

High prices, volatility weigh down European power trading volumes, research firm says

By [Vera Eckert](#)



The headquarters of the European Energy Exchange (EEX), world's biggest online power trading platform is pictured during evening light in a centre-of-town high-rise office building in Leipzig, Germany April 25, 2021. REUTERS/Annegret Hilse

Summary

- Post-pandemic demand sent prices soaring
- Outcome, duration of Ukraine crisis unclear
- This causes credit risk concerns, drop in volumes
- EEX leading by far in volume terms

FRANKFURT, June 24 (Reuters) - Wholesale power trading volumes in Europe's main markets are falling this year due to high prices and uncertainty around the

impact of war in Ukraine on energy flows, which is also causing price volatility, researchers Prospex said on Friday.

Without quantifying the decline in 2022, the UK research firm said that without visibility about the duration and outcome of the Ukraine crisis, operators would likely limit their exposure in over-the-counter (OTC) and exchange-traded markets.

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

"Big price moves do prompt companies to adjust their positions," said Prospex' Ben Tait. "But once that is done, some decide to rein in their risks by trading less."

The sector, which had in the past weathered challenges such as the collapse of key player Enron, the global financial and European debt crises, the rise of renewable power, a plethora of regulations and the COVID-19 pandemic, may be facing its biggest challenges yet, Prospex said.

"It may not regain the (volume) peaks of the past for quite some time," it said.

Western European volumes fell by 12% to 8,285 terawatt hours (TWh) in 2021 while a surge in prices saw the market's notional value triple to a record 836 billion euros (\$883.07 billion).

The OTC market for spot and long-term positions is gradually losing ground as operators turn to regulated marketplaces to comply with European Union rules and reduce counterparty risks.

OTC accounted for 57% of total volumes in 2020, leaving the rest to exchanges.

Market-leading bourse EEX, the European Energy Exchange ([DB1Gn.DE](#)), turned over 4,851 TWh alone in 2021, which included spot and futures contracts and OTC clearing volumes handled by its clearing arm ECC.

EEX volumes were far ahead of those of major rivals Nasdaq Commodities, Norway's Nord Pool, Spain's OMIE, Italy's GME and American global operator ICE.

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