller widgets and advertisements, including "Market Insights Barcelona", "German Energy Day", "Renpower Poland Conference", "Stuttgart Energy Workshop", "Nordiske Pridrivere 2019", "French Energy Day", and "The Physical and Financial Power Markets 5-6 June".



Topics:

- Some words about Montel and the Nordic and European power markets. History and price drivers before Covid-19
- Effects of Covid-19 on the power markets. Ref. Pod casts and news articles.
- Fundamental factors and politics
- Effects on prices, liquidity, volumes, investments etc.
- Contracts/PPAs (how the negotiations are going, discussion about force majeure, etc.)
- How governments and regulators are approaching the problems, especially the increase in default rates, consumption reduction, etc.



Morten Hegna
Manager at Montel

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Snjólfur Richard Sverrisson · 1st
Editor in Chief Europe at Montel



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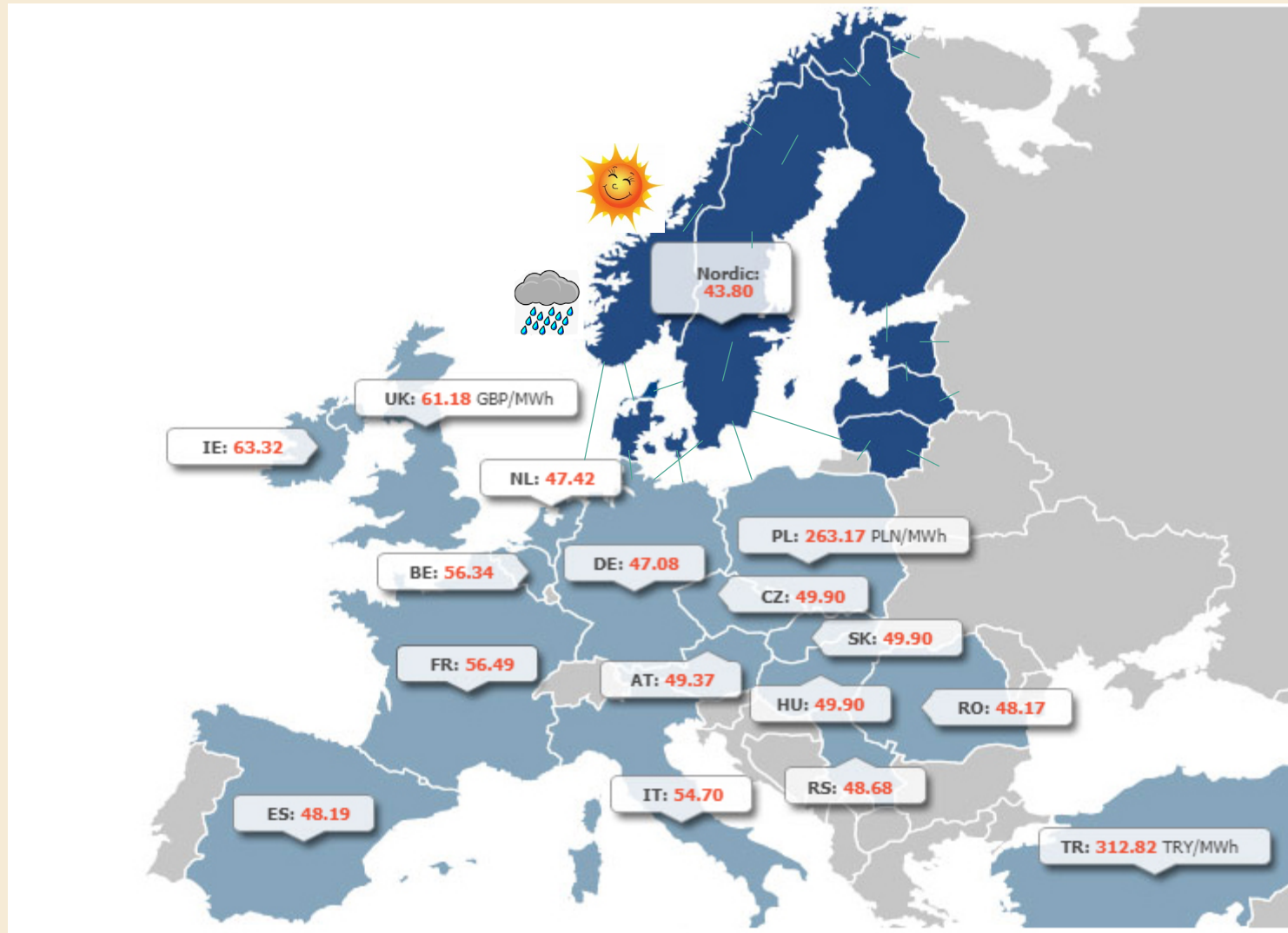


Touzani Serifi · 1st
CEO - Montel France SASU at Montel / Director General - Montel Iberia SL

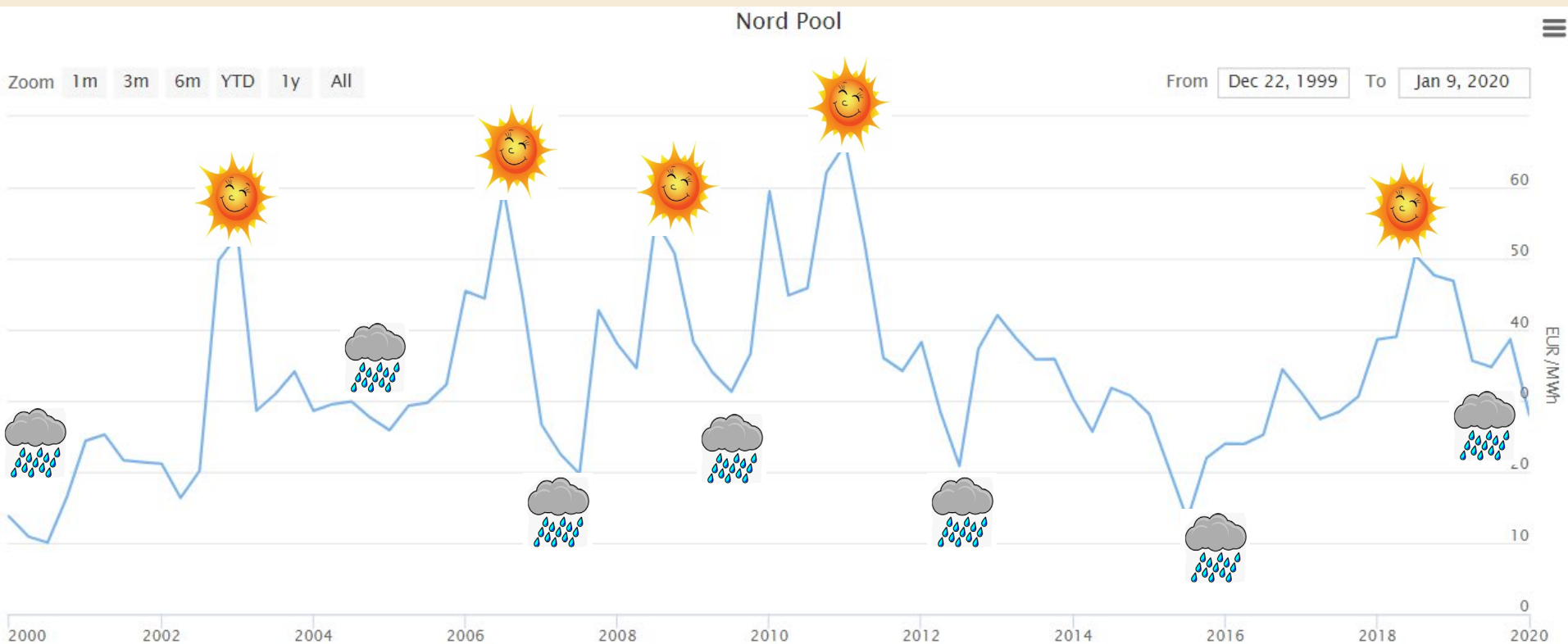
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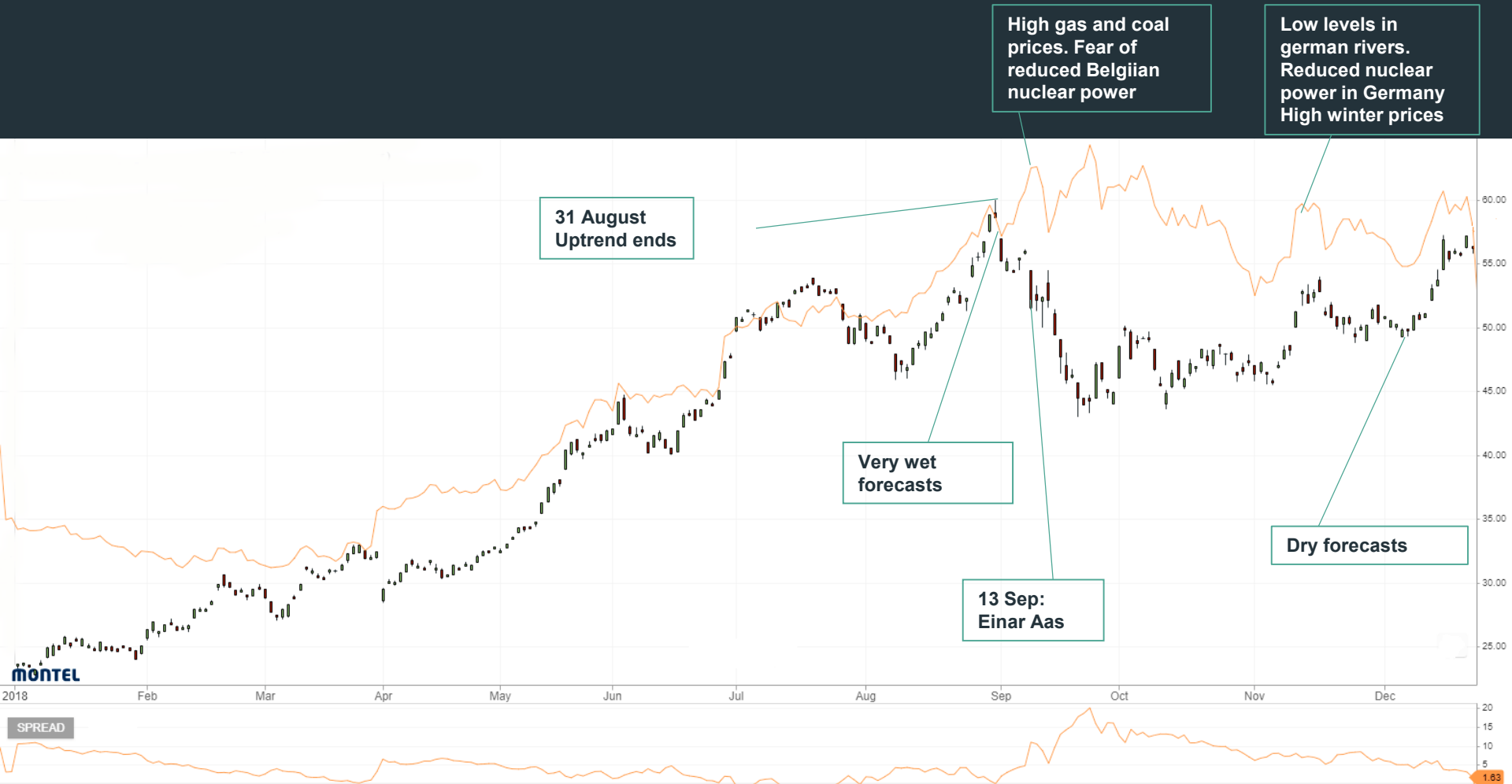
Nordic and European power markets. History and price drivers before Covid-19



Nordic system price during 20 years











Uncertainties in the power price



- High CO2 prices
- Consumption growth
- Electrification
- Hyper-scale data centers
- Shutdown of nuclear power
- Dry years
- Low gas and coal prices
- Development of wind and solar
- Long-term power purchase agreements
- Flexibility solutions
- Wet years

Analyst	EUR/MWh 2021	EUR/MWh 2025
Bixia	40	43
Gasum	38,8	32,6
Jämtkraft	42	51
Modity	29,5	31
Refinitiv	41,3	40,5
Shepherd Energy	39,5	42,5
Storm Geo	36,5	36,5
Thema	42,7	41,8
Wattsight	36,5	43,2
Average	38,5	40,2
Market 08/01	32,45	32,13

Market 16/04

23,40

28,43

2020: From deficit to large surplus

Reservoirs i

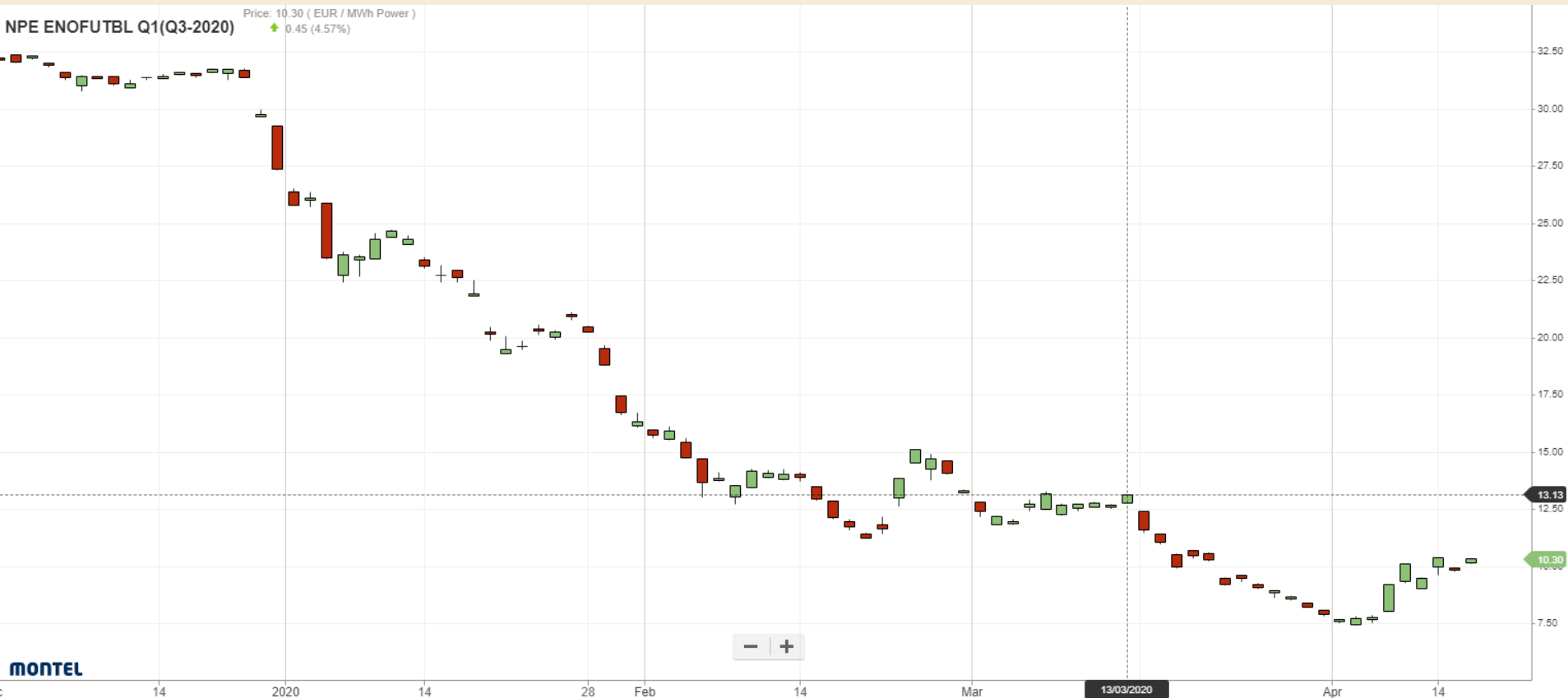
Hydrological balance in TWh for Nord Pool



Reservoirs i

Hydrological balance in TWh for Nord Pool



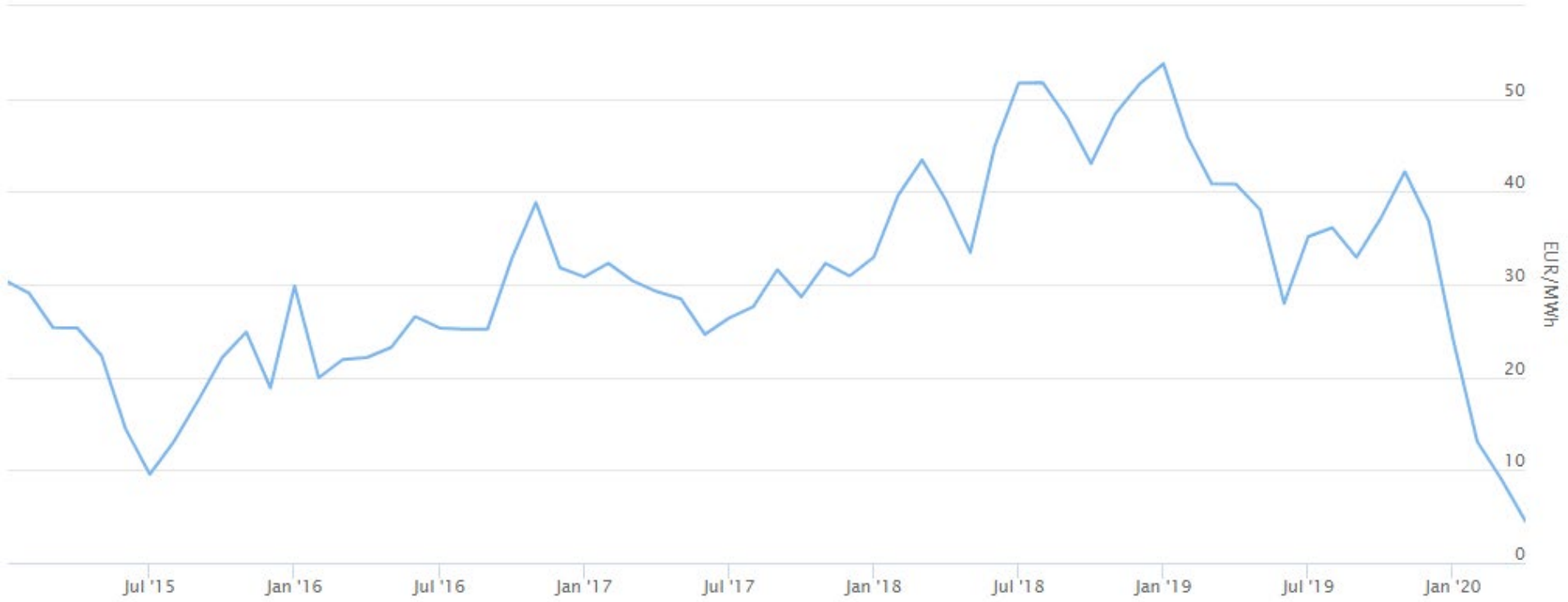


Nord Pool



Zoom 1m 3m 6m YTD 1y All

From Jan 4, 2015 To Apr 16, 2020



Effects of Covid-19 on the power markets. Ref. Pod casts and news articles.
Fundamental factors and politics
Effects on prices, liquidity, volumes, investments etc.

Nordic Power market and volumes



Zooming in:



Spain by Touzani:

Contracts/PPAs (how the negotiations are going, discussion about force majeure, etc.)

How governments and regulators are approaching the problems, especially the increase in default rates, consumption reduction, etc.

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German PPA market “very challenging” this year – Statkraft

(Montel) Operators of older wind farms are holding off from signing power purchase agreements (PPAs) for German onshore wind amid very low wholesale power prices – exacerbated by the coronavirus crisis – that made many such deals potentially uneconomical, utility Statkraft said on Wednesday

“I expect that [operators] would wait it out at the moment,” said Andreas Bader, vice president sales & new products at Statkraft Markets, the Norwegian firm’s German subsidiary, of potential new PPA deals this year for units reaching the end of their 20-year subsidy period. The current market situation was “really challenging”, he added.

German front-year power prices had been in a downward trend for some time, only exacerbated by the pandemic, Bader said.

The Cal 21 baseload contract has dropped from around EUR 44/MWh at the start of the year to EUR 35/MWh at the beginning of April, he illustrated during a webinar hosted by wind power lobby group BWE.

However, an onshore wind farm might now only fetch around EUR 28/MWh in a PPA for 2021 output based on a market value of 86% of baseload prices and taking into consideration the cost of balancing and marketing plus revenue from selling guarantees of origin, calculated based on a broad example Bader said.

This compared to operating costs of EUR 34/MWh, resulting in a loss of EUR 6/MWh.

However, the conditions for each individual wind farm differed of course and the calculations were therefore only an example, he said.

Based on the forward curve, power prices should rise again in the next few years however, offering better conditions again for long-term PPA deals, he added.

Bader’s view aligns with comments from [German consultancy Enervis](#), suggesting wind PPA deals would likely grind to halt until the length and impact of Covid-19 pandemic became clearer. The IMF warned this week of the worst recession since the Great Depression.

Old contracts stand

“Timing is everything,” Bader said, highlighting how operators had been able to secure higher prices last July wholesale prices had peaked.

Still, Statkraft would not seek to renegotiate deals. “A contract is there to be honoured,” Bader said.

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Nordic power consumption begins fall on virus outbreak

(Montel) Power consumption in the Nordic region has begun to drop as measures aimed at slowing the spread of the coronavirus take hold, analysts said on Thursday.

Last week the region's power use totalled 8.5 TWh, which is 0.2 TWh lower than the previous week and 0.3 TWh lower than in the same week last year, according to Nord Pool figures.

"The coronavirus is definitely affecting consumption. Many companies have closed and lots of social activities have been cancelled. But it's hard to quantify the exact effect," said Christian Holtz, analyst at Sweco.

All the Nordic countries have implemented restrictions as a result of the pandemic, including the closure of schools, limiting of public gatherings and a general recommendation that people work from home.

Some major industries have also started scaling down operations, such as Swedish vehicle manufacturers Volvo and Scania.

Limited effect?

"We have seen that morning peak demand is lower than before but I think the 'corona' restrictions have only had a limited effect," said Marius Holm Rennesund, analyst at Thema.

Others were more pessimistic.

Sigbjorn Seland, analyst at Storm Geo, said consumption had fallen 5-7% as a result of the measures and that the figure could "soon reach 10%", while Refinitiv's Ole Tom Djupskaas also saw a 7-10% drop in the coming months as "realistic".

However, any extreme drop in power use would only come if industry had to make major cuts due to a global recession in the wake of the pandemic, the analysts agreed, with the incidence of Covid-19 totalling 220,000 cases worldwide.

Nordic industries slashed consumption by around 35 TWh following the financial crisis in 2008-09.

On Tuesday, Montel's Energy Quantified predicted power demand across Europe [could fall by 20%](#) due to slowing economic activity amid policies to curb the virus spread.

Consultancy Enervis also predicted German industrial power demand could [dive 10-20%](#) on the back of the crisis.

Reporting by:

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10:11, Thursday, 19 March 2020

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German power demand decline matter of days – lobby

(Montel) German power demand has not yet contracted compared to previous years, although the rollout of car plant closures amid the spread of the coronavirus should dent consumption in the coming days, energy lobby BDEW said on Thursday.

“Current daily electricity consumption in Germany as of 18 March has not yet shown any decline compared to the years 2017-19, as larger industrial productions curbs are still ahead,” BDEW said in an update on its website.

While demand was currently somewhat down on previous years, this was still within the usual range of annual swings and an decrease over 2018 figures mostly down to milder weather this year.

Mid-week daily consumption levels typically hovered around the 1.5 TWh mark, showed a graph.

“However, one may assume that the coming days will show the first impact on overall power demand,” the BDEW added.

Car plant closures

Industry, which accounted for 40-45% of power sales for German utilities that totalled 511.6 TWh in 2019, was still mostly operating without constraint but plant closure announcements by the country's car manufacturers would have a “noticeable” impact on electricity demand, it said.

“Power consumption of the VW plant in Wolfsburg alone stood at 0.96 TWh in 2017,” it noted, with the group announcing shutdowns earlier this week, along with its rivals.

Meanwhile, a delay or breakdown of supply chains could also impact industrial demand in other sectors going forward, said the BDEW.

However, a large share of electricity was also consumed for non-production related functions such as heating, lighting and IT, which would limit the overall drop.

At the same time, the move to home office work and video conferencing would only provide a smaller counterweight to the expected loss elsewhere, although demand from data centres and internet exchange points should rise, said the energy industry group.

Price hit

“Wholesale power prices have already reacted strongly to the crisis,” it added, noting a EUR 5 drop week on week for the front-year contract and a EUR 10 drop for the front month.

They last traded at EUR 34.65/MWh and EUR 21.35/MWh, respectively, with the front month hitting an 18-year lower of EUR 20.80/MWh earlier.

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Virus lockdowns slash power demand in Italy, Spain, France

(Montel) European countries' efforts to contain the coronavirus have caused widespread falls in electricity demand, with Italy, Spain and France revealing the deepest plunges.

Power demand generally fell by between 2-7% last week over the first full week of extraordinary measures in most European countries aimed at keeping people at home, according to [analysis](#) by Ember, a climate policy think tank formerly known as Sandbag.

Spain saw weekly power generation fall 10% with a plunge as deep as 16% on Thursday, while France saw falls of between 10-13% over the first part of the week.

Italy, where lockdowns already began on 9 March, saw an 8% week-on-week decline in power, "implying a total impact of 20% over the last two weeks," Ember analyst Dave Jones said.

Germany, Europe's biggest power market, saw a fall in electricity demand reach as much as 6% by last Friday as carmakers announced sweeping suspensions to production.

Energy Quantified, a Montel company, has forecast European power demand could fall by [as much as 20%](#) during the peak of lockdowns intended to slow the pace of new infections that risk overwhelming hospitals.

Italian example

Italy's experience of the outbreak is leading that of other European countries by about a week.

Covid-19 cases have climbed to around 64,000 in Italy, 35,000 in Spain, 30,000 in Germany and 20,000 in France, according to a John Hopkins University [tally](#). Spain, Germany and France were still seeing cases double every two-to-three days.

Observers emphasised it was too early to say how far total power demand may plunge this year as announcements regarding the extent of lockdowns and their duration were changing by the day.

China, where the outbreak began in late December, gave an indication of how long countermeasures may last, though it was no blueprint to what lay ahead, said Ben Wetherall, a senior analyst for global energy at consultancy ICIS.

Chinese energy demand has gradually recovered through March following widespread travel restrictions that came into force together with Lunar New Year celebrations in late January.

Worse than 2009?

A 20% reduction in power demand for three-to-four months equated to a 6% fall over a year, comparable to many European countries' experience of the 2009 global economic downturn, said EQ's

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SPAIN – Spot power to sink EUR 6 on quarantine, forwards dip

(Montel) Spanish spot power prices could dive at least EUR 6 week on week, while power and gas forwards hit record lows with the government tightening restrictions for the next two weeks amid the coronavirus crisis.

Baseload spot for Monday and Tuesday settled at EUR 19.05/MWh and EUR 20.55/MWh, respectively, compared to last week's average of EUR 26.18/MWh.

Spanish spot prices were set to dive well below last week's average as the country eyed lower demand, after the government tightened restrictions and stopped all non-essential work activity amid the coronavirus outbreak, traders said.

The country had more than 85,000 infected, exceeding cases in China and second only to Italy, and almost 7,400 dead, according to official data.

"I see it [spot prices this week] below EUR 20/MWh," said a Barcelona-based trader, noting it could be even lower.

"[Power demand] forecast for Sunday is below 21 GW. Unimaginable."

Additionally, average wind power generation would increase to average around 6.4-8.2 GW/day, compared to 4.5 GW/day last week, according to Montel's Energy Quantified and Wattsight.

Spain's available interconnection capacity for exports to France would increase from 1.6 GW to more than 2 GW on Thursday, with French spot prices above their equivalents in Spain, compared to last week's 2.3 GW/day average, according to TSO data.

Perhaps exports to France would provide some support, "though I see more market coupling and mutual support between both countries", said a Spanish trader.

New lows

The front month, meanwhile, last traded EUR 0.05 down at EUR 20.50/MWh, after hitting a fresh seven-year low of 20.05/MWh earlier.

Front-month gas was last [seen](#) at EUR 6.85/MWh amid demand destruction due to the virus impact.

"This low will be only for April. I think by May part of the economic activity is expected to recover and we'll have gas demand for power generation with higher temperatures," a Spanish gas trader said.

Further out, the Spanish Cal 21 power contract traded EUR 0.30 down at EUR 38.80/MWh, while Q3 shed EUR 0.30 to a record low EUR 33.10/MWh.

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EQ sees room for more lost power demand on virus

(Montel) Many European countries adopting strict measures to keep people from spreading the coronavirus may still see their electricity demand fall another 15 percentage points relative to normal, according to Montel's Energy Quantified.

Italy, which has the highest number of confirmed cases outside of China, continued to lead other European nations in the extent of lost power consumption owing to lockdown measures.

Italian demand was down 26% against where it would otherwise be so far this week after adjusting for temperatures, according to EQ.

France and Spain were next worst hit, with demand down 19% and 12% in those countries respectively. German demand was least affected so far among EQ's sample of nine European countries, down just 4% on where it should otherwise be.

"The Italian numbers show that there is still a potential for further drop in other countries," said EQ's Eylert Ellefsen. "Maybe 15-20% reduction can be reached in more countries."

Demand dive

Last week saw roughly 3,000 GWh of power demand erased due to the virus across EQ's sample of markets. This was equivalent to around 8% of the 37,800 GWh of demand to be expected absent the impact of the virus over EQ's sample.

"For this week the reduction will be somewhat stronger as the consumption in most countries still is trending downwards, although we see that the downward trend is currently flattening out."

EQ tracked the power demand of France, Germany, Belgium, Austria, Italy, Spain, Slovenia, Poland and the Czech Republic.

Last week, [EQ said](#) EU power demand could fall by up to 20% due to the lockdown measures. Others too [have warned](#) of slowing demand across Europe, with the steepest declines in Italy, Spain and France.

Europe has become the epicentre of the coronavirus pandemic that has climbed to reach 424,000 cases globally, according to a John Hopkins University tally. Death tolls in Italy and Spain are growing more swiftly than they did in China at the same stage of its outbreak.

Reporting by:

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11:06 Wednesday, 25 March 2020

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Pace of virus power demand loss is slowing – EQ

(Montel) European countries are continuing to see power demand fall due to efforts to contain the coronavirus, though the pace of declines has slowed this week, according to Montel's Energy Quantified.

Power use across ten countries tracked by EQ fell by around 25 GWh/h over the week through to Thursday. This was around 4,200 GWh less consumption than should be expected for the period.

Italy, the epicentre of Europe's Covid-19 outbreak, continued to see the sharpest declines with demand down 22% relative to normal. France and Spain were down 17% and 11% respectively.

German power demand averaged only 3% lower as the country continued to appear least affected by the shock of efforts to keep people at home, EQ estimates.

The most profound loss of demand has occurred on week days. These have averaged a consumption loss of 30 GWh/h across the EQ sample. France and Italy alone were responsible for fully two thirds of this decline.

Colder weather

Cooler temperatures may also have played a role in distorting some of the effect, EQ noted.

With temperatures in France averaging around 4C below normal, power consumption should usually average around 64 GW on a working day.

"We see an actual level of about 52 GW, which means a reduction of 12 GW," said EQ's Eylert Ellefsen.

"The general trend is still downward, although flattening out."

European countries still had room to gravitate towards Italian levels of power demand loss as lockdowns gradually caught up with that country's experience, EQ said [earlier this week](#).

EQ tracks the power demand of France, Germany, Belgium, Austria, Italy, Spain, Slovenia, Poland and the Czech Republic. Europe is home to most of the world's registered coronavirus cases, which have surpassed half a million infections world-wide, according to a Johns Hopkins University tally.

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12:19, Friday, 27 March 2020

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Polish power demand could fall 20% amid lockdown – analysts

(Montel) Polish baseload power demand could shrink by 20% year-on-year as more factories shut down or reduce output due to the coronavirus lockdown, analysts told Montel.

"We could see a 20% drop in demand in the peak of the pandemic," said Kamil Kliszcz, energy analyst with mBank.

The government announced on 12 March several measures to fight the spread of Covid-19, which has killed 164 people and infected more than 5,300 in Poland. The measures included closing schools and universities, with restrictions affecting travel, shopping malls, bars and restaurants.

Many industrial firms have announced [halts](#) in production in Poland, including car factories, their suppliers and furniture [manufacturers](#). Offices are also being shut, with employees ordered to work from home.

Polish power consumption has fallen 3.5% in March year-on-year to 14.2 TWh. During 1-7 April, it fell by 8% to 2.9 TWh compared with the same period in 2019.

"I think we will see a 9-10% fall year-on-year in demand during the whole lockdown period," said Pawel Puchalski, energy analyst at the Polish branch of Santander Bank.

"We could see up to a 20% fall in power consumption at some moment during the lockdown," said Pawel Maj, analyst at Ipopema Securities brokerage. However, the situation will improve in the second half of the year, with demand expected to fall by 1%, he added.

Kliszcz painted a darker picture with demand in the second half set to fall 5% as the economy will still suffer from current restrictions.

"We do not know how long the lockdown will last. Obviously, the shorter the better for the economy," said Puchalski.

"Power demand in H2 will also depend on the yet-unknown scale of problems with the supply chain and by how much the fall of the world GDP will hit Poland," he said. "That is why it is too risky to forecast after-lockdown power demand."

The peak of the Covid-19 pandemic in Poland is expected to happen on 24 April, according to the latest forecast by the Seattle-based Institute for Health Metrics and Evaluation. The death toll is expected to reach 1,953.

Reporting by:

Marcin Czekanski

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13:21, Thursday, 9 April 2020

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Nordic power-intensive industry cuts output on lockdown

(Montel) Norwegian paper manufacturer Norske Skog and Swedish steel manufacturer SSAB are slashing output as the coronavirus pandemic reduces demand for their products, although the exact impact on power use remains uncertain, it emerged on Wednesday.

Norske Skog was closing one of the three machines at its Saugbruks mill in Norway, which would cut output by around 20-25%. The plant uses around 1 TWh annually.

The machine, which produces magazine paper, was being shut down amid market uncertainty connected to the pandemic, the company said in a stock exchange release.

Tested positive

It had previously shut down a machine at its Golbey plant in France after 14 workers tested positive for the coronavirus, although planned to restart that unit this week.

Production at the Skogn newsprint mill in Norway was unaffected, it said.

Meanwhile, Swedish steel manufacturer SSAB was also reducing production due to lower demand amid the pandemic.

It would shut down its plants at Borlange in Sweden and Hameenlinna in Finland for one week in April and one in May and was considering a potential reduction at its furnaces at three other sites depending on how global demand develops.

The company has an annual power demand of around 2.75 TWh, of which 52% is produced on-site.

However, Finnish steel manufacturer Outokumpu and forestry groups SCA and Matsu had no plans to reduce output for the time being, they told Montel.

"Challenging situation"

Norwegian aluminium manufacturer Norsk Hydro was also currently running all its plants as normal but called the current situation "extremely challenging".

"We're analysing the market hour by hour. But it takes a long time to shut down an aluminium plant and even longer to start it up again," said spokesman Erik Brynhildsbakken.

The company is Norway's largest power consumer, using 17-18 TWh a year.

Another firm, Alcoa was also operating as normal at its two aluminium plants in Norway, it said.

Meanwhile, Elkem had postponed a planned rebuild of one of the furnaces at its Salten silicon plant in Norway by four weeks due to coronavirus restrictions, though operations were otherwise unaffected.

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Plunge in European power demand stabilises – EQ

(Montel) The large fall in European power demand seen during lockdowns aimed at battling the coronavirus is steady, Montel's Energy Quantified (EQ) said on Tuesday.

Electricity consumption across 10 countries sampled by EQ was down by 16%, or just over 5,000 GWh, last week.

This was still a little more than the 15% loss of demand over the prior week, though the pace of declines has slowed sharply since countries began shutting schools, suspending businesses and encouraging people to stay home from around mid-March.

"We see that the consumption reduction has stabilised in most countries," said EQ's Eylert Ellefsen.

Italy, Spain and France continued to see the sharpest reductions in power use. Italy consumed around 74% of the power it might normally be expected to use for the time of year after adjusting for temperatures, by EQ calculations. That is about two percentage points less than the previous week.

Spanish demand stood at 81%, seven points lower, while French demand stood at 85%, up two points from the previous week.

Germany, Europe's largest power market, continued to see a relatively restrained impact from the pandemic, with demand still around 96% of normal levels.

Reporting by:

Nathan Witkop

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13:32, Tuesday, 7 April 2020

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China's virus experience suggests bleak outlook for EU gas

(Montel) China provides a case study of the potential hit to European gas demand from efforts to halt the coronavirus, though it was no guarantee of what lay ahead, according to consultancy Icis.

Chinese gas consumption fell 11% in February, a month that may not have taken into account the full extent of demand destruction given the timing of the Lunar New Year holiday in 2019.

Industrial gas consumption fell the most, by about 37%, while gas for power use fell by 12%.

Europe is yet to see such decreases. "The impact on Italian gas consumption hasn't been that dramatic so far," said Ben Wetherall, a senior analyst for global energy at consultancy Icis.

Yet it was also too early to predict how badly gas demand would fall as Europe began taking the kinds of measures to keep people at home some two months after China started.

Total Italian gas consumption from 9-17 March – the first full week of lockdowns in the country – was 218mcm/day, down just over 3% on a five-year average for March, according to Icis.

Power offtake was down almost 6% and industrial gas use down nearly 5%.

Extrapolating the Chinese experience forward for Europe as a worst-case scenario, Spain and Italy could expect to see some of the sharpest declines in gas consumption, according to Icis.

A Chinese rate of declines from March to May would cut Spanish gas demand by 2.5bcm and Italian gas demand by 1.6bcm, the consultancy said. The UK, a major European gas consumer, was likely to see less of a hit due to a lower amount of industrial gas use.

Unfortunate timing

"It couldn't have come at a worse time for the global gas industry," Wetherall said.

Others said gas demand in Germany, Europe's largest market, would fall by 0.5bcm or 7% in April. So far the country has not seen a drop in industrial output compared to that in southern Europe.

"German gas demand is expected to total close to 9 bcm in March and normally there is a drop of 25% between March and April driven by warmer temperatures," said Carlos Torres Diaz of Rystad Energy, noting this would imply a base case scenario of around 7 bcm.

"However, if we factor in lower demand due to lower commercial and industrial activity as a result of Covid-19 we could expect demand in April to drop further to 6.5 bcm."

An already oversupplied global gas market compounded a gloomy outlook in Europe.

TTF gas may bottom out at EUR 6/MWh this summer – Refinitiv

(Montel) European summer gas prices are likely to bottom out at EUR 6/MWh this year as producers hold back supply, with Russia and Norway most likely to curb output, energy consultants Refinitiv said on Thursday.

Europe's two biggest pipeline suppliers were the ones "from whom we expect the most flexibility", senior gas analyst Marina Tsygankova told a webinar, as the coronavirus pandemic appears set to swell an already oversupplied global market.

Gas for the coming summer on the Dutch TTF hub, Europe's most liquid, last stood at a multi-year low of EUR 7.94/MWh. The contract has shed around 60% since last summer.

Yet prices still had room to fall another EUR 2 before producers were likely to withhold supply and put a floor under the market, according to Refinitiv.

European gas inventories, presently only 45% depleted as the continent exits winter, could fully restock by mid-July if suppliers do not respond, Refinitiv estimates.

Coronavirus blow

The coronavirus hit to European gas demand implied suppliers would need to cut flows by between 12-19bcm to balance the market, depending upon the duration of measures to keep people from spreading the deadly disease, Refinitiv said.

If lockdowns last only for the coming weeks, they could curb gas demand by 2bcm in northwestern Europe, said Tsygankova.

The effect was likely to be cushioned by a relatively cool outlook for April, she added.

However, if lockdown measures extended into summer, they could see Covid-19 cut gas demand by 5bcm over the area covering Germany, France, Belgium and the Netherlands.

Northwestern Europe was already on track to enter summer with 6bcm more gas than last summer – equivalent to around 9% of the region's normal gas demand for the period.

A lighter Norwegian maintenance schedule also implied an additional 5bcm from Norway.

This was set to come on top of an extra 4bcm of LNG this summer as producers again turn to Europe to offload a burgeoning glut, Refinitiv forecast.

One of the few sources of support to offset these factors was a likely 3bcm decline in Dutch output.

Russian lead?

"We expect that Russia will take a greater role in balancing over-supply this summer than [it] did last summer," Tsygankova said.

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French gas consumption falls up to 15% – TSO

(Montel) French gas consumption fell up to 15% week on week as government measures to contain the spread of the coronavirus came into force, TSO GRTgaz estimated on Friday.

The draconian measures had cut gas demand across client sectors, from individuals to large companies but France had also experienced milder than normal weather reducing the need for gas heating, a spokeswoman told Montel.

The government ordered the closure of almost all non-food businesses on Saturday, closed schools and told people to work from home before announcing a full lockdown on Tuesday heavily restricting population movement with incidence of the disease totalling around 245,000 globally.

Plunging power demand

In parallel, power consumption [dropped](#) around 15%, TSO RTE said earlier this week.

French firms Renault, PSA and Michelin closed factories and ArcelorMittal halted steelmaking at Florange in eastern France on Thursday until at least Monday.

Industry accounted for 34% of gas consumption in France in 2018, after residential (39%) and tertiary (26%), data from the French national statistics office Insee showed.

Italy – which had been hardest hit by the virus with cases topping 35,000 – saw its [gas](#) demand fall by up to 20% as the crisis led to the shutdown of key industrial centres in the north of the country, said Energy Aspects analyst Trevor Sikorski on Thursday, adding “the peak of Covid-19 is still to come”.

Reporting by:

Sophie Tetrel

sophie@montelnews.com

13:02, Friday, 20 March 2020

Rystad cuts European gas demand growth outlook by two thirds

(Montel) European gas demand growth in 2020 will be two thirds less than previously anticipated, at just 2bcm instead of 6bcm, as power consumption and industrial activity grind to a halt amid a regional lockdown to contain the coronavirus, said Rystad Energy.

The Oslo-based research company now expects the continent's gas demand to grow to 556bcm this year, revised down from a previous forecast of 560bcm, compared with an estimated 554bcm in 2019.

For this month and April, when most of the continent is in lockdown, there will be a combined loss of 4.1bcm in expected demand, it said, noting that would translate to Europe's total demand being limited to 89.2bcm from a previous forecast of 93.3bcm for the period.

Germany (-0.7bcm), Italy (-0.5bcm), the UK (-0.6bcm), France (-0.4bcm), the Netherlands (-0.4bcm) and Spain (-0.1bcm) would take the biggest hit in absolute volumes.

"As people stay home and businesses close their doors, demand will decrease for power generation and for burning in the industrial, commercial and residential sectors," said Rystad Energy in a research note late on Thursday.

"It is therefore probable to see reduced commercial and industrial activity in countries for a period of at least four weeks," said the company's head of power and gas markets, Carlos Torres Diaz.

For March and April, electricity consumption and gas demand for power generation could drop 7%, with industrial gas consumption down by 5%, retail by 20% and household by 2%, the company said.

Less imports, lower prices

Moreover, lower gas consumption would "most likely" cause buyers to "adjust down their share of pipeline imports to the extent possible and will also reduce imports of spot LNG cargoes", said Rystad.

"There is a risk of seeing prices drop to a level of USD 2.3/MMbtu for a short period of time while the necessary adjustments to balance the market occur."

However, the downside risk would be "limited" since the Dutch TTF front-month contract is trading below USD 3/MMbtu, Torres Diaz noted.

"At a lower price, exporters of US spot LNG cargoes... would rather divert cargoes to other regions, or adjust down production."

The gas prices would "remain stable" at USD 3/MMbtu throughout the second quarter, it added.

Reporting by:

Sophie Tetrel

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09:57, Friday, 20 March 2020

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Experts dispute analysis CO2 price fall will benefit coal

(Montel) The plunge in EU carbon prices will not lead to a shift back in favour of coal-fired power, some experts and calculations suggested on Friday, disputing analysis Montel published earlier this week.

On Thursday, [analysts said](#) the steep drop in carbon prices would make coal more profitable than natural gas as a power fuel but recent pricing movements show coal remains far behind gas in terms of the merit order.

EUAs have fallen more than 31% since the energy sell-off began 10 days ago amid the coronavirus panic. German Cal 21 baseload power has dropped by 14.5% and Cal 21 TTF natural gas has lost 14%. At the same time, front-year API 2 coal has lost just 4.9%.

Firmer coal

The relative stability of European coal prices might reflect firmer Q2 contract prices in the seaborne market, said one broker.

Australian sellers have reportedly agreed a Q2 price of just under USD 70/tonne, an increase of USD 0.50 from the previous quarter.

"There isn't a large structural oversupply pressuring the thermal coal market spot price [in Asia]," [said Pat Markey](#), managing director of Singapore-based consultancy Sierra Vista Resources.

"This is coupled with coal-fired generation's baseload position in the merit order within these countries," said Markey. "Coal is still quite cost competitive versus other fuels, including LNG."

Coal's relative strength means the fuel has not gained any competitive advantage during the recent energy price weakness.

Montel estimates showed that over the past 10 days, the clean dark spread – the profit margin from burning coal to generate power – had risen 82% from EUR -1.28/MWh to EUR -0.23/MWh, while the clean spark spread – the equivalent for gas generation – had climbed 33% from EUR 3.16/MWh to EUR 4.20/MWh.

However, if coal prices had declined at the same rate as German power prices have since 5 March, all other elements being equal, the clean dark spread would have jumped from EUR -1.28/MWh to EUR 2.53/MWh, still EUR 1.70/MWh behind the clean dark spread.

"Onus on gas"

In order for the merit order to switch in favour of coal, the onus was on gas prices to rise rather than for coal to fall, said Trevor Sikorski of Energy Aspects.

"Gas is still oversupplied, even more so now with [the coronavirus pandemic]," Sikorski said. "It's gas that is pricing itself in, with or without [the cost of] carbon."



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NORDIC – Q2 hits fresh low amid demand concerns

(Montel) The Nordic power front-quarter contract hit a fresh low of EUR 8.30/MWh on Monday amid concerns about flagging industrial demand in the face of the spreading coronavirus.

The contract traded last at EUR 8.35/MWh, down EUR 0.75 from Friday's close, while the 2021 contract stood EUR 0.70 lower at EUR 20.90/MWh – the lowest level for a front year since June 2016.

The move followed a fresh plunge in European carbon prices, which are regarded as a broad measure of industrial demand and overall energy activity.

"The major price driver today is the tumble on the carbon market as [industrial activity] in Europe and globally is dropping heavily due to the coronavirus outbreak," said Jens Nordberg, trader and partner at Danish firm MFT Trading.

The benchmark carbon price hit a fresh 21-month low below EUR 15/t.

Meanwhile, Nordberg cited weather forecasts showing slightly more rain than initially anticipated for the hydropower-intensive market in the coming two weeks.

The latest 10-day weather forecasts suggested an equivalent to 3.5-5.5 TWh of potential hydropower production, compared to a seasonal average of 4.7 TWh, according to Montel's Energy Quantified (EQ).

The hydrological balance – a measure of energy stored in snow, soil and reservoirs – would ease somewhat from a current historical surplus of 34 TWh but remain above 31 TWh until the end of April, EQ added.

"[Due to the hydropower surplus] we are now getting close to price levels for the July contract when hydro producers start to spill water instead of producing. I do not expect the contract to drop much further," Nordberg said.

The July contract was seen in a bid-ask spread of EUR 6.00-6.40/MWh, compared to Friday's close at EUR 6.85/MWh.

Spot to drop

In the spot market, Montel forecast suggested the system price for Tuesday would settle below the current delivery level of EUR 7.82/MWh, amid an expected increase in wind power output.

Montel's AI-based model pegged Tuesday's system price at EUR 6.84/MWh.

Average wind power output could rise from 8.7 GW currently to 11.4 GW on Tuesday, according to EQ, while power consumption was set to drop from 51.3 GW to 50 GW.

Reporting by:

EU power prices could drop 40% on recession – Thema

(Montel) Continental European power prices could fall by up to 40% to EUR 20-25/MWh on average next year should efforts to curb the coronavirus cause a global recession, said Oslo-based consultancy Thema.

Prices would likely drop from current levels of close to EUR 35/MWh as a result of weaker demand and lower fuels and carbon prices, said Thema on Friday.

Nordic power prices would stay below EUR 20/MWh next year since the region was unlikely to eliminate its huge hydro surplus, it said.

But the low prices could lead to a temporary standstill in new renewables deployment, which should support prices in the following years, said Thema. The consultancy said prices would recover to EUR 34/MWh in the Nordic region by 2030 and around EUR 40/MWh in Germany.

The introduction of the market stability reserve in the EU ETS last year was also supportive for prices, Thema said. The reserve would prevent a price fall for carbon allowances similar to what was seen during the financial crisis in 2008-2009, when EUAs fell to EUR 5/t.

EUAs could drop below EUR 10/t next year before starting to recover under its recession scenario, Thema said.

Less demand

The consultancy based its assumption on 8.5% less power demand next year than normal, a demand destruction similar to the financial crisis.

But it also believes states have fewer stimulus tools than during the 2008-2009 crisis, so it would take two to three years before demand picks up again.

Reporting by:

Olav Vilnes

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09:39, Friday, 27 March 2020

Editing by:

Christopher Harder

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09:39, Friday, 27 March 2020

Related news:

CO2 tumbles below EUR 15/t amid wider sell-off

(Montel) EU carbon prices tumbled more than 7% in early Monday trading as financial markets reacted negatively to the economic impact caused by the continuing spread of the coronavirus pandemic.

Dec 20 EUAs fell as much as 9.1% to EUR 14.65/t, the lowest intraday price since June 2018, as energy and equities fell. The benchmark carbon contract last traded 7.75 lower at EUR 14.87/t on Ice Futures.

"The fact the FTSE [equity index] was off 5% meant it was always going to happen," said Tom Lord of Redshaw Advisors.

The Cal 21 German power and TTF gas contracts were down by 3% and 1.6% respectively, while coal had eased by 0.6%.

"Emissions markets seems a little bit more explosive than power or gas or coal," said one European trader. "There is still a decent speculative position in the market."

The trader added that carbon price volatility, which has typically focused on the front-December contract, is now higher in the June monthly contract.

"Several players sold the puts at the beginning of the year," he said. "Now they are under pressure [from the falling price.]"

Meanwhile, the head of the Organisation for Economic Co-operation and Development has warned that the world will take years to recover from the coronavirus pandemic.

Angel Gurría, OECD secretary general, said the economic shock was already bigger than the financial crisis and that a serious outbreak could halve global growth to 1.5% already looked too optimistic, the BBC reported.

Alessandro Vitelli
newsdesk@montelnews.com
09:50, Monday, 23 March 2020

Edited by
Christopher Harder
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09:50, Monday, 23 March 2020

Related news:

[24 Mar 2020 - China's virus experience suggests bleak outlook for EU gas](#)

Oil rises on emerging talks between US, Opec to curb crisis

(Montel) Oil prices rose on Tuesday amid an emerging alliance between the US and Opec to tackle the oversupply crisis on the back of the coronavirus pandemic.

The front-month contract for Brent crude North Sea oil was last seen up USD 1.10 at USD 28.13/bbl, while the WTI equivalent was USD 1.13 higher at USD 24.49/bbl.

The price of crude has plunged by around 65% since early January, driven by the combination of an ongoing price war between Saudi Arabia and Russia and the spreading coronavirus pandemic.

With crude prices below USD 30/bbl, "many operators make a loss from producing crude oil", Eurasia Group said in a note.

"There were emerging talks of an alliance between the US and Saudi Arabia and the US joining an Opec meeting in June to stabilise oil prices," said Australia's ANZ bank in a note.

"The US energy minister [Dan] Brouillette said that the US government is considering sitting together with other partners and discussing different ideas to stabilise the market," it added.

"At some point we will engage in a diplomatic effort down the road. But no decisions have made on anything of that nature," said the minister.

"This news followed last week's announcement of the purchase of 30m bbl of oil to help small producers," said ANZ.

Lockdowns

"On the other hand, lockdowns in many countries led to deteriorating demand prospects," it added, with most of Europe instituting draconian measures, with the UK the latest country to prevent its citizens leaving the house unless essential to curb the spread of the pandemic.

With the attendant shutdown of industry, "the largest ever oil supply surplus for a single quarter is expected to reach the market next month, which would create an imbalance of about 10m bbl/day", Rystad Energy analysis showed.

"There is essentially no idle storage capacity available on tankers," the analysis said.

Global oil consumption could fall by as "much as a quarter" during the peak of the pandemic, said Henning Gloystein of Eurasia Group.

Reporting by:

Robin Newbold

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07:49, Tuesday, 24 March 2020

US oil falls below USD 20/bbl amid ongoing pandemic concerns

(Montel) The price of WTI crude oil dipped below USD 20/bbl in early trading on Monday as the US lengthened its coronavirus social-distancing guidelines and a medical adviser said the US death tally could reach 200,000.

The front-month contract for Brent crude North Sea oil last traded USD 1.43 lower at USD 23.50/bbl on Ice Futures, while the equivalent WTI was down 0.91 USD at USD 20.60/bbl.

President Donald Trump announced that the distancing guidelines would last until the end of April after saying earlier he hoped they would end on 12 April.

Anthony Fauci, director of the US National Institute of Allergy and Infectious Diseases, said projections indicated the virus could kill between 100,000 and 200,000 people in the US.

"[The] WTI crude oil price has likely broken down a key support level at USD 21.7," Margaret Yang, market analyst at CMC, said in a note. "Technically, this might open room for more downside towards the USD 18-19 [level]."

Brent crude plunged to a new 17-year low on Friday amid ongoing fears of global recession and as the US – the world's biggest oil consumer – surpasses China with the most confirmed cases of the deadly coronavirus.

"The deepening pandemic and reduced appetite for crude oil by refiners sent the oil price into a tailspin," ANZ bank said in a note. "Stimulatory measures announced by the US failed to arrest the decline in oil prices."

Recession fears

Fear of a global recession caused by the pandemic has contributed to the recent huge drop in oil prices. Crude has also taken a beating from the prospect of oversupply following a breakdown in talks between Opec and Russia intended to extend production cuts that expire this month.

Instead, Russia and Saudi Arabia – Opec's biggest producer and exporter – are locked in a price war and plan to boost production starting in April despite a collapse in demand amid the economic decline caused by the measures aimed at stopping the spread of Covid-19.

"Global energy demand is drastically falling in a time when major producers, namely Opec+, Russia and North America, show no signs of cutting back production yet," Yang said. "As the price war continues, smaller and more vulnerable energy companies may not be able to sustain this for long and thus drilling activities will naturally fall, countering the effect of lower demand."

"Amid the worldwide lockdowns, storage capacity is filling fast and may soon run out unless there is an urgent supply cut," ANZ said.

"Energy demand from the power generation sector is also plunging amid an industrial slowdown and

Oil tops USD 32 after record 1-day climb

(Montel) Oil prices turned higher and rose above USD 32/bbl on Friday, a day after they posted record increases following hopeful tweets from US president Donald Trump about possible supply cuts from Saudi Arabia and Russia.

The front-month contract for Brent crude North Sea oil last traded USD 2.11 higher at USD 32.05/bbl on Ice Futures, while the equivalent WTI was up USD 0.29 at USD 25.61/bbl. Prices had fallen about 5% earlier Friday.

Brent and West Texas Intermediate crude prices jumped more than 20% on Thursday, their biggest-ever one-day increases, after Trump said he expects Saudi Arabia and Russia, two of the world's biggest oil producers, to reach an agreement to cut output by 10m barrels.

"With the world economy in deepfreeze, oil consumption has stalled and there are media reports ... of a megadeal in the making between the top three oil producers, [US], Russia and Saudi Arabia, to cut crude production," Eurasia Group analysts said in a note.

Prices climbed until Russia denied talking to Saudi Arabia. Prices held steady after Saudi Arabia said it would consider cuts if other countries followed suit.

Still, negative news for the oil industry continued as it faces plummeting demand amid the coronavirus outbreak.

Economy hit

Companies are running out of places to store crude as the world economy takes a hit. A record 6.6m Americans applied for unemployment benefits, the number of Covid-19 cases topped 1 million worldwide and the number of reported deaths exceeded 50,000.

Trump is scheduled to meet Friday with oil company executives to discuss the market.

"Ultimately, president Trump's twitter message alone is insufficient to lift oil prices for a sustained period," Margaret Yang, market analyst at CMC, said in a note. "Some consolidation between USD 22.0 to 25.9 could be seen in the days to come, while traders await more updates from [the Saudis, Russia and the US shale oil industry]."

"We believe any agreement on production cuts will have minimal impact on the oil market," ANZ bank said in a note.

"The closing of borders and lockdowns has had a precipitous impact on oil demand. Flight activity has fallen by more than 60% over the past month, while traffic in the US and Europe is down 60% and 45% respectively," they added.

Updates story first published at 08:09 CET with latest prices.

Christopher Harder

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GAS – TTF front month dives to record low under EUR 7

(Montel) Dutch TTF front-month gas dived to a record low below EUR 7/MWh on Monday due to muted demand projections amid the coronavirus as well as warmer weather on the horizon.

The April contract was last seen trading at a record low EUR 6.95/MWh.

"If you adjust 2003 to 2020, prices are now insanely low," said one gas analyst with a US firm, adding current levels were "pretty much a cry for someone to reduce supply significantly".

"Surely, some North Sea producers must be losing money. But will see once April starts and front month hedges come off," he added.

Market participants said demand destruction appeared to be the most bearish factor for gas, with others suggesting plentiful renewables were ousting gas from the merit order during typical peak hours.

Prices tumbled as countries imposed some of their harshest measures yet to contain the spread of the virus.

Spanish low

The Spanish government instituted a full lockdown, with all non-essential activities and transportation forbidden, which would lead to sinking demand for gas-fired generation, a Spanish trader said, with the front month there slumping to EUR 6.85/MWh – its lowest since 2005 on the available data.

"It's a crazy price but it's a crazy situation," said the trader.

The country had more than 85,000 infected and around 7,400 dead, according to John Hopkins University, second only to Italy.

Spain expects 20 TWh of LNG in April, 20% less than in March, but 43% more year on year. Reserve levels and LNG stocks would continue rising to 70% full and 54%, respectively, according to TSO data.

Milder outlook

In terms of weather, temperatures were revised up from Sunday onwards and could reach 4C above average, data from Montel company Energy Quantified (EQ) showed.

Meanwhile, analysts projected European gas storage overhang to weigh on the global market over the course of the spring and summer.

"European gas storage sites are closing the heating season with 25bcm above their five-year average, which could further depress summer prices both in Europe and on the global gas market," a Paris-based gas analyst said in a note.

"With an unseasonably mild winter, strong wind speeds and an LNG influx beating all the records in Q1, we ended up the heating season with storage almost 55% full," he added.

German spot power eyes 20-year low on virus, renewables

(Montel) German spot power in April could deliver as low as EUR 15/MWh – a 20-year low – as healthy renewables output, low emissions prices and reduced demand amid the Covid-19 pandemic paint a bearish picture.

The futures contract for April baseload expired at EUR 17.06/MWh on the EEX, after trading in a EUR 16.55-30.60/MWh range – with the bottom a historic low – during its time as front month.

Spot prices this month could slump to an average of EUR 15-16/MWh, according to three market participants. The last time spot prices averaged that low in a month was back in August 2000, at EUR 15.65/MWh.

One Austrian trader said a spot delivery below EUR 10/MWh would be possible in the next months if temperatures were to remain mild with normal wind levels at 10-15 GW and solar peaks of 30 GW.

"There are so many unknowns for the coming months," said a Dutch trader, pointing out that already weakened demand due to new government measures to stop the spread of coronavirus would be exacerbated by the Easter holiday.

German power for the week from 6 April last traded at EUR 14/MWh and the following week at EUR 15.30/MWh.

Meanwhile, power demand in the last week of March had fallen 4% from the prior week, as the Covid-19 measures forced shops and some industry to close. Some analysts reckoned demand could drop as much as 15% while restrictions remain in place.

"If you get wind as well, then you have negative prices," said the Dutch trader.

"There is potential [for spot prices] to go lower," said a Germany-based trader, pointing out that solar power generation generally peaks in spring and temperatures get warmer.

On 23 March, solar output reached a fresh record of 31.7 GW at midday, according to data from Montel's Energy Quantified (EQ).

Looking ahead, EQ data estimated solar output peaks above 20 GW in most of the next 25 days. And temperatures in Germany should warm to above-normal levels from the weekend.

Carbon prices, imports

Also, participants said the direction of German spot power prices would hinge on the cost of carbon emissions and the extent of electricity imports from abroad.

On 23 March, the benchmark carbon price fell to its lowest since June 2018 at EUR 14.34/t. It has since recovered to just above EUR 17/t.

UK gas to hit “uncharted territory” in April as virus grips

(Montel) UK gas prices were set to hit “uncharted territory” this month, slumping to fresh lows amid muted demand due to the coronavirus crisis, with producers potentially cutting flows later in the month to stabilise the market.

The day-ahead contract on the NBP hub fell to 17.80p/th on its last trading day in March on Tuesday, the lowest level since October 2009. The contract traded in a 17.80-26.50p/th range last month and closed at an average of 23.06p/th, down 0.42p compared to the previous month.

On its last trading day, April changed hands at 16.70p/th, the lowest level for a front month since at least April 2007 when Montel started collating the data.

“We expect demand to be severely impacted by Covid-19 in Q2. A relaxation of lockdown measures should see a modicum of demand recovery in Q3, however,” said Wayne Bryan, director of European gas research at Refinitiv.

UK lockdown

Lockdown measures to curb the spread of the virus have restricted movement and led to industry shutdowns across the region, with the UK no different, and analysts predicting up to a 20% impact on gas demand.

Gas demand could be more resilient than electricity but still fall 10-20%, independent consultant Dilip Patel told [Montel](#) last week.

Demand in European countries with strict confinement measures would likely fall 12%, while looser restrictions could limit the drop to 5%, said Carlos Torres Diaz of Rystad Energy.

With the demand dearth and the end of the heating season, spot prices could continue to trade around 17p/th in early April and might need a sign of reduced supply to rebalance to around 20p/th again, said market participants.

“I think April will be the month where we are likely to see the biggest fall. Naturally we have less demand for power generation anyway, but this time we have a slowdown in industrial activity as well and that is likely to affect both gas and power,” an analyst said. It could take more than a few weeks for demand to recover at least partially, he added.

Mid-May pick-up?

“I think we are probably looking towards mid-May for a pick-up. At least that’s when I see the lockdown to slightly ease if everything goes well,” he said, with the number of cases in the UK topping 25,000 and the disease expected to peak in the next two weeks.

The market could probably expect some cuts in pipeline flows from first Norway and then Russia, he added.

“The very low price environment will eventually prompt some producers to limit their exports to the bare

Covid-19 crash to speed green shift for oil firms – analysts

(Montel) The coronavirus outbreak and accompanying oil price crash – which have seen levels slump to near two-decade lows this week – will hasten a green transition among oil and gas majors, analysts told Montel.

The benchmark Brent contract has shed around 65% since the start of the year to its lowest levels since 2002, as the demand dive amid the coronavirus pandemic was compounded by fears of a global recession.

European oil and gas majors have responded by cutting their capital expenditure for this year, with Shell slashing it by USD 5bn and also pulling out of an LNG project in Louisiana this week as it was not the "right time to invest".

Total and Equinor have also slashed 2020 cap-ex by USD 3bn and Eni by USD 2bn, as they hoped to ride out a prolonged period of oil at USD 25/bbl.

This may be too optimistic however, as the Brent front month hit a fresh 18-year low of below USD 23/bbl on Monday and its WTI equivalent slipped under USD 20/bbl.

"Immense pressure"

"Even before the coronavirus came along, the oil industry was under immense pressure," said Mark Lewis, global head of sustainability research at BNP Paribas, highlighting the oversupplied market and increased investor scrutiny of projects that were not environmentally sustainable.

While previous sharp oil price drops during the financial crises in 2008-09 and 2014-16 improved the fuel's competitiveness over renewables and spurred demand, "what you have now is very different situation", Lewis added

"We're too far advanced in the economics of renewables and too advanced on the societal political understanding of the dangers of climate change for this to go backward the way it did in 2008-09.

"And I believe that with the current pricing of oil, a number of oil majors will end up actually thinking maybe it's the right time to switch more into renewables and to re-channel capex away from oil."

Better green outlook

"The outlook for renewables is better and the outlook for fossil fuels is worse than it used to be," agreed Thina Margrethe Saltvedt, chief analyst for sustainable finance at Nordea.

Investors were becoming more "sceptical" to oil, with prices crashing for the second time in a decade, while returns and dividends no longer looked equally attractive, she added.

For example, Swedish pension fund AF1 became the latest investor to pull out of fossil fuels just two weeks ago.

Covid-19 increases fears of French supply crunch

(Montel) The coronavirus crisis has heightened fears of a power supply crunch in France this winter, analysts and market participants have told Montel.

Dominant power producer EDF is juggling its power plant maintenance schedules in a bid to avoid a supply shortfall later this year, if and when power demand recovers.

Covid-19 has forced the firm to scale back staff at plants to a minimum amid growing concern for the safety of those still at work. This has led EDF to postpone around 20 planned nuclear reactor outages this year and next and extend ongoing maintenance stops at several others.

November concern

The firm carries out the bulk of its maintenance on its nuclear reactors in the spring and summer, when demand is lower, said one London-based trader. The reactors account for over 70% of French power output.

"They do a lot of the outages in Q2 and Q3 and they try and get most of the units back in service by the end of October, before the start of peak demand in France," he said.

"If you shift maintenance then you have to shift the other ones and it becomes like a whole chain that you have to shift down," he said.

"Now, if things are shifted by a month or two, you could have a situation whereby you arrive in November and availability is much lower. My concern is November," the trader said.

Even before the pandemic, EDF was struggling to maintain its nuclear output, with production from the firm's 58 reactors slumping to a three-year low last year after ageing units overran a complex maintenance schedule.

Ageing fleet

The firm had already warned it will cut this year's atomic output target of 375-390 TWh. Experts at S&P Global Platts Analytics now estimate EDF will generate 372 TWh over the year.

In March, France's nuclear output was the lowest for the month in 29 years, according to Montel calculations.

"It is an ageing fleet in the middle of extraordinary maintenance," said Paolo Coghe, analyst at Acousmatics. "On top of this we now have the additional constraint of staff unable to go to work and the ripple effects."

It was "difficult to quantify, but the impact on supply could be large", he said. "If it's a cold winter, demand will rise and there could be less supply because they would have done less maintenance. The risk of problems is increased."

The health crisis made it "doubly important that EDF reviews all its planned outages and visits" to have enough capacity on line in the winter, said Colombus Consulting's Nicolas Goldberg.

Pandemic to cut 2020 EU emissions – analysts

(Montel) The coronavirus pandemic is likely to reduce EU ETS emissions by 100m-400m tonnes of CO2 in 2020, according to analysts polled by Montel.

Governments across the EU have implemented lockdown measures to reduce the risk of infection. These have included requiring businesses to suspend operations and in some cases closing energy-intensive industry such as steel and car manufacturing.

The result will be emissions reductions above and beyond those predicted from fuel switching or efficiency measures, analysts say.

European power sector emissions would fall by 88m tonnes, or 12.7%, from 2019, Marcus Ferdinand of Icis predicted, based on early observations in Italy.

Industrial emissions would drop by 265m tonnes, as production declined 30% in March and is expected to shrink by half between April and June before returning to original levels by June 2021. Emissions would be 40m tonnes lower in 2021 as the effect of the pandemic wears off, Ferdinand said in a research note.

As a result, Icis expected EUA prices to be EUR 3/t lower on average over the four quarters of 2020, a drop of 13.7% from a pre-virus forecast. EUA prices in 2021 will be EUR 4.90/t lower on average, down 21% from the previous estimate.

Lawson Steele of Berenberg Bank predicted that 2020 emissions would fall by 223m tonnes.

Power generation would see a 10% decline in output, he said, though some of the decline in industrial demand would be offset by residential demand as more people work from home.

"However, this commensurately increases the [EUA] deficits in the next three years," Steele said in a note published on Monday.

"Under the [market stability reserve] mechanism, a higher number of allowances in circulation, due to lower demand, implies that more allowances will be taken out of the system in the coming years."

Steele predicted EUA prices will average EUR 23/t in the first quarter of 2020, followed by quarterly averages of EUR 15/t, EUR 20/t and EUR 40/t, reductions of EUR 2/t, EUR 15/t, EUR 20/t and EUR 25/t respectively. Forecasts for 2021 and 2022 remain at EUR 65/t.

Sharp emissions drop

The sharp drop in emissions over the last couple of years has meant that actual emissions are now far ahead of the market cap, and this is adding to the existing surplus, according to Dave Jones of Ember.

"Even before Covid-19, 2019's emissions were six years in front of the current cap," Jones said.

"The MSR was never designed to do this much heavy lifting, and reform was already needed. Covid-19 only makes ETS reform even more urgent."

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German PPA market “very challenging” this year – Statkraft

(Montel) Operators of older wind farms are holding off from signing power purchase agreements (PPAs) for German onshore wind amid very low wholesale power prices – exacerbated by the coronavirus crisis – that made many such deals potentially uneconomical, utility Statkraft said on Wednesday

“I expect that [operators] would wait it out at the moment,” said Andreas Bader, vice president sales & new products at Statkraft Markets, the Norwegian firm’s German subsidiary, of potential new PPA deals this year for units reaching the end of their 20-year subsidy period. The current market situation was “really challenging”, he added.

German front-year power prices had been in a downward trend for some time, only exacerbated by the pandemic, Bader said.

The Cal 21 baseload contract has dropped from around EUR 44/MWh at the start of the year to EUR 35/MWh at the beginning of April, he illustrated during a webinar hosted by wind power lobby group BWE.

However, an onshore wind farm might now only fetch around EUR 28/MWh in a PPA for 2021 output based on a market value of 86% of baseload prices and taking into consideration the cost of balancing and marketing plus revenue from selling guarantees of origin, calculated based on a broad example Bader said.

This compared to operating costs of EUR 34/MWh, resulting in a loss of EUR 6/MWh.

However, the conditions for each individual wind farm differed of course and the calculations were therefore only an example, he said.

Based on the forward curve, power prices should rise again in the next few years however, offering better conditions again for long-term PPA deals, he added.

Bader’s view aligns with comments from [German consultancy Enervis](#), suggesting wind PPA deals would likely grind to halt until the length and impact of Covid-19 pandemic became clearer. The IMF warned this week of the worst recession since the Great Depression.

Old contracts stand

“Timing is everything,” Bader said, highlighting how operators had been able to secure higher prices last July wholesale prices had peaked.

Still, Statkraft would not seek to renegotiate deals. “A contract is there to be honoured,” Bader said.

