



Europe traded more power in first quarter, but prices slumped by 38%

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FRANKFURT (Reuters) - Wholesale power trading in Europe's main markets expanded in the first three months of 2020 as volatility during the coronavirus crisis prompted traders to adjust positions as prices and demand collapsed, data showed on Thursday.

Research firm Prospex said in a report that over-the-counter (OTC) electricity trading volumes jumped by as much as a third during January-March 2020 over the previous year, while energy exchanges also reported heavily increased trading.

Power trading remains a key component of commercial operations for utilities, commodity trading houses and investment funds.

Market-leading bourse, the European Energy Exchange (EEX), reported its power futures volumes were up 54% in March alone, the month when most European countries started lockdowns that closed businesses and kept consumers home, Prospex noted.

Rival Nasdaq Commodities reported a 39% surge in Nordic exchange futures in March.

Meanwhile, western European power prices slumped by 38% in the three-month period as volume surges did not override declining financial values.

Refinitiv Eikon data showed the Cal '21 contract for baseload power delivery in the most liquid market, Germany, currently stands at 38 euros a megawatt hour (MWh) TRDEBYZ1, 0.8% up on the day but 14% down from the start of the year.

Turning to its 2019 report, Prospex said western European volumes dropped by 5% percent to 8,744 terawatt hours (TWh) in the year while a fall in prices after a buoyant 2018 pushed the market's notional value down 20%.

The market turned over 364 billion euros (\$392 billion) in 2019, down from 459 billion euros in 2018 and well below its historic value peak of 616 billion in 2008 when wholesale prices were very high.

The OTC market is gradually losing its dominance as operators turn to regulated marketplaces to comply with European Union rules and reduce counterparty risks, Prospex said.

OTC accounted for 61% of total futures and spot volumes in 2019, down 2 percentage points on the year and compared with a share of three quarters seen up to the turn of the last decade, leaving the rest to the exchanges.