

Electricity markets regulations: the financial impact of the global energy crisis

C. Atanasova; I. Segarra Tamarit; I.C. Figuerola-Ferretti Garrigues

Abstract-

Amid the global energy crisis, we examine the impact of electricity market regulations in the European Union (EU). Pursuing an integrated EU electricity market inadvertently heightened the interdependence between gas and electricity prices. The EU energy crisis, triggered by the gas supply shock, amplified power prices and their volatility. These volatility spikes led to substantial margin increases on power futures contracts crucial for mitigating electricity price risks. The increase in margins placed a substantial financial burden on EU power utilities. We document an almost eight-fold surge in required collateral for long positions in front-month EU power futures contracts during the one-year duration of the crisis. Throughout the crisis, EU utilities experienced lower sales and profitability compared to their US counterparts, and a portfolio of EU power utilities significantly underperformed a counterfactual portfolio of US power utilities.

Index Terms- Electricity markets regulations; Zonal vs nodal pricing; Margins; Synthetic controls; Financial performance

Due to copyright restriction we cannot distribute this content on the web. However, clicking on the next link, authors will be able to distribute to you the full version of the paper:

[Request full paper to the authors](#)

If your institution has an electronic subscription to Journal of International Financial Markets, Institutions and Money, you can download the paper from the journal website:

[Access to the Journal website](#)

Citation:

Atanasova, C.; Figuerola-Ferretti Garrigues, I.; Segarra, I. "Electricity markets regulations: the financial impact of the global energy crisis", Journal of International Financial Markets, Institutions and Money, vol.93, pp.102008-1-102008-15, June, 2024.