Long-term price scenarios in European power and flexibility markets

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- Conventional Power Plants
- Combined Heat and Power
- Storage
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- Market Value Atlas and Revenue Report
- PPA evaluation tool
EU power prices surge as gas prices hit record high

Electricity prices of European wholesale markets (“Power base load EU-27+GB”)* reached record levels. The main drivers of the increase are price developments for natural gas and CO₂ allowances which determine the short-term generation costs of gas-fired power plants. Gas prices alone increased by around 400% compared to the 2020 average.

Sources: historical gas prices and EU ETS prices based on EEX; historical power price data based on ENTSO-E Transparency Platform, for Italy on Mercato Elettrico, for GB on ELEXON Portal since 2021. Data considered until 28.02.2022, availability of data of at least 99 %, no data for PL before 03/2017, for HR before 11/2017 and for IE_SEM in 2022. * EU-27+GB: demand weighted average value.
Three key drivers impact future power prices

The development of capture prices is strongly impacted by commodity prices (gas, coal, CO₂) in the short term and future deployment of RES as well as demand side flexibility in the system mid- and long-term.

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<td>Fuel / CO₂ price development</td>
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<td>Conventional power plant capacities</td>
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<td>1 2</td>
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Source: enervis
NG will support high power prices medium term

While backwardation of natural gas prices stays strong with a spread of almost 40 €/MWh (Cal 23 vs. Cal 26) futures prices were climbing to record highs lately. Long-term price expectations depend on full-cost of LNG imports to replace imports from Russia.

With the Russian invasion of Ukraine on 24 February 2022 futures prices of natural gas increased substantially. While future years were still trading at a discount, spreads between years decreased significantly.

Increase in natural gas price due to post-pandemic recovery of industrial demand in Asia. Futures prices (24/25) remain on a low level indicating only short-term market pressure.

Low price level in the wake of low demand due to two consecutive warm winters and reduced industrial demand following the COVID-19 pandemic.

Sources: EEX, enervis analysis, 2022
Renewables build-out drives cannibalization

Ambitious RES expansion of the European countries is focused on a higher onshore and offshore wind expansion as well as a higher PV expansion. Permitting procedures are to be simplified and accelerated in almost all countries. However, the countries are pursuing different focuses for the various RES technologies.

### Long-term price scenarios in European power and flexibility markets

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<th>Country</th>
<th>RES Focus</th>
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| **United Kingdom** | Focus on PV and offshore wind | • 50 GW target of offshore wind by 2030  
• Simplified permission and CfD extensions for onshore & offshore wind  
• Expansion of offshore areas  
• Planned revision of solar support rules |
| **Germany** | Focus on PV, offshore and onshore wind | • 80% of RES power generation by 2030  
• Onshore and offshore wind target of 115 GW and 30 GW by 2030  
• PV target of 215 GW by 2030  
• Simplified permission for all RES |
| **France** | Focus on PV, offshore and onshore wind | • 36 GW PV target by 2028  
• 18 GW Offshore target in 2035  
• Simplified permission planned  
• Higher subsidies, lower taxation and lower grid fees for RES |
| **Poland** | Focus on PV, offshore and onshore wind | • 50% of RES power generation by 2030 is discussed  
• Expansion of offshore areas  
• Improvement of PV expansion planned |
| **Netherlands** | Focus on PV, offshore and onshore wind | • Additional 10 GW offshore wind by 2030  
• Expansion of offshore areas  
• Simplified permission discussed  
• Improvement of PV expansion planned |
| **Portugal** | Focus on PV, offshore and onshore wind | • 80% RES power generation by 2026  
• Offshore capacity auction of 3 to 4 GW by 2026  
• Simplified permission discussed |
| **Belgium** | Focus on PV, offshore and onshore wind | • Expansion of offshore areas  
• Higher expansion of PV and offshore wind planned  
• Simplified permission discussed |
| **Spain** | Focus on PV, offshore and onshore wind | • 67% of RES power generation by 2026  
• Additional 18 GW wind target by 2026  
• Additional 19 GW PV target by 2026  
• Simplified permission discussed |

Information of selected European countries, as of 04/08/22
Hydrogen electrolysis will support prices long-term

The European Commission set a target of 10 million tonnes of domestic renewable hydrogen production and 10 million tonnes of imports by 2030. Around 50% of planned domestic production is currently covered by national hydrogen strategies.

**EU 27**
- 10 mio. t domestic production according to REPowerEU translates into ~90 GW electrolysis capacity until 2030
- ~50% currently covered by national strategies

**United Kingdom**
- 5 GW by 2030

**Netherlands**
- 3 GW by 2030

**France**
- 6,5 GW by 2030

**Poland**
- 2 GW by 2030

**Spain**
- 4 GW by 2030

**Germany**
- 10 GW by 2030

**Portugal**
- <1 GW electrolysis capacity until 2030

**Italy**
- 5 GW by 2030

**France**
- 5 – 10 GW electrolysis capacity until 2030

Information of selected European countries, as of March 2022
Get in touch with us

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