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16/11/22

New Stream PPA and GPA Market Analysis

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Gas Pricing Off Recent Lows: Weather, LNG Supply and NATO

- Gas and Power have sold down from the highs in recent weeks.
- October was the NBP and TTF's most significant monthly pricing decline this year.
- This week we have seen pricing bounce on the back of LNG supply and weather-related demand.
- The Freeport LNG plant will likely extend an outage curbing supplies to Europe.
- The company told LNG buyers that it would likely cancel shipments scheduled for November and December as work continues on repairs.
- Freeport previously accounted for about 15% of US shipments.
- On the demand side, New Stream expects colder weather to boost some demand for heating over the next ten days.
- Temperatures on the continent are set to dip towards the end of the week.

"Obviously, prices have fallen in recent weeks because of above-seasonal normal temperatures. This delay in the start of the heating season and strong liquefied natural gas flows have created a long supply versus demand balance system, and things have moved lower.

It's still only November, but things look pretty comfortable right now, which is why we continue to see renewable generators looking to hedge further along the price curve.

If this winter stays weak, then that market sentiment will probably lower the 2024 and 2025 PPA pricing."

Jamie Banks
PPA Manager at New Stream

European Energy

- European gas and power prices moved lower on Wednesday as European leaders and the US played down the importance of a missile strike on a Polish village.
- New details are emerging on the EU's proposed gas price cap, which is also putting downward pressure on prices.
- The EU set out its proposals for a price cap before a meeting of energy ministers next week.
- The cap will likely be activated if Dutch TTF pricing hits a pre-defined level.
- France continues to face a tight power supply due to low nuclear reactor availability.
- Currently, we are seeing repairs and maintenance on around 50% of EDF's nuclear stations.

Focus on PPA fixing into 2025

"We have seen a bounce in pricing at the front end on the back of the Freeport story and some lower temps. Probably some short cover from the speculative traders buying back positions which will also have supported things. But then the market moves down again on Wednesday.

The trend looks to be down, and until we see that broken, we still advocate hedging out future PPAs and GPAs. We have seen a move from renewable generators looking to fix out further than we have ever done before, with requests for pricing out to 2026.

I can see the rationale in terms of protecting downside risks. If this winter is a non-event, then likely the back end of the price curve, so 2024 and 2025 PPA pricing will move down further."

Charles Ward

Head of Renewables at New Stream



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UK Power and PPAs:

- Uncertainty around government intervention in the UK and Europe is impacting Energy pricing and contracting.
- Generators are looking for PPA fixing further out into 2024 and 2025.
- Contracting credible and commercially strong PPAs is more challenging than ever.
- Gas is still the main driver of PPAs and UK power.
- Strong Wind is putting pressure on the spot and cash-out PPA structures.
- Price volatility returns at the front end of the curve.

"Contracting PPAs continues to be challenging with some big price spreads between PPA off-takers, and market timing is again important. 2024 and 2025 fixings are taking longer to structure, so please bear that in mind."

"The gas storage levels in Europe are now at a sufficient capacity to cover about eight weeks of winter demand."

Francesca Reay
Energy Market Analyst at New Stream

