

Press release

Nord Stream 2 enables lower electricity prices in the EU

Lower EU gas prices with Nord Stream 2 would enable lower European wholesale electricity prices by up to 16% and result in savings of up to €35bn per year for EU consumers, a new study by ewi Energy Research & Scenarios reveals

Cologne, 11 October 2018. Wholesale gas prices have a significant impact on electricity prices in Europe, because gas-fired power generation is often the marginal source of generation (i.e. the source of generation called upon when all other cheaper forms have been used) and therefore sets the price of electricity in European markets.

ewi ER&S has now modelled the impact of the availability of gas via the Nord Stream 2 pipeline on European power prices, building on their earlier study of the impact of Nord Stream 2 on European gas markets. Gas from Nord Stream 2 enables European buyers to purchase more pipeline gas instead of LNG, which is more expensive. The previous study (published September 2017) looked at two scenarios - a Low LNG price scenario and a High LNG price scenario.

The new study shows that European electricity prices will be between 2.2 to 4.3 €/MWh lower (a 5% to 8% reduction) in a Low LNG price scenario, and 6.5 to 10.7 €/MWh lower in a High LNG price scenario (a 12% to 16% reduction). These lower prices result in a benefit to European consumers of €7bn to €14bn per year in the Low LNG price scenario and €21bn to €35bn per year in the High LNG price scenario.

Combining the savings for gas prices with the savings for electricity prices (but avoiding double-counting where gas costs are an input for electricity prices) total benefits for consumers are between €13bn and €23bn per year in the Low LNG price scenario and €39bn and €60bn per year in the High LNG price scenario.

“We already knew that Nord Stream 2 increases competition among the sources of gas supply and therefore causes lower gas prices in the EU member states,” says Harald Hecking, head of the study and Managing Director of ewi ER&S. “Now we have shown that Nord Stream 2 also lowers European electricity prices, leading to significant savings for EU consumers. The lower gas and electricity prices due to Nord Stream 2 imply double digit billion Euro cost savings for energy consumers in Europe.”

For individual large economies the benefits for consumers are as follows:

- British electricity consumers benefit by €1.0bn to €1.6bn per year (Low LNG price scenario) and €3.3bn to €4.4bn per year (High LNG price scenario) respectively.
- German electricity consumers benefit by €1.0bn to €2.4bn per year (Low LNG price scenario) and €2.6bn to €5.3bn per year (High LNG price scenario) respectively.
- Italian electricity consumers benefit by €1.0bn to €1.4bn per year (Low LNG price scenario) and €3.0bn to €4.1bn per year (High LNG price scenario) respectively.
- Key industrial sectors also benefit. For example the chemical industry saves between €1.0bn to €1.7bn per year (Low LNG price scenario) and €2.9bn to €4.4bn per year (High LNG price scenario) thanks to lower gas and electricity costs.

The study was carried out by ewi ER&S on behalf of Nord Stream 2. The English-language study is available for download at www.ewi.research-scenarios.de.

Please direct questions and comments to:

Dr. Jürgen Kruse

Head of Research Communication

Tel.: +49 (0)221 277 29-323

juergen.kruse@ewi.research-scenarios.de

About ewi ER&S:

ewi ER&S is a non-profit organization that is dedicated to applied research in energy economics and conducts consulting projects for science, industry, politics and society. With a team of approximately 20 academics, ewi ER&S conducts studies on the basis of cutting-edge economic methods and focuses i.a. on the German and European electricity and gas markets, regulation, market design, decentralized energy supply and reduction of greenhouse gas emissions.
