

Renantis publishes Q2 2023 energy price trend report

- *In the second quarter of 2023, gas prices continued to fall, reaching pre-crisis levels (33 €/MWh) thanks to low gas demand*
- *Price fluctuations indicate tension in the market, with influence from contingent situations*
- *Spring rainfalls after a dry winter stabilised energy prices and hydroelectric reserves benefited from the rainfall*

Milan, 14 July 2023 – The continuous fall in gas demand helped maintain the bearish gas price trend through the second quarter of 2023, despite upward swings registered in June. In Italy, hydroelectric storage benefited from high rainfall recorded in spring, which partially compensated for the arid winter. Their controlling effect on gas prices may only last for the first part of summer.

These are the findings from the latest Renantis quarterly report, which analysed energy price trends in the second quarter of 2023.

European gas value on the Amsterdam Hub (TTF) continued to decrease throughout the second quarter, with the exception of June. This bearish tendency caused the gas price to reach and remain at its pre-gas-crisis level of 33 €/MWh. This declining trend, which started at the beginning of the year, persisted in the second quarter, thanks to the impact of seasonality on gas demand, which usually experiences a significant fall in spring.

However, the comprehensive picture remains tense. Reacting to market news, the gas price spiked promptly after the announcement of maintenance work on GASSCO pipelines and the resulting interruption of operations in June, and the announcement of Groningen's gas field ceasing activity. The low gas demand favoured European gas storage, which reached 2020-levels, higher than 75% of its total capacity.

The recovery of hydroelectric generation in Italy

Spring rainfall has had a positive impact on Italian hydroelectric reserves. After an arid European summer in 2022 followed by a dry winter, spring rainfall has boosted reserves to normalised levels.

Although hydroelectric reserves remain strong, note that this year, the majority of this comes from spring rainfall, meaning that most of the reserve is in liquid form, not snow. This could cause reserves to decrease faster compared to previous years.

The level of stored energy corresponds to more than 3,500 GWh, a small part of the monthly Italian consumption, which could however allow the country to avoid a bullish trend in the first part of summer. Consequences of this can already be seen in the futures market (financial products indicating the value of a commodity, in this case energy, in the future). The future relative to the third quarter of 2023 (July-September) has experienced a considerable decrease, from a maximum quotation of 220 €/MWh at the beginning of the year to 120 €/MWh.

Beginning July 2023 - during which temperatures are expected to increase substantially - it will be possible to test the resilience of Europe's electricity system during the first summer without Russian gas inflows. It remains to be seen whether gas prices will continue to swing around 30 €/MWh, or if can expect a sudden spike that could resemble last year's situation, with prices jumping to above 100 €/MWh instead.

Luca Prosdocimi, Head of Trading and Dispatching at Renantis commented: *"The electricity market is living in an open-ended phase. Prices have fallen compared to their maximum levels, but they remain around 100 €/MWh, 50% above the levels we were used to. The first summer without Russian gas inflow will tell us a lot about the new balance based on LNG. High precipitation is helping the system, but new electricity price increases in the short term cannot be ruled out"*.

Check the full report on [Renantis website](#).

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