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Watt's the story?

Alpiq's update on the current market flows

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Dear Reader,

Did you seize the energy crisis as an opportunity to change your behaviour for good? Or have you already gone back to normal? Perhaps you didn't even start to save energy in the first place?

When it comes to our own **energy consumption**, we all have our own **individual behaviours**. However, as the **situation during the past winter has shown**, we have a **fundamental and urgent problem to solve**. We need to **build up quickly** and decisively **renewable energy capacities**. We need to **increase our ability** to use the available **energy more efficient** and we need to **adapt to the changing climate**. For this we **need to pull together** because an individual approach alone won't solve it.

When it comes to **adapting to climate change**, our **management of water resources is a good example**. This has been going through significant change in the past couple of years. We will have to optimise the allocation of our water in future to improve the **security of supply in Switzerland**. It's no longer simply a question of **shifting available water resources from summer to winter** to produce electricity, but of course also **increasing our flexibility in the water management**. On top of that, we will have to manage droughts, adapt to changing precipitation patterns, ensure the supply of drinking water, make water available for irrigation, and further improve protection from flooding.

We'll take a deep-dive into this topic in the final section of this seventh edition of Watt's the story. But first, let's look at the movements on the energy markets in the past two months.

Market update

Since the end of March, **power prices have continued to soften in the short term** while the **longer-dated products**, i.e., those from **2025 onwards**, have seen a more **moderate erosion in price levels**. At time of writing, the bellwether German baseload contract for Cal-24 is down another EUR 17/MWh, last trading at EUR 135/MWh.

The main story is one of **ongoing demand weakness in the power and gas markets**. There are notable regional differences but, in general, demand for power remains depressed and has not rebounded meaningfully from the strong contraction that started in Q4-2022. Indeed, **high prices look to have triggered implementation of efficiency measures and behavioural changes** that so far have not been reversed. **Demand for power thus remains much lower than macroeconomic indicators would have suggested**, i.e., industrial production remains depressed but **by no means** in an order of magnitude that **explains the loss** in power demand. During April, countries like Germany and Spain were seeing demand for power on a par with April 2020 levels, at the height of the Covid lockdown, some 8-9% below 2022 levels.

At the same time, the **supply situation is looking up**. Nuclear availability in France has stabilised and availability forecasts for the coming winter have slightly improved, with EdF shortening a number of planned maintenances. **Availability remains extremely poor** by historical standards **but is notably better than last winter**.

It's the same story on the **gas markets**. **Demand is depressed**, while supply, notably the **supply of LNG to Europe, remains strong**. With commercial operations having started for **several floating LNG terminals** (e.g., in Germany and Italy) and more in the pipeline, the **supply risks for the upcoming winter are also much reduced**. Nevertheless, **if gas demand from Asia picks up** any time soon, **Europe's heavy reliance on LNG will be a key risk**.

While **market intervention** at the **EU level looks to have dampened**, various countries are working on **national interventions**. The most prominent among these is the **German proposal to introduce a fixed power price for industry, at EUR 60/MWh**, to back-stop the competitiveness of German industry and bridge the time gap until the energy transformation delivers lower prices.

This proposal possibly infringes EU state aid regulations but the **political argument that “the others are doing it too” is frequently used these days**. The ARENH scheme in France, where power is sold to industry at a level corresponding to the costs of EdF's nuclear production, is often mentioned in this context. As always, the devil is in the detail and the scale and **scope of the German regulation is still unclear**.

Liquidity status

Turning to our liquidity, the **headroom** stood at **roughly CHF 2.1 billion as per end of April**, which reflects a **strong increase in the last two months**. This increase was **driven by the bond proceeds of CHF 375 million** as well as by **collateral backflows and operational cash flow**. Overall, the **operative liquidity balance** reached **CHF 1.3 billion**.

The **recent turmoil on the financial markets** has led to even **closer checking of our various counterparties and their respective limits**. Thanks to the continuous **monitoring already in place** and the subsequent good distribution of our liquidity, we were well positioned and **did not have to take any additional measures**.

Looking ahead, we expect a **slight decline in the headroom** over the next two months, mainly **due to the repayment of the bond** that matures at the end of June as well as the **build-**

up of net working capital in our trading business.

Deep-dive: Managing our water resources wisely

Switzerland is the Europe's water vessel. Major streams and rivers such as the Rhine, the Rhone, the Inn and the Ticino carry great masses of water from Switzerland to the North Sea, the Mediterranean and the Black Sea.

In recent years, however, even we Swiss have come to realise that **water is not an infinite resource**. Our weather patterns are changing. **Lengthy droughts, the rapid melting of the Alpine glaciers, and heavy rainfall – causing debris flows and flooding** – are clear signals that the climate is gradually warming and that we will have to adapt.

Against this backdrop, **water resource management** has become **increasingly important for energy producers and operators** of hydroelectric power plants in Switzerland. And our **big dams are playing a key role**. In this interview with Amédée Murisier, Head Hydro Power Generation at Alpiq, we discuss the changes that have been taking place in water resource management.



Amédée Murisier, Head Hydro Power Generation at Alpiq

[Read the interview](#)

That's it for now, the **next edition** of **Watt's the story** will appear at the **end of July**. Until then, we wish you an enjoyable start to the summer – with more sunshine than we've had recently – and as always lots of energy!

Best regards,

Your Investor Relations Team @Alpiq

PS: Please feel free to forward this newsletter to other interested parties, who can also sign up to receive it directly [HERE](#). All previous editions, including our deep dives, are also available [HERE](#).

PPS: Please send us your feedback, thoughts and requests for future deep-dive topics to investors@alpiq.com. Thank you!

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