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Lights, camera...action!

Price and liquidity trends in SEE European power markets

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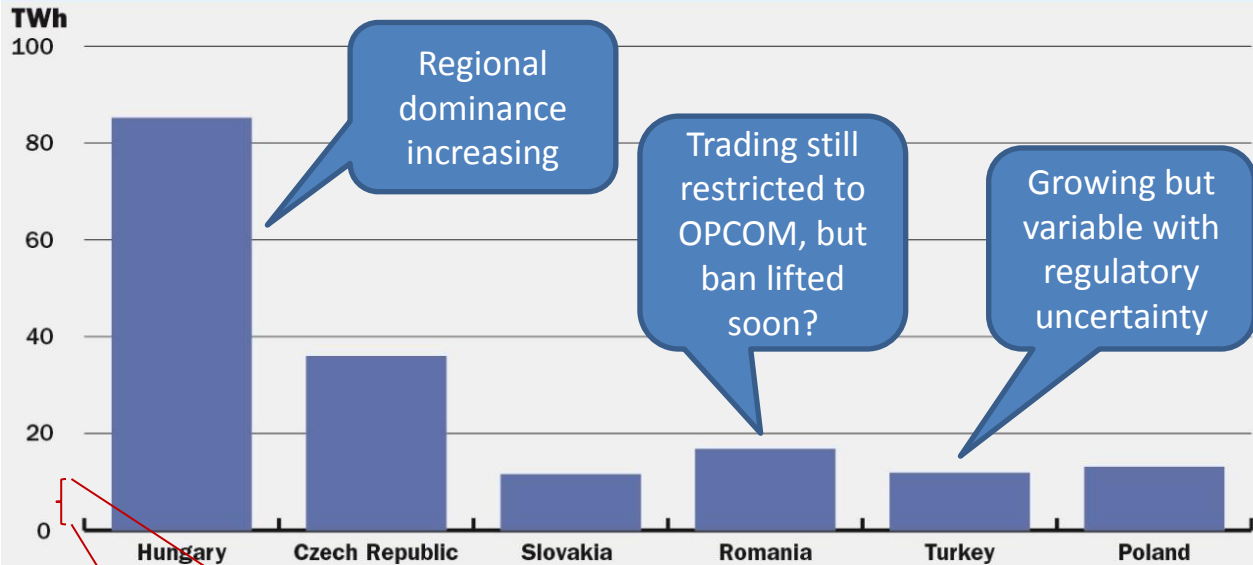
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Overview:

- Setting the scene - liquidity and price overview
- Key trends
 - Long-term benchmark falling
 - Converging spot spreads - 4M market coupling impact
 - Regional spreads reversing with fundamental shifts
 - Changing trading environment with new Balkan exchanges
 - Other influences on SEE
- Conclusions and outlook

General liquidity overview – winners and losers

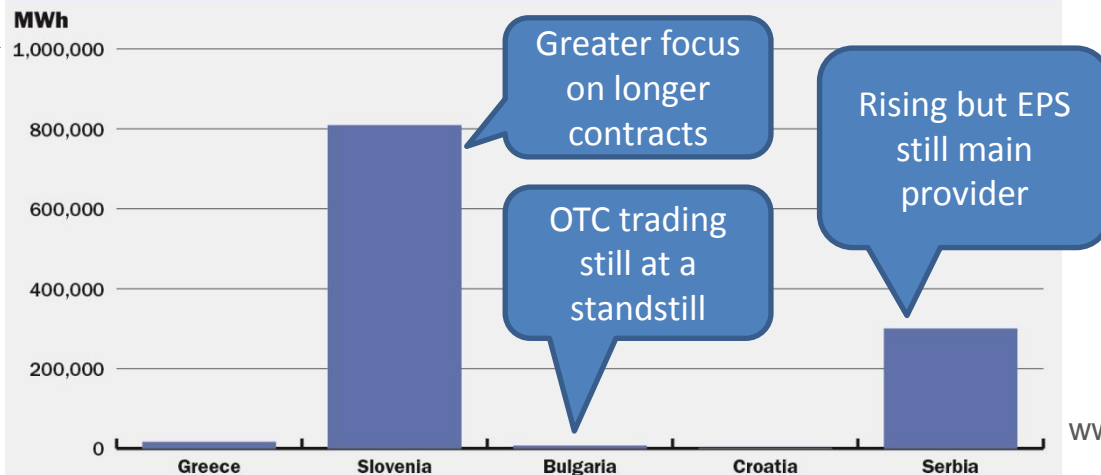
CEE/SEE OTC TRADED VOLUMES IN 2016



SOURCE: Trading activity reported to ICIS

Timescale: 1 January-31 May 2016

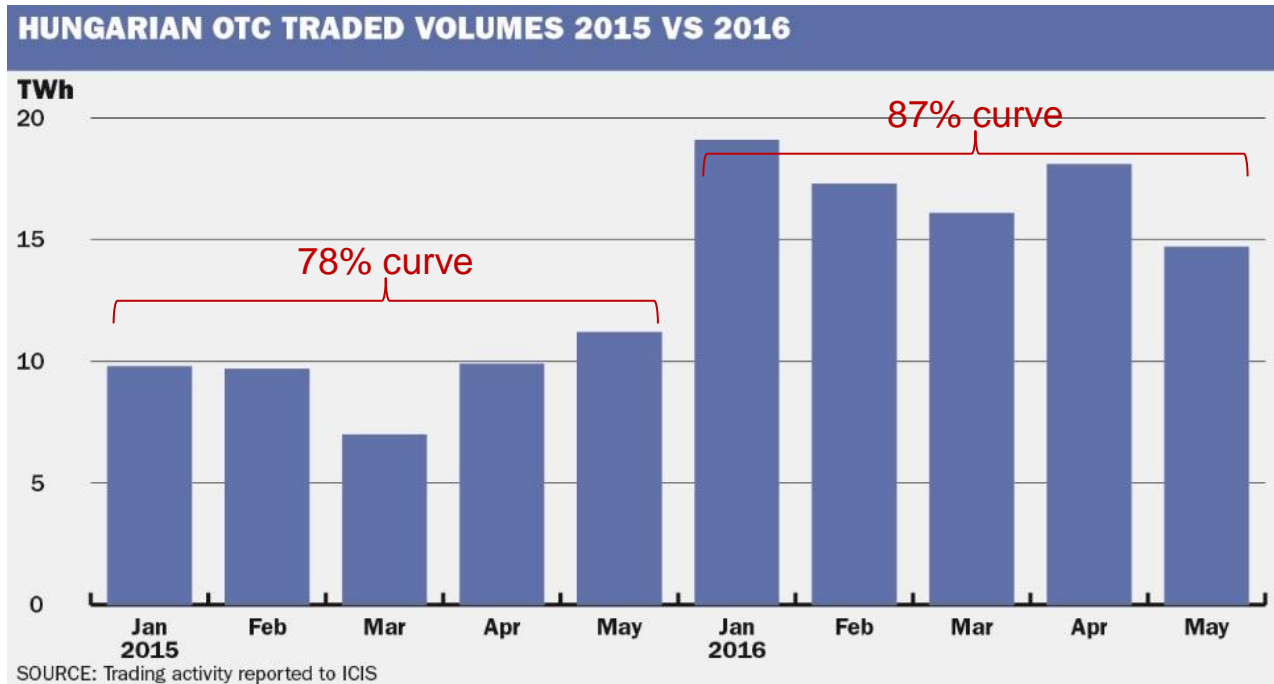
SEE OTC TRADED VOLUMES IN 2016



SOURCE: Trading activity reported to ICIS

Note: Greek trades are financial, not physical

Hungarian liquidity continues to shine



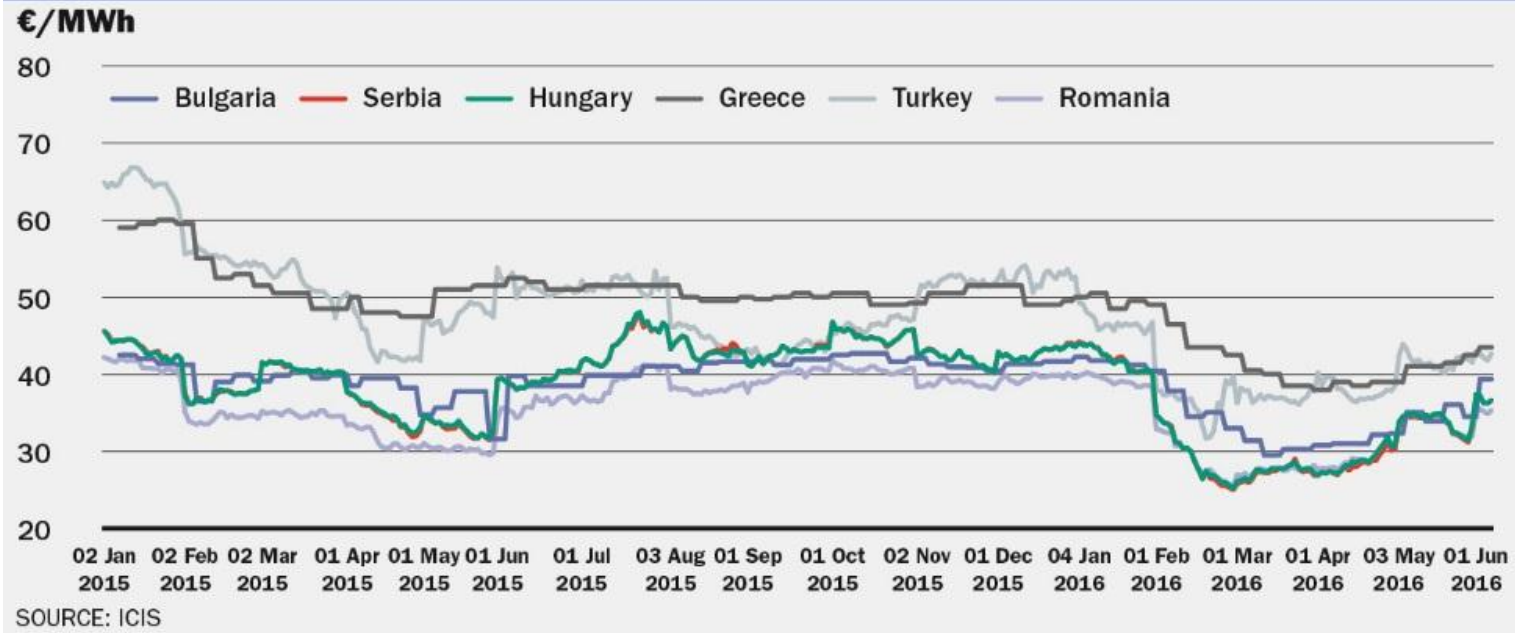
Hungary claimed regional hub position

- Reliable, transparent spot price signal
- Liquid OTC forward market as whole region hedges in Hungary
- Increased trading activity by regional companies in Hungary

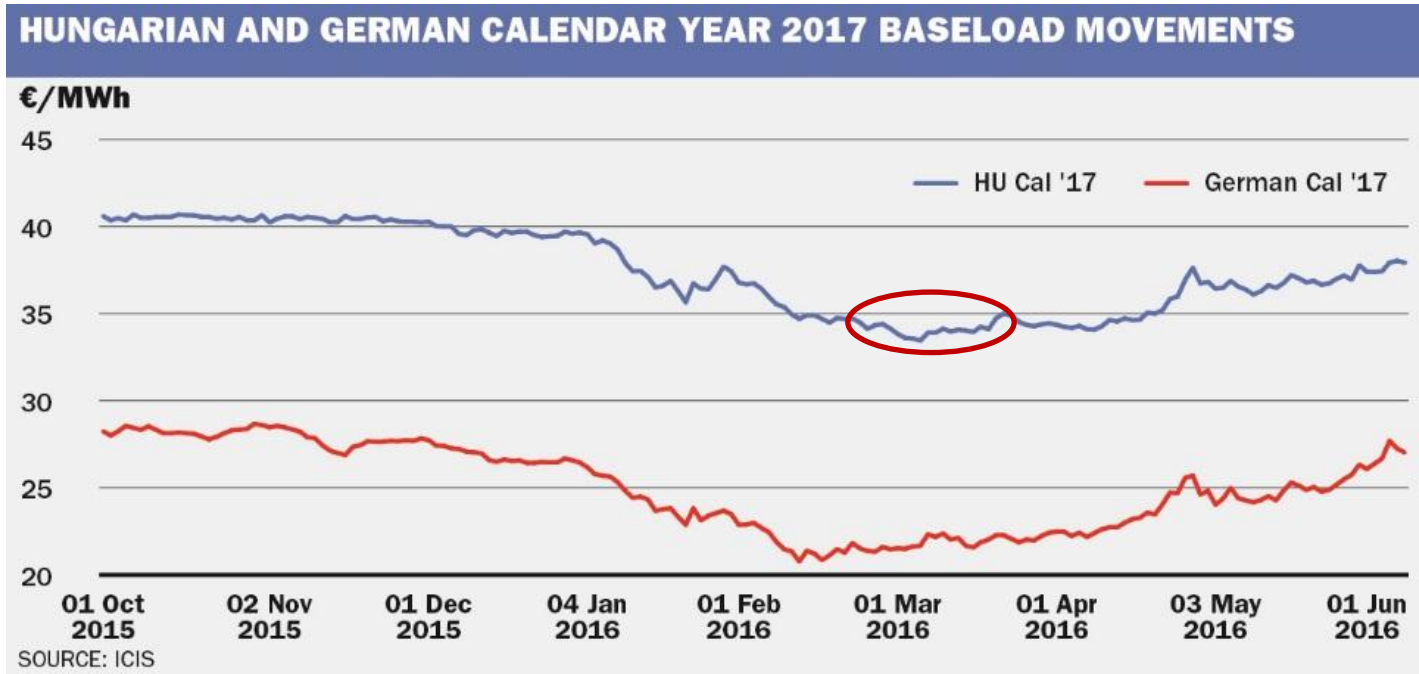
Key price trends

- European bearish trend caught up with SEE markets
- Profit margins squeezed

SEE FRONT MONTH MOVEMENTS



Hungary – high drama



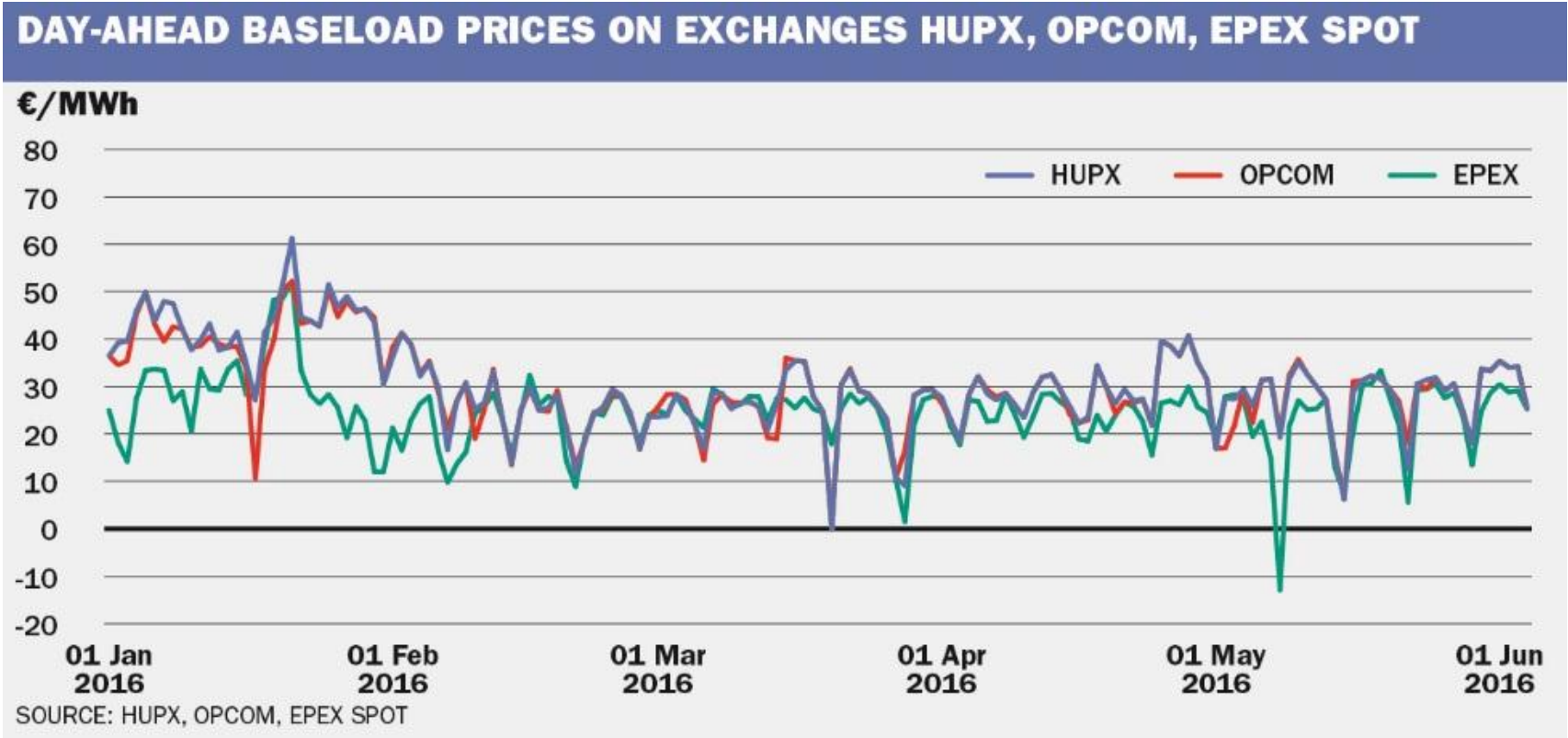
Year to date:

- Hungarian Cal '17 broke €40.00/MWh support level
- Bearishness stem from low spot, fuels, Germany
- Front year spread widened

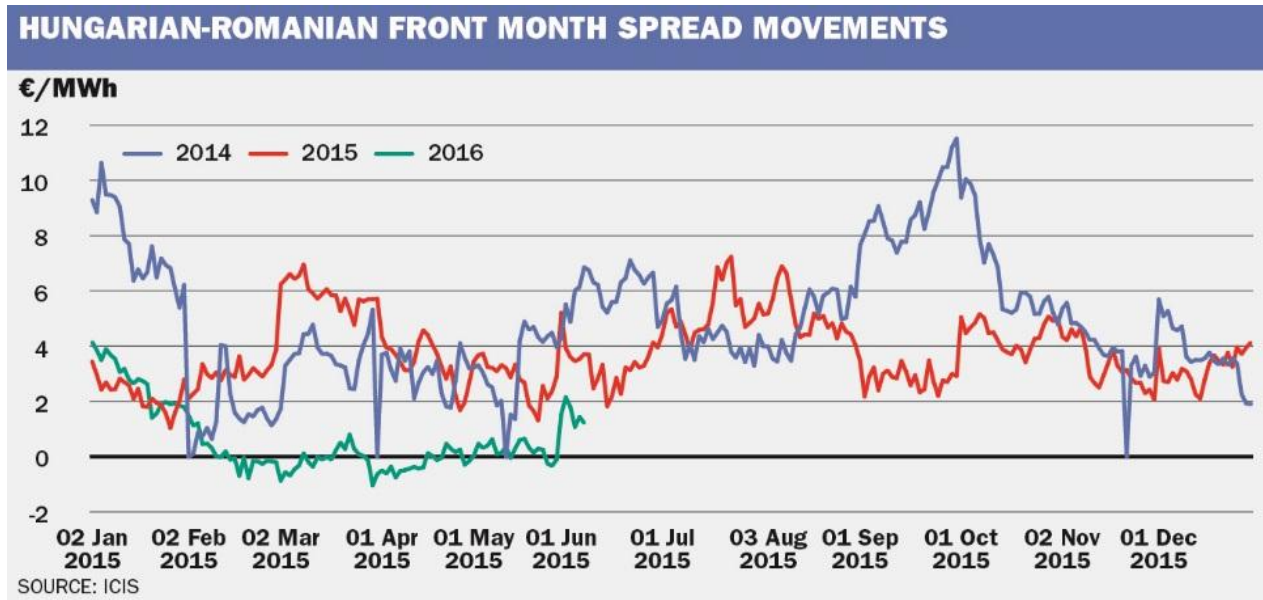
Outlook

- Some price recovery since May
- Opinions divided over future moves

Converging spreads on spot



Hungary and Romania – a twist to the usual tale



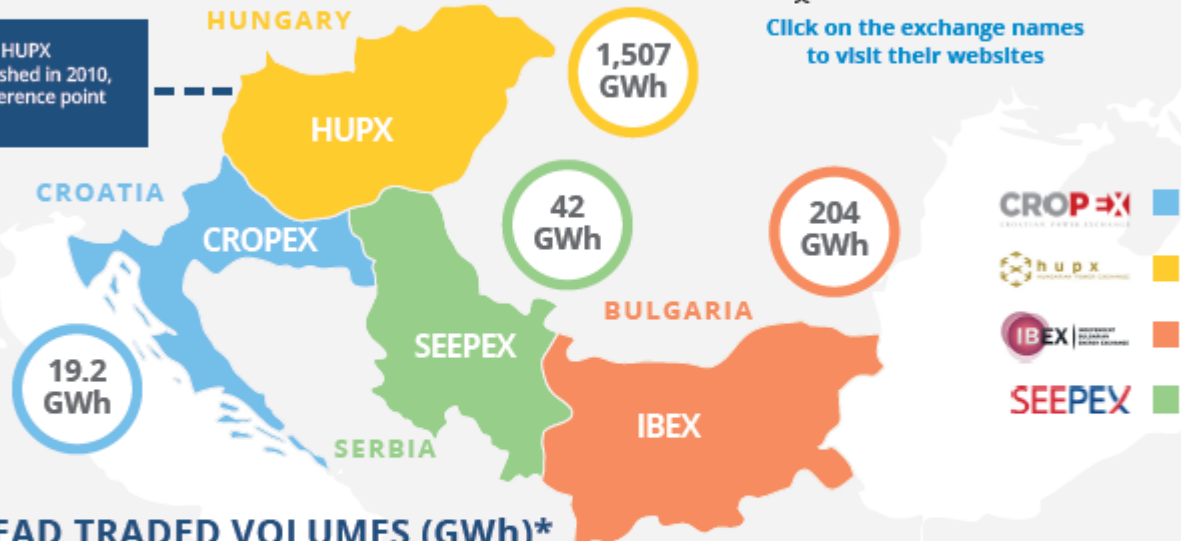
Seasonal reversal debut:

- Strong Balkan hydropower availability
- Increased flows to Hungary
- Weak prompt prices
- Converging day-ahead spreads
- German influence on Hungarian prices
- March spread reversing again next year?

The liberalisation process of energy markets in southeast Europe has been moving forward since the beginning of this year, with three Balkan countries recently launching day-ahead power exchanges. These new platforms aim to bring greater transparency and liquidity to the region.

The Hungarian HUPX market, established in 2010, is used as a reference point for the region

Click on the exchange names to visit their websites



DAY-AHEAD TRADED VOLUMES (GWh)*

*1 March – 1 April

COUNTRY	EXCHANGE NAME	EXCHANGE LAUNCH DATE	EXCHANGE PARTNERS
Bulgaria	IBEX	19 January	IBEX and Nord Pool Spot
Serbia	SEEPEX	17 February	EMS and EPEX spot
Croatia	CROPEX	10 February	CROPEX and Nord Pool Spot

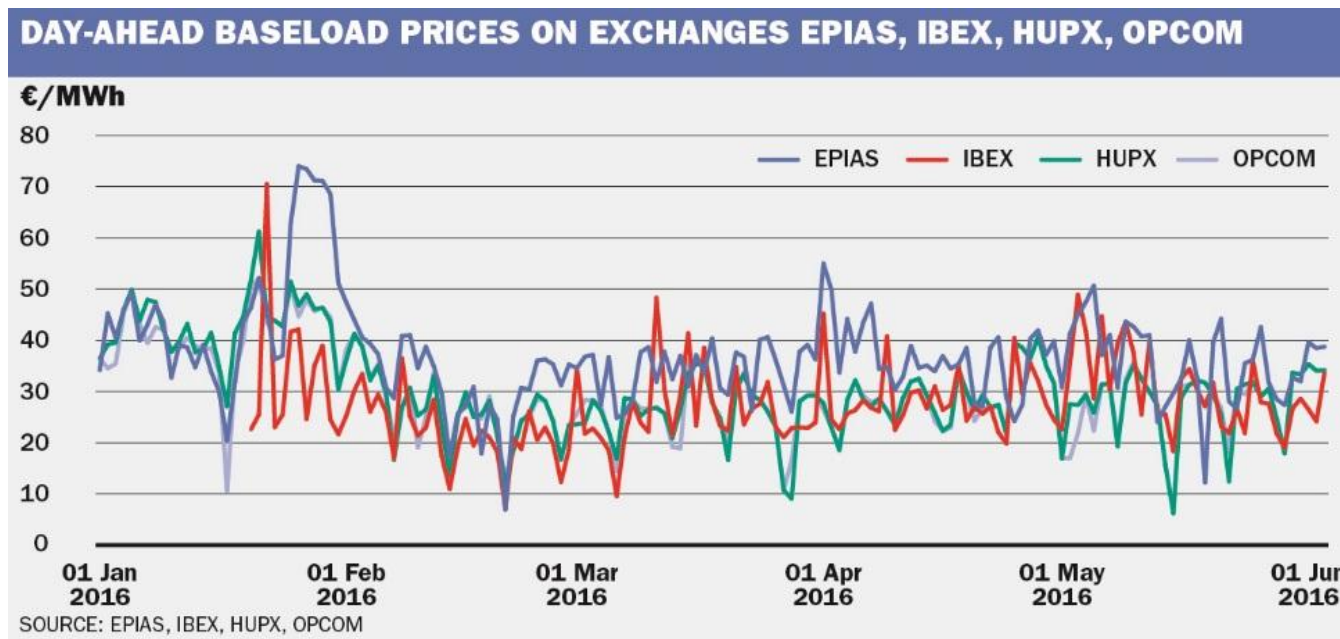
- After multiple delays, Bulgaria, Serbia and Croatia launched their day-ahead trading platforms in the first quarter of 2016
- The aim of these exchanges is to bring price visibility and liquidity to the Balkan electricity markets by giving a much needed reference price
- Exchange prices have so far broadly followed regional fundamentals and have been closely correlated with the prices of the more liquid HUPX day-ahead exchange

Exchanges – no longer a fairy tale, but a fact

Exchange	IBEX	SEEPEX	CROPEX
Number of members (as of 8 June)	40	10	8
Liquidity	Most liquid of the new exchanges, but offered volumes still small	Low liquidity	Low liquidity
Price trends	High volatility, little influence from fundamentals yet	Stable prices, inline with HUPX	Stable prices, inline with HUPX
Future plans	<ul style="list-style-type: none"> • Forward trading platform 1 July • Intraday platform • Market coupling with Romania • CfD scheme could boost liquidity 	<ul style="list-style-type: none"> • To attract regional producers • 4M market coupling in 2017 	<ul style="list-style-type: none"> • Market coupling with Slovenia – Q4'17 • Market coupling with Bosnia • Temporary change of gate closure time

Source: IBEX, SEEPEX, CROPEX

Turkey joins the action



- Bulgarian-Turkish daily CBC available for the first time
- Turkish RES oversupply reversing flows
- Small CBC = small correlation
- Turkish supply issues lessening correlation
- Once daily CBC increases = higher correlation

Conclusions and outlook – keeping us watching

- Balkan markets spot trading on exchange taking off
- Expectation for continued boost to forward OTC traded volumes, given the need to mitigate long-term risks
- Balkan exchanges could boost Hungarian liquidity via HUPX volatility
- Regulatory barriers still in place
- Market coupling
 - Croatia-Slovenia = higher Croatian prices?
 - Serbia-4M = flat Serbian-Hungarian prices?
 - Croatia-Bosnia = ??
 - Romania-Bulgaria = ??



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Thank you, that's a wrap!

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