



New Stream PPA and GPA Market Analysis

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Gas Prices Drop Further – Lowest Levels Since September 2021

- European TTF and UK NBP prices again moved lower.
- Gas and Power have sold down from highs seen at the end of Q1 2022.
- PPA pricing moves lower relative to NBP gas and UK Baseload Power.
- Price volatility reduces in line with underlying commodity levels.

“Fortunately, we managed to secure a significant amount of PPA price fixing for our clients out to 2024 and 2025 during Q2 and Q3 of last year.

We have had some very sensible and rational conversations around upside versus downside pricing based on historical price levels and the FiT tariff and where we see the underlying supply and demand market fundamentals.

Now the focus from generators is even further out. Pricing and contracting are challenging, but we are getting deals done.”

Charles Ward

Head of Renewables at New Stream

“If you look at NBP gas pricing, that has almost halved in the past month or so.

Why such a big sell-off? We have navigated through the Russian supply shock with a bit of good fortune in terms of the prolonged spell of unseasonably warm weather. That’s reduced demand, which has kept gas storage in Europe fuller than normal. Then on the supply side, we have seen huge LNG flows.

Now the question is, will we lose some of this LNG supply to Asia if European gas prices fall lower? That is a potential risk for sure but maybe not enough to stop further moves down in pricing.”

Jamie Banks

PPA Manager at New Stream





Supply and Demand Overview and Outlook

- LNG imports continue at all-time highs replacing the Russian pipeline supply.
- Gas pricing is significantly down.
- PPA and Green Gas pricing is lower on the back of this.
- Norwegian pipeline flow continues to be strong.
- Europe gas storage levels are falling at a slower pace than in 2021.
- German storage levels were at 92% capacity as of the start of this month. Well above the five-year average.
- Estimated total European storage levels stand at 82%.

- Efforts to build up storage inventories mean we are now sitting on comfortable supplies.
- There are still risks from unexpected bouts of freezing weather or supply disruptions, but these risks are reducing.
- For now, the market is pricing in a much better outlook for power and gas market fundamentals.

"The European gas markets now face extremely low demand, combined with a plentiful supply. This is going to take some pressure off governments and policymakers. However, the outlook is positive now, which we couldn't say back in August."

Francesca Reay

Energy Market Analyst at New Stream





Upside Price Risks?

- Demand outlook remains weak as warm winter holds.
- Europe is set for the warmest January in over five years.
- Mild to normal conditions are forecast to persist until the end of the month.
- Temperatures across the UK may drop to more normal levels by the end of next week.
- Unseasonably warm temperatures continue to ease pressure on gas storage.
- Prices drop to 2021 levels as mild conditions reduce demand.
- French nuclear plant outages continue to cause some concern on the generation side.
- The availability of EDF's 50 reactors was around 70% last week.
- German power exports to France at the highest levels in over 25 years.

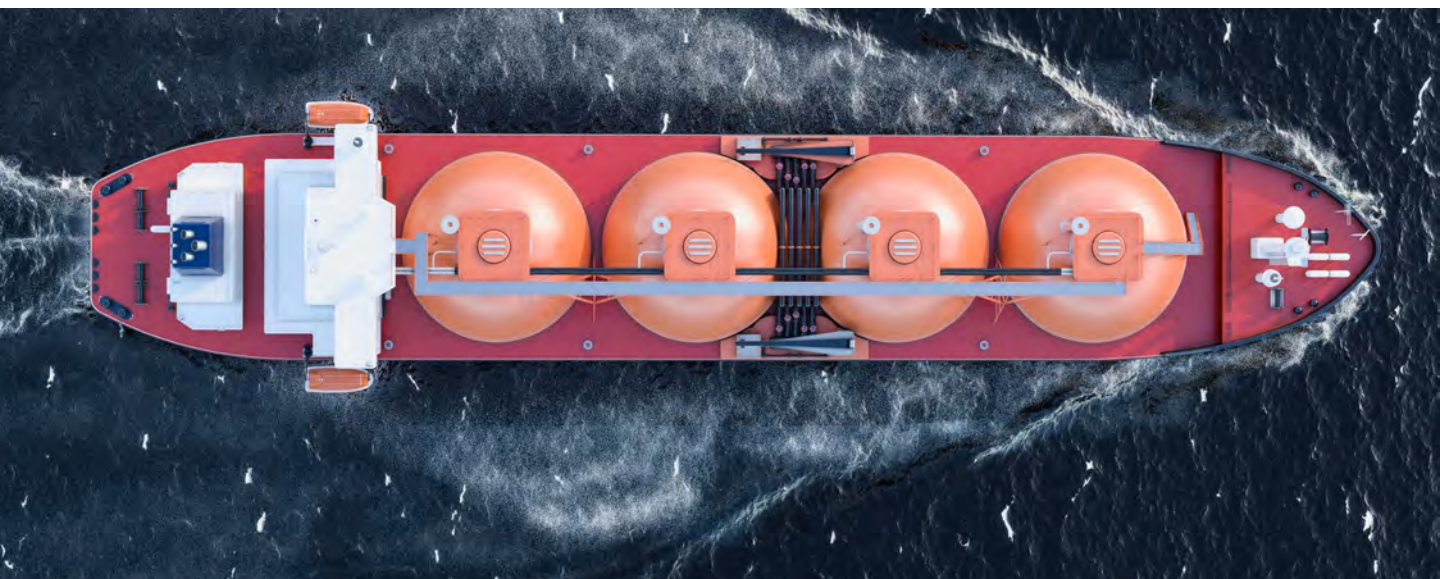
"I think it would be fair to say there is a bit of a winter buffer now, and you see that in the market price action. But, of course, weather can change, but there is a real risk in waiting for some cold that may never turn up or, if it does, will be too late to change much."

Francesca Reay

Energy Market Analyst at New Stream

LNG Supply is Key

- Germany opened its first-ever LNG terminal last month.
- The first shipment of liquefied natural gas came from the US and was delivered to a floating terminal off the port of Wilhelmshaven.
- Two other LNG terminals are set to open in Germany next year.
- The UK and Spain have the most extensive import capacities for LNG in Europe.
- Pricing continues to attract LNG cargo.
- Some risks around continued LNG supply should European pricing move below Asian buying levels.



Forward PPA Fixing Strategy

“We continue to see opportunities to lock in value and manage downside risk.

Generators and green gas producers have moved to fix out further than we have ever done before, with requests for pricing out to 2026.

Based on where we see the supply versus demand balance right now and on a relative historic value basis, we understand why clients are looking to protect against further downside risks.

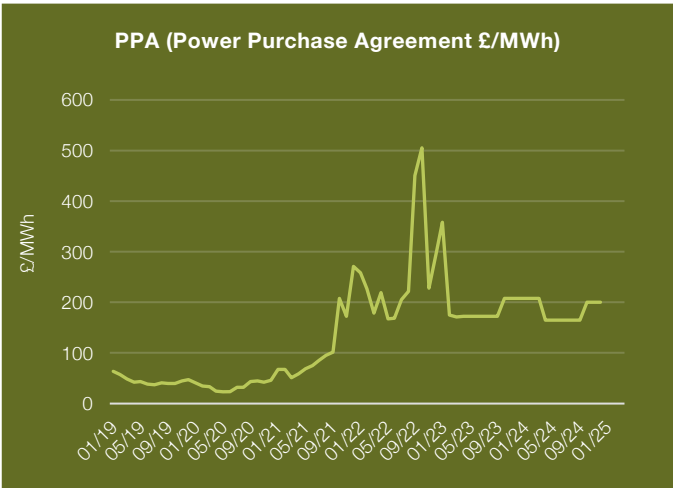
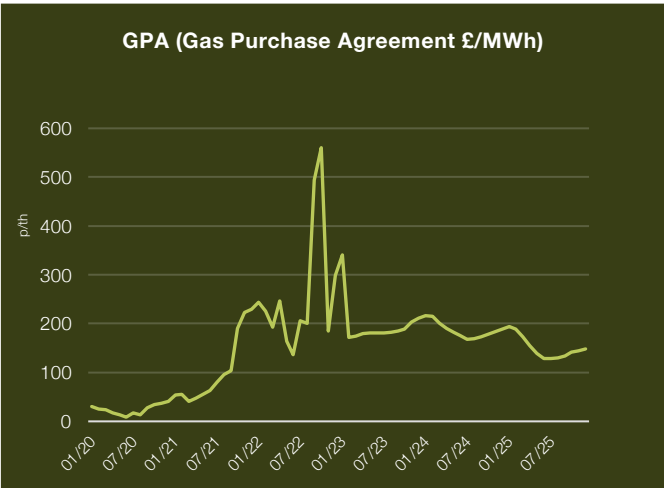
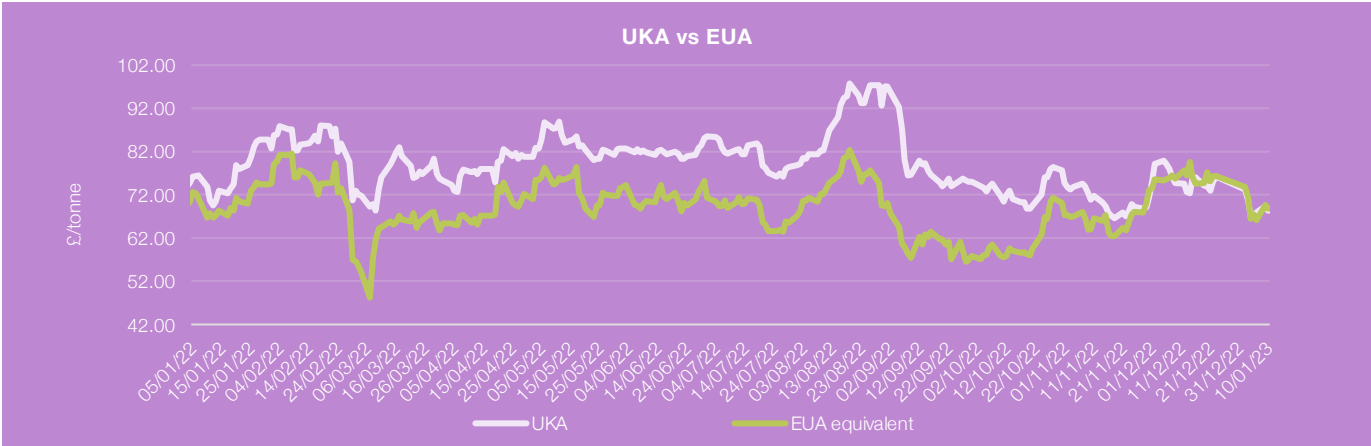
However, we continue to remind our clients that longer-dated PPA fixes depend on market liquidity, so we need more time to work on structures, so please bear that in mind!”.

Jamie Banks

PPA Manager at New Stream Renewables

Forward PPA Fixing

- Generators are looking for PPA fixing further out into 2024 and 2025.
- Contracting credible and commercially robust PPAs is more challenging than ever.
- Gas is still the main driver of PPAs and UK power.





2023

Best wishes for a successful 2023 from New Stream

We want to thank our PPA and Green
Gas clients for their continued support
through 2022.

The New Stream PPA Team