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# Wholesale energy markets:

## Gas & Electricity shaken by the Virus

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# European Energy markets infected – but not recovered yet

- Energy market prices in Europe were already on a downward trajectory.
  - “Zero cost” REN electricity distorting markets.
  - Security of Supply issues & warm winter resulting in historically unprecedented high gas storage levels.
  - Global LNG glut – finally arriving.
  - Steady gas demand decline.
- Pandemic accelerates these developments.
  - Global long-term demand destruction.
  - Global LNG oversupply – for years to come!
  - Significant overcapacity for pipeline import capacity into Europe.
  - High gas storage levels (EU: 57.2% as of 16.04.2020).
  - Increasing competition amongst oversupplied shippers.
  - Trend towards decreasing demand & increasing efficiency will continue for many years.
  - Decarbonization will further put pressure on all fossil fuels.
- Energy prices will matter more than in the past.
- This situation will not be a short episode, but will be a longer-term reality.

# Fate of climate & energy policies not clear yet

- Pandemic plus recession will alter national positions on climate as well as energy policies in general:
  - Longer grace periods are likely.
  - Importance of costs will increase.
  - Increasing cross-fuel competition will take place.
  - EU ETS prices will decrease in the medium run.
  - Impacts will be different in different sectors, e.g. Will oil and coal go out as soon as we currently think?
- However, the path towards further decarbonisation will be continued – but at what speed?
- As we all know every problem, crisis, etc. offers also opportunities!
  - Dark spreads might disappear.
  - Coal to gas switch might become more realistic & less expensive.
- Important to adjust decarbonisation timetables now to ensure that economic, social as well as climate change challenges can be met.

# Europe & the rest of the world should use this time to come back even stronger

- From consumer perspective the current price situation is positive.
- From producer perspective .... not that much.
- For the energy industry itself the pandemic offers THE opportunity to reconcile and focus on:
  - Decarbonisation measures – well planned and prepared.
  - Methane emission prevention – use the time to show it can be done.
  - Energy efficiency in applications in general – re-prioritize and DO more.
  - Role of infrastructure operators in a decarbonised energy system – re-inventing the TSO in a decarbonized gas world.
  - Sector Coupling / Sector Integration – from competition to cooperation.
  - Cost efficiency! – costs for consumers matter more than ever.

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