ETCSEE

"No other country in the free world represents Putin's plans to expose Western hypocrisy as it relates to energy policy more than Germany"

(Simons Chase, investor, speaker, writer)

From Germany, with love

Some examples of how German energy policy (amongst others) is changing CEE/SEE trading landscape

June 15, 2022

József Turai, VUMA

Veteran **U**northodox **M**arket **A**nalyst

T-Energy Advisory Ltd.

Echoes from 2010: an electricity trader said . . .

- . . No way would I invest in any assets in [country] due to the lack of certainty about regulation and government interference
- I used to think and say only safe business to do in [country] would be wholesale trading, but now this [first Robin Hood tax] proves that is simply not true

- And twelve years later, the second Robin Hood tax was just passed. Now the survival of **wholesale trading** is at stake and searching for the root cause (Germany, RES, energy policies, EU) is not so important right now; but let repeat them again!
- Not too many traders left and who are around likely to be in the red.

Agenda - The popularity of trackers

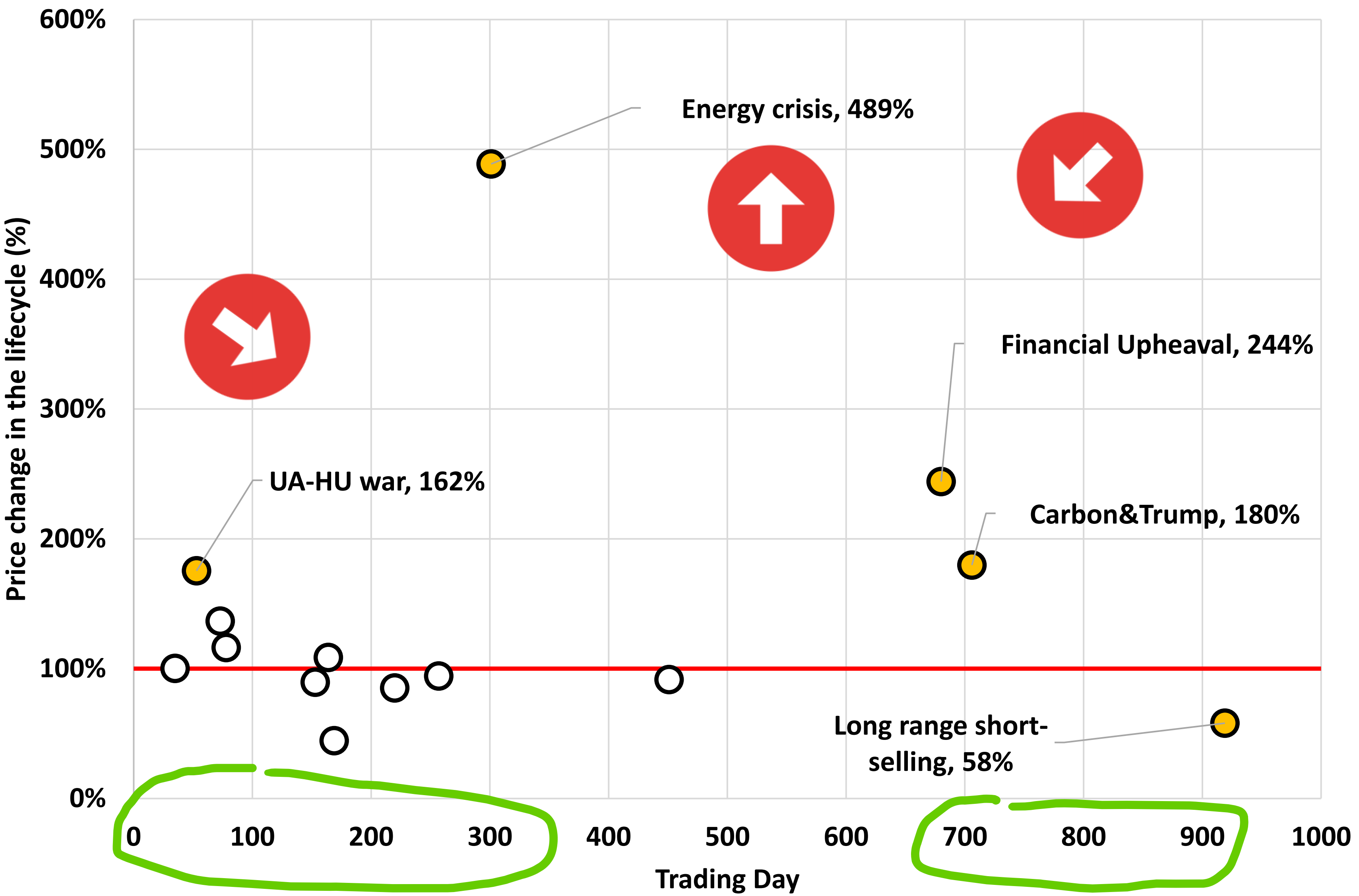
- Everybody counts and analyses something to understand the market

  1. Russian fossil fuel tracker (https://beyond-coal.eu/russian-fossil-fuel-tracker)
  2. Norwegian fund tracker (https://www.nbim.no/)
  3. European natural gas import tracker (https://www.bruegel.org/publications/datasets/european-natural-gas-imports/)
  4. Underground gas storage and injection tracker (https://gas.kyos.com/gas/eu)
  5. European electricity and gas consumption tracker (https://ec.europa.eu/eurostat/web/energy/data/database)
  6. RES and fossil generation tracker (https://www.energymonitor.ai/sectors/power/live-eu-electricity-generation-map)

- Is there any tracker or "o-meter" for:

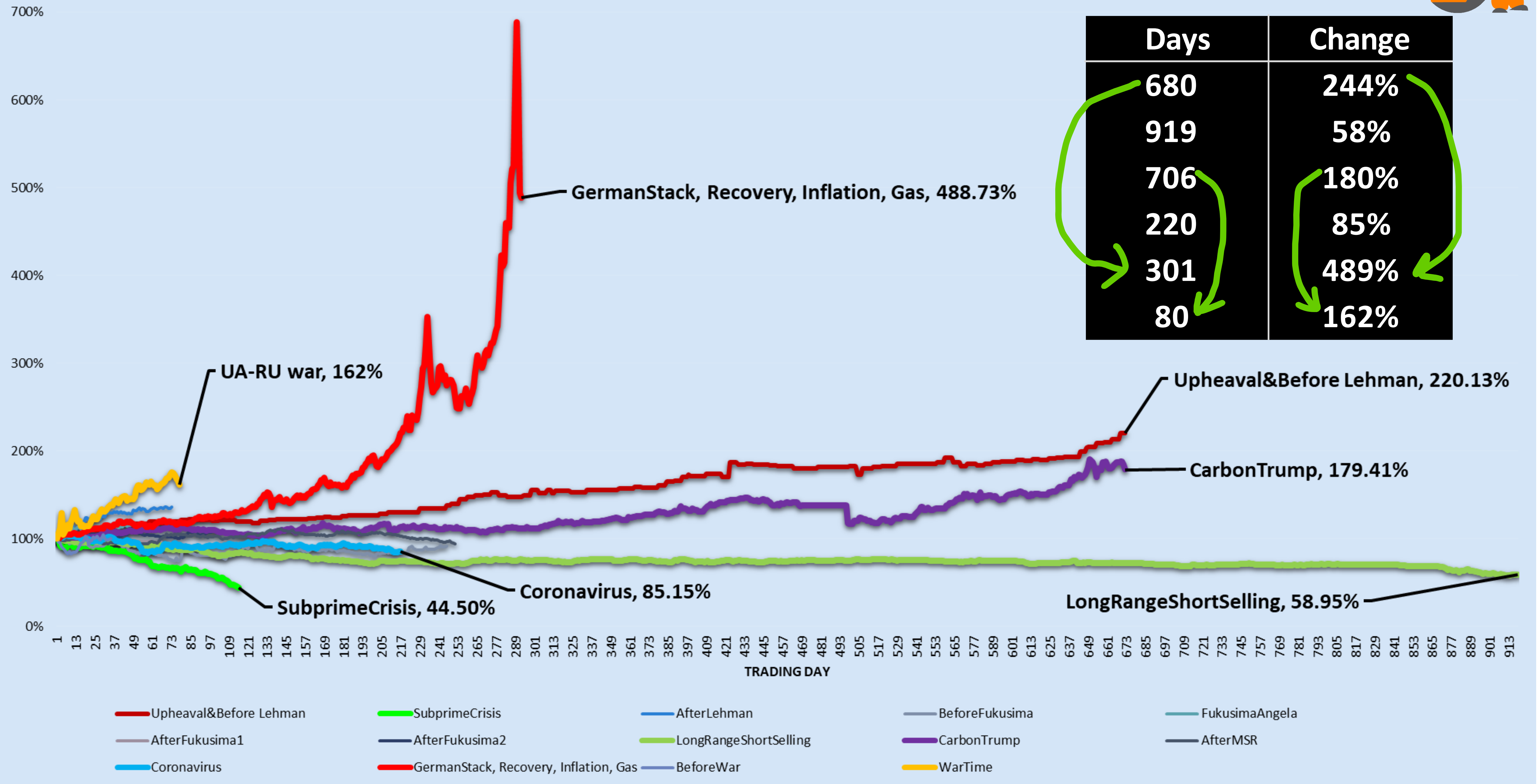
  1. **Price evolution**
  2. **Liquidity**
  3. **Correlation**
  4. **Gas/War premium in Balkan price**
  5. **Merit order correctness**
  6. **Spot-Futures relationship**
  7. **Remaining days to fill gas storages**

Price evolution per lifecycle



- Big changes are fast and furious, without much pre-warning;
- Modern commodity markets react to price signal faster, than ever anticipated

Percentage change of Lifecycles (HU Calendar Base contract)



Days	Change
680	244%
919	58%
706	180%
220	85%
301	489%
80	162%

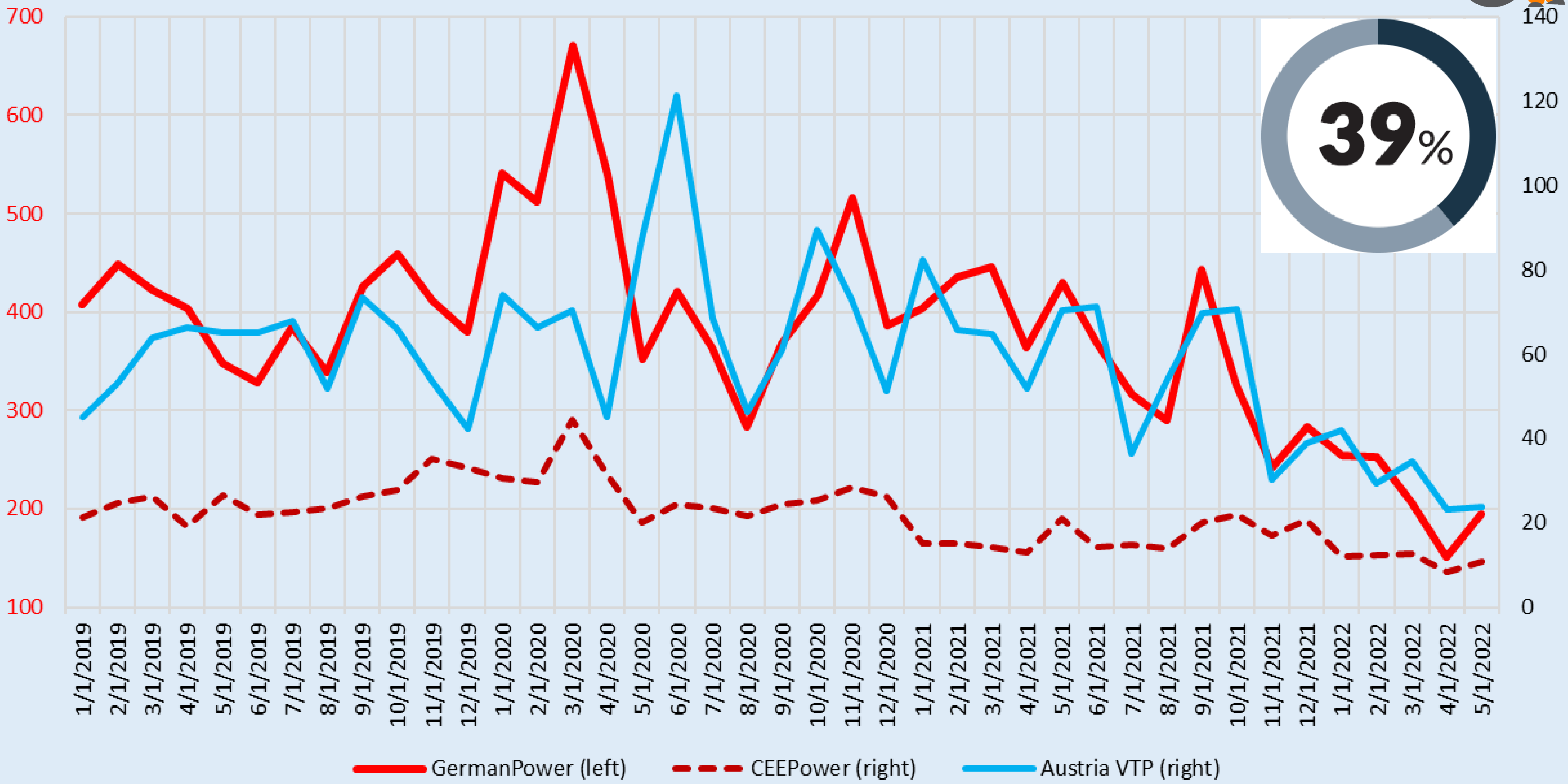
Liquidity

- Bad news: liquidity has dried up, vanishing price discovery and partners
- Good news: low liquidity, low open position, low margining = zero bankruptcies

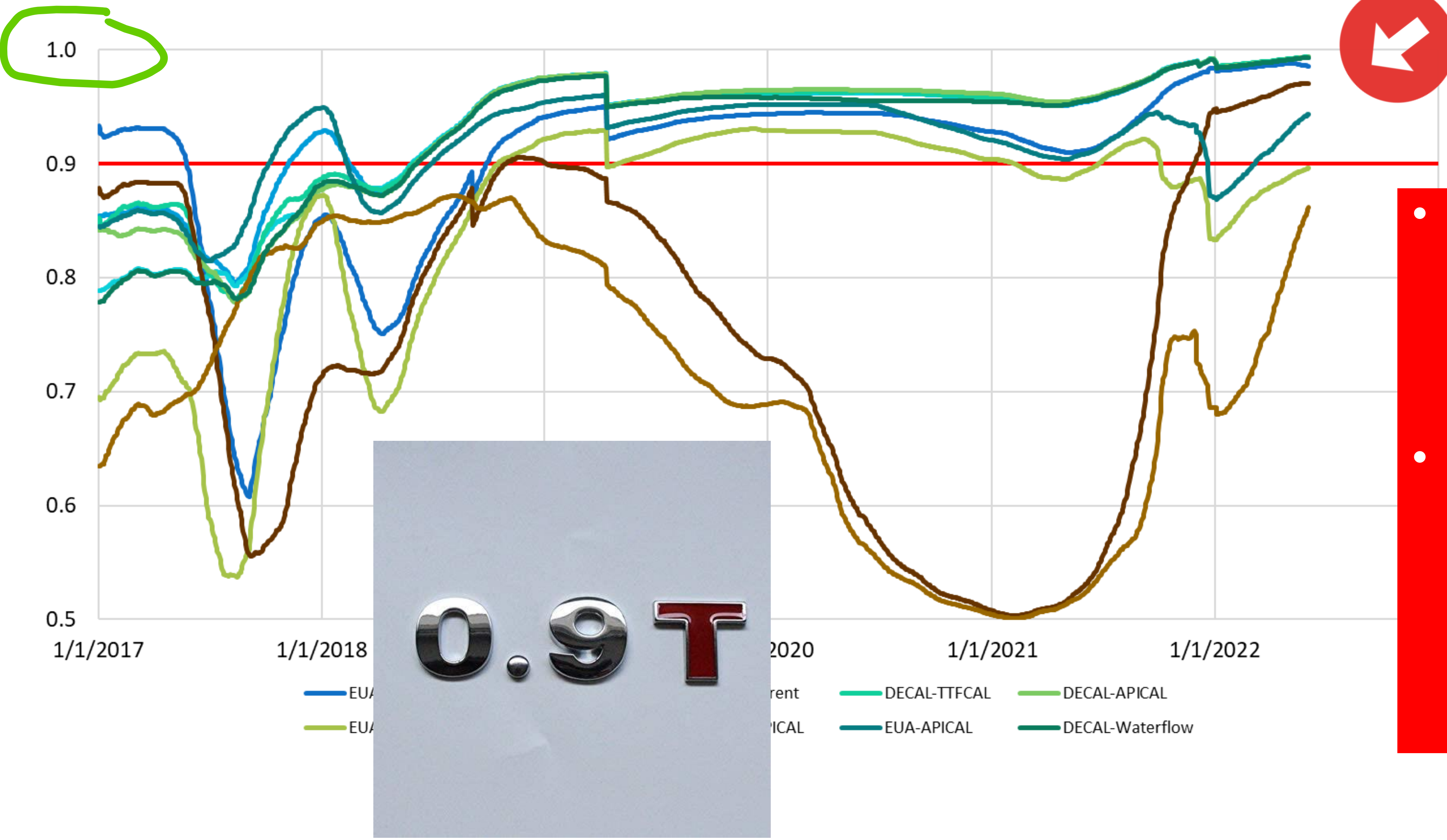
Liquidity change to previous years (traded MWs)

Country	Duration	broker	to 2021	to 2020	to 2019	to 2018
HU	short-term	all	-37%	-54%	-6%	-16%
HU	long-term	all	-13%	4%	-66%	-70%
GE	short-term	TFS	-80%	-86%	-90%	-89%
GE	long-term	TFS	-66%	-71%	-72%	-72%
GE	short-term	ICAP	-67%	-82%	-83%	-86%

LEBA Volume (MWh) - all physical forward contracts



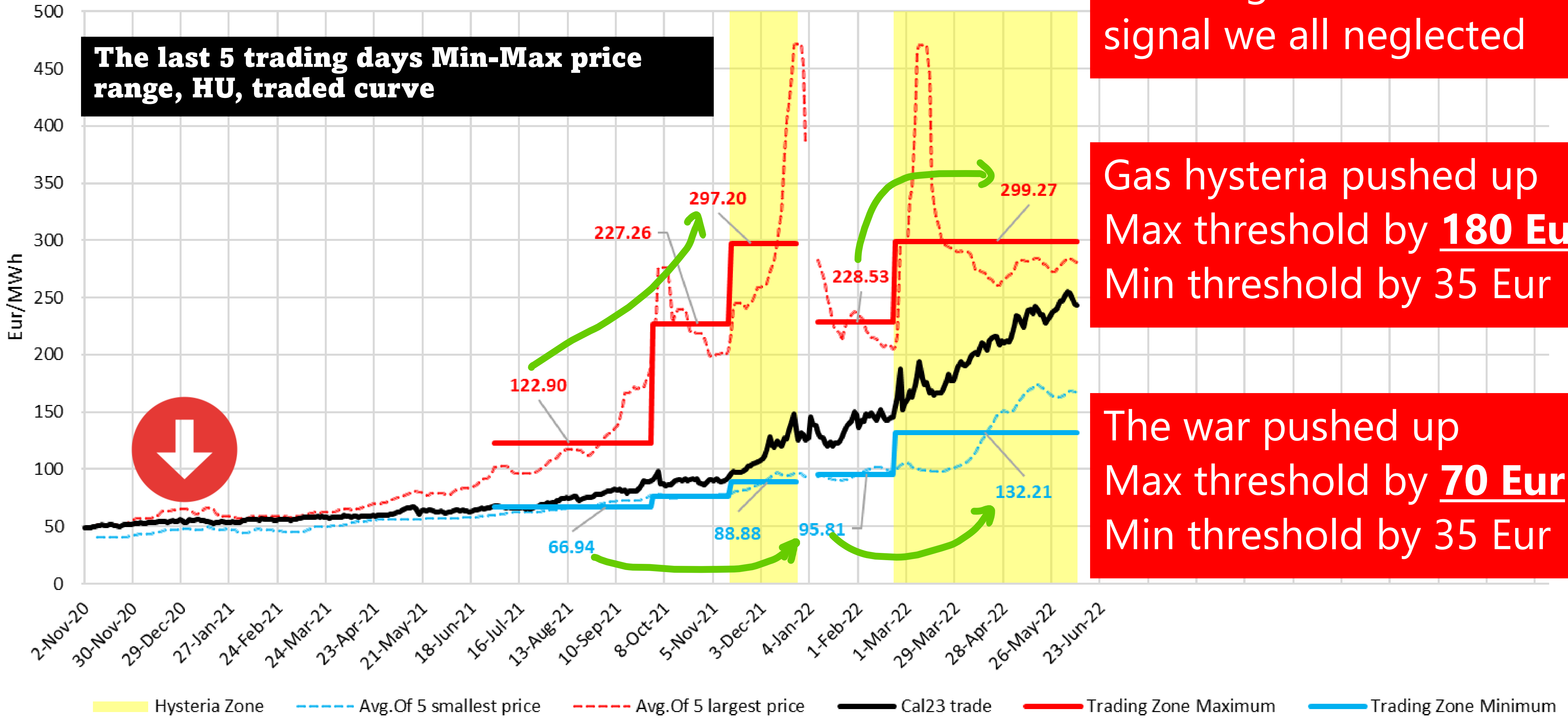
Cal HU correlation to commodity pairs



- Nothing can detach HU power from commodities kamikaze correlation
- Good news: if and when commodities start falling, HU Cal contracts will also come down

Gas and War premium – 1.

November 2020 German market gave us a first signal we all neglected



Gas hysteria pushed up
Max threshold by **<u>180 Eur</u>**
Min threshold by 35 Eur

The war pushed up
Max threshold by **<u>70 Eur</u>**
Min threshold by 35 Eur

G&W premium – 2.

Trading Date	Closing Forward		Not-justified		Implied HUPX	
	15-Feb	10-Jun	15-Feb	10-Jun	15-Feb	10-Jun
Cal22	233	233	149.2	149.2	188.31	240.79
Cal23	146.02	255	-4.3	74.8		

Cal22 = 150 Euro premium

On February 15 2022, closing out Cal shorts was a good deal

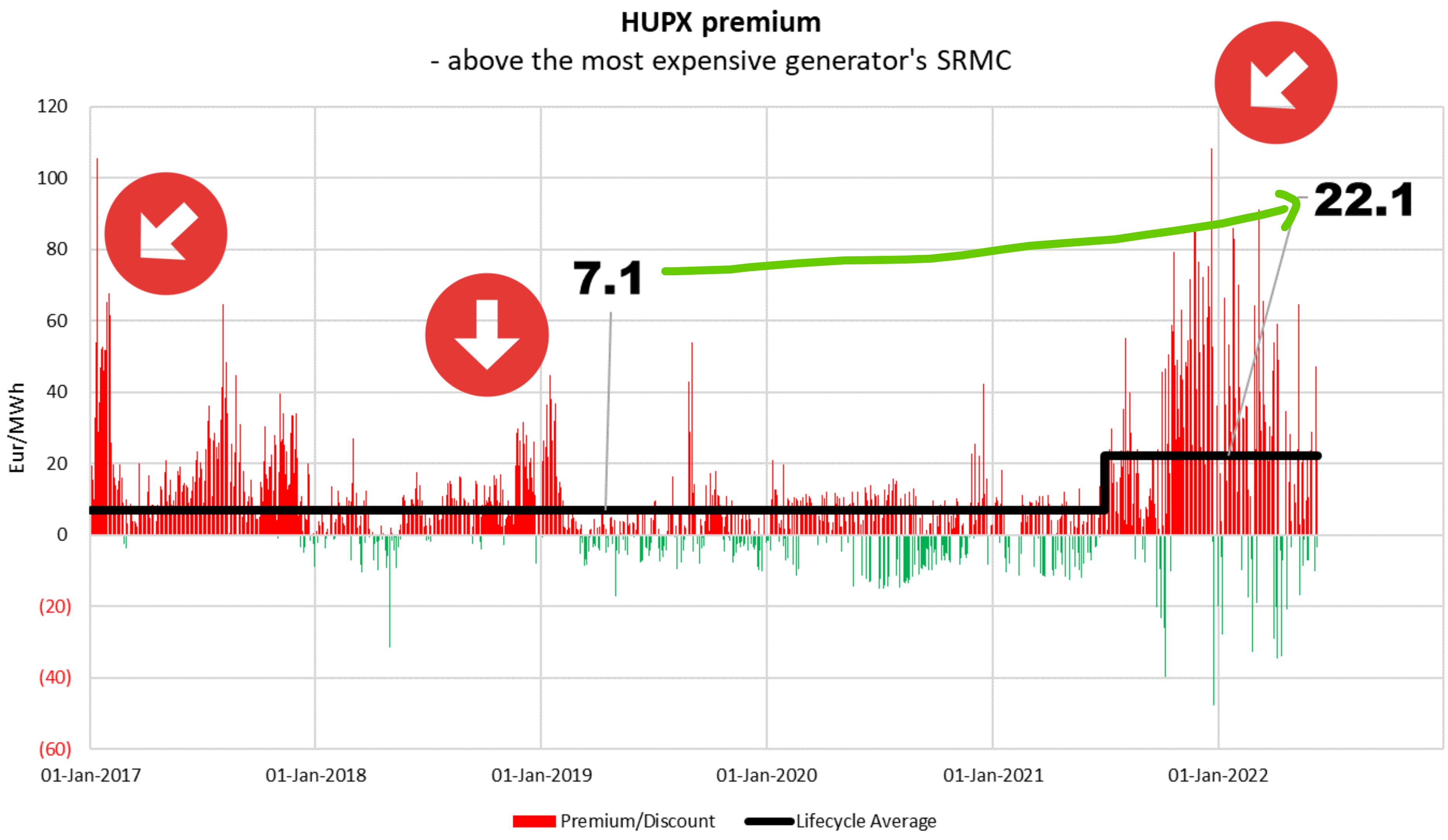
Then the war changed everything

Cal23 = 75 Euro premium

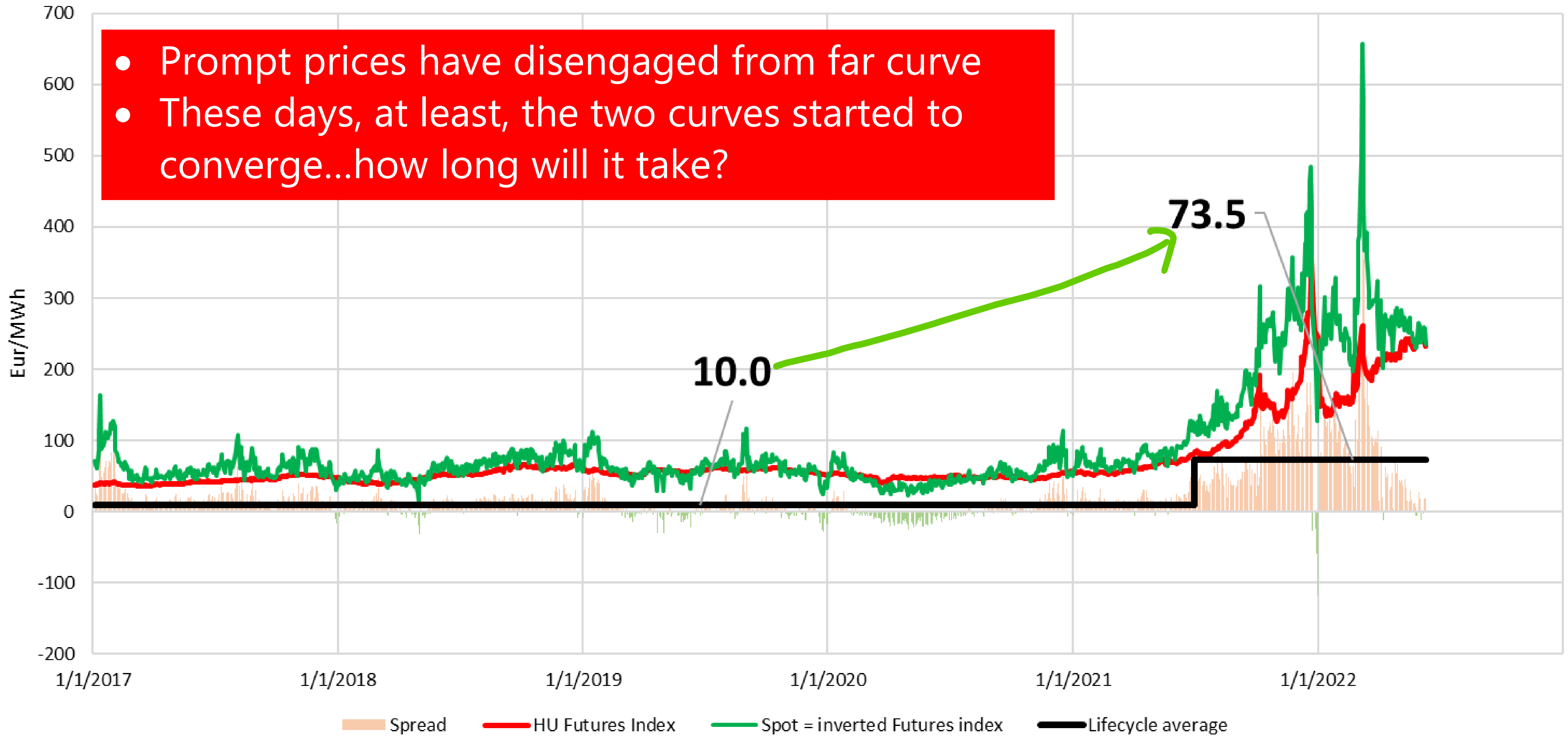
Should we go short Cal23 now?

Independence Day – Balkan merit order

Selling on HUPX is THE best strategy for EVERYBODY



Spot and Futures



TTF Spot and Futures Index

Around the World [of gas storages] in Eighty Days

- Will Russia supply more gas to let the EU achieve its 80% gas storage target?
- What will be the market reaction if we reach the 80% much earlier than November 1?

Mikhail Ulyanov @Amb_Ulyanov
Russia government official

Let me ask a provocative and irresponsible question in my private (non-official) capacity. If the #EU is so eager to cut off the major part of Russian oil supplies by the end of the year, why Russia can't decide to meet the European aspirations much earlier as a friendly gesture?

Charles Michel @eucopresident
#Unity

Agreement to ban export of Russian oil to the EU.

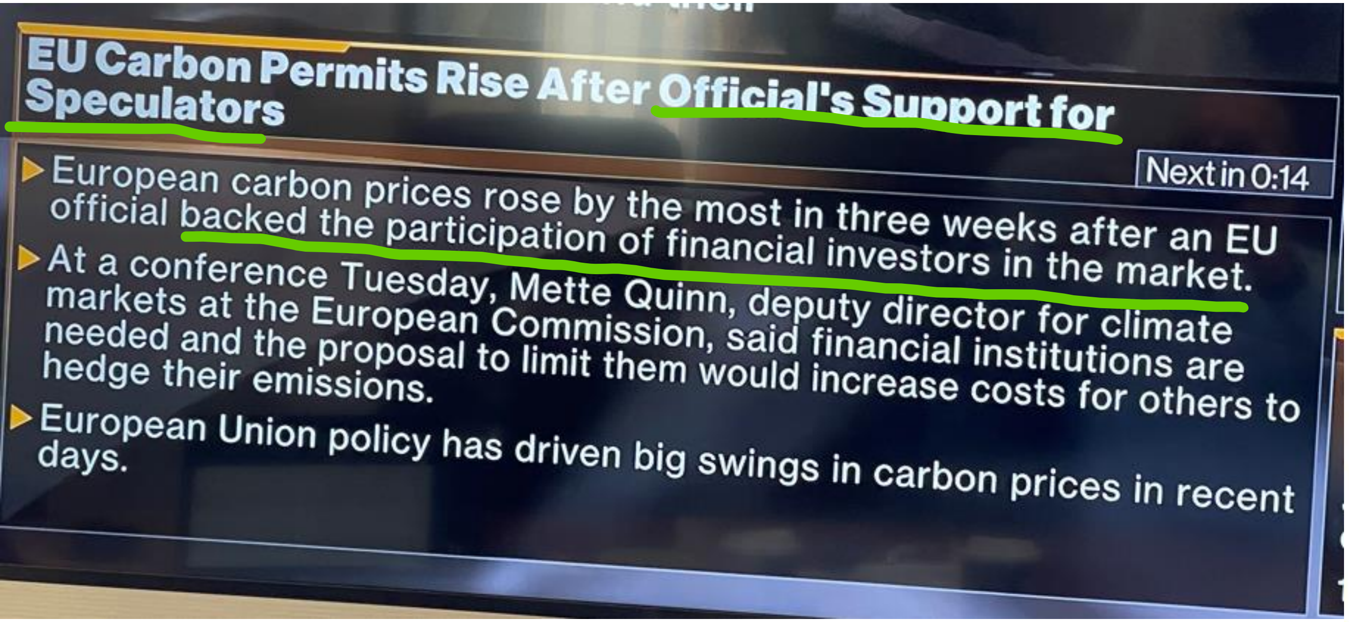
This immediately covers more than 2/3 of oil imports from Russia, cutting a huge source of financing for its war machine.

Maximum pressure on Russia to end the war.

Description	2022	2021*	2020	Unit
Current Fullness	555	404	458	TWh
Current Fullness	50.4%	40.7%	74.9%	
Injection 7-day average	4.884	4.643	3.392	TWh
Days to Nov 1	146			d
100% Fullness	1100	1100	1100	TWh
80% Fullness	880	880	880	TWh
Days to 80% Fullness	67	67	67	d
Est. Fullness date	13-Aug	21-Oct	29-Jun	

No comment

- The Commission is openly supporting this nonsense bonanza for the hedge funds



Andurand's Biggest Hedge Fund Surges 162% on Commodities Rally

Grant Smith, Bloomberg News

Pierre Andurand , Bloomberg

(Bloomberg) -- Commodities trader Pierre Andurand is heading for a stellar first half, with the biggest of his funds returning 162% so far this year, according to a person with knowledge of the matter.

The advance by the Andurand Commodities Discretionary Enhanced Fund, which holds half of the trader's $2 billion in managed assets, follows a gain of 87% in 2021. His older Andurand Commodities Fund, which holds $750 million, closed up 41.5%. The Andurand Climate and Energy Transition Fund, launched last summer, returned 14%.

Conclusion

This energy trading (2022) is not the energy trading we discussed in Prague last year:

- Sudden, fast & furious price swings;
- Lower risk appetite, collapsing liquidity and heightened margining requirements;
- Paired with extra-strong multi-commodity correlation;
- Anyone based anywhere may put in large, fundamentally not-justified ‘hysteria’ premium into local regional prices just because another – formerly unknown, virtual “commodity” – is re-priced;
- The ‘hysteria’ due to gas politics & war distorted further the merit order pricing;
- Prompt prices disengaged from far curves;
- And the above malfunctions will continue, if EU gas storages are not re-filled as per plan.