Increasing North-South divide in the Nordic energy markets

New price caps in Norway, Sweden, and Germany risk leading to increased differences

Key highlights:

- Nordic countries are introducing price caps and tax cuts to counteract increased electricity prices
- The price divide between the northern and southern parts of the Nordics is growing
- Prices and volatility are higher in the southern Nordic bidding zones, impacted by Germany
- In the north, prices have stayed around the same level or declined
- Norgespris and price caps risks further increasing the price differences between North and South

Growing energy market intervention

Nordic power market volatility surged during 2025, and prices have been higher than in 2024 driven partly by (from a consumer point of view) non-favorable weather. 'Dunkelflaute', i e when wind and solar energy is missing from the energy mix, leads to high prices in a system where more volatile renewable energy sources have been added to the system. Energy consumers should ideally be more flexible - shifting more of their consumption to periods with higher renewable energy production and lower prices.

For businesses and industry, this means that exposure to the spot market has become riskier, more uncertain and potentially more costly.

In 2025, new initiatives were introduced, or proposed, by governments in the Nordics and Germany that risk having a negative impact on the market in terms of consumers' incentive to adjust consumption to price movements. The Norwegian price cap, Norgespris, is the best example of this. The price cap for households means considerably less incentive for consumers to lower consumption. And increased consumption by consumers could in turn lead to higher prices and higher energy costs for businesses and industry.

> "The data shows that the political initiatives introduced during 2025 risk exacerbating the problems they are meant to solve, especially the high electricity prices and high volatility"
>
> *Lasse Kamp Simonsen,*
> *Head of Structured Desk, Mind Energy*

In Sweden and lately also in Germany, governments have presented electricity price cap initiatives for private or industrial consumers (see fact box 1).

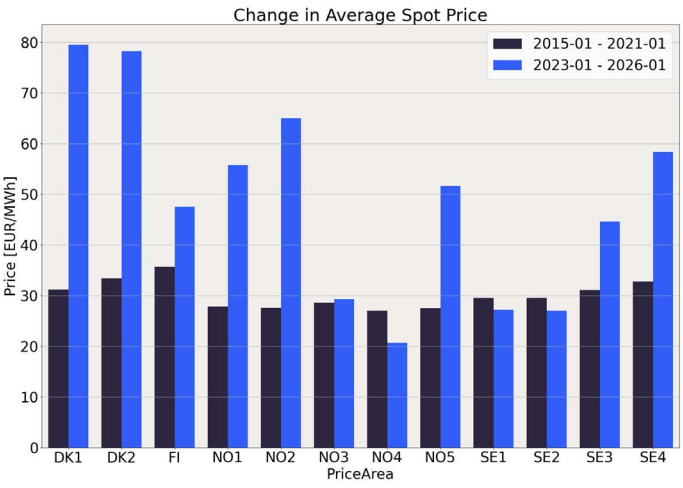
In Denmark, Norway, and Sweden, there are also proposals of lowered energy taxes from January 2026. In Norway this will benefit both businesses and households.

The new reality in the Nordic energy markets

Increasing energy price fluctuations in recent years have become difficult to handle politically and countries are now introducing subsidy schemes to regulate volatility.

Households are struggling with the cost of living and the governments' electricity price initiatives are a way to help households cope with higher costs. Although government action is understandable due to the growing volatility, in an unwanted twist, the new initiatives outlined in this report risk adding fuel to the fire by causing more fluctuations. The situation is particularly concerning for industry since they are not included in neither the Swedish or Norwegian price caps and in fact risk facing higher energy costs as a result. In Norway, electricity tax cuts for businesses are counteracting the effects of Norgespris on industry to some part, but it is yet to be seen how much.

The difference in electricity prices between the north and the south has increased



Graph 1: Change in average spot price - 2015-2021 and 2023-2026

In the following data and analysis, Mind Energy looks at the shift in volatility over the last 10 years and its effects, as well as the impact from the new price caps on Nordic power prices.

Energy markets in the Nordics, and across Europe, are facing a new reality. High renewable energy ambitions have led to a large increase in wind and solar capacity across the continent. As many observers and energy experts have concluded, this new energy mix with more renewables has been a contributing factor behind increasing volatility on energy markets. Prices vary depending on whether the weather is favorable for renewables or if other, more expensive energy sources cover consumption. Today, conventional assets (primarily gas- and coal-fired power plants) are less frequently activated, which means that their marginal price increases. This leads to price peaks as we are increasingly dependent on the most expensive reserve capacities.

Price caps

- Germany is introducing a subsidy for heavy industry in the form of a price cap on electricity prices of about 0.05 EUR/kWh starting January 1, 2026, through 2028, expected to cost between 3 and 5 billion euros.
- Sweden has introduced a high-cost protection for all power customers from November 2025 until end 2026. The protection is activated if the cost per month exceeds 1.50 SEK/kWh, and is paid out automatically if this happens.
- Norgespris sets a fixed power price of 0.40 NOK/kWh + tax for private consumers, applying to homes and holiday homes. The Norwegian government pays the difference when the price exceeds 0.40 NOK/kWh. It does not apply to businesses and industry. The scheme runs throughout 2029, with the price of 0.40 NOK/kWh locked through 2026.

Fact box 1

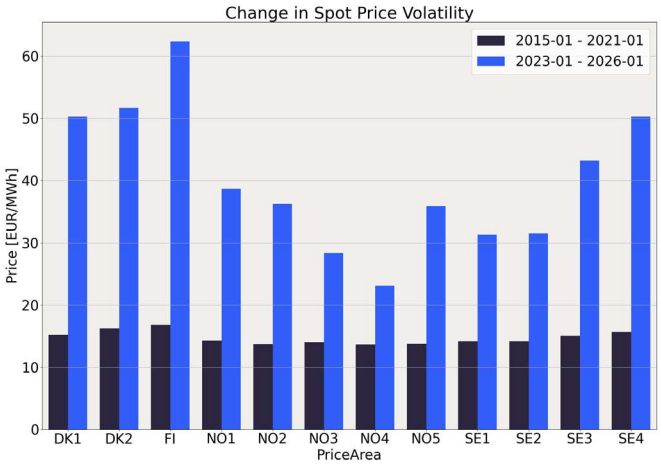
Prices falling in the North, rising in the South

In recent years, we have seen growing dissatisfaction in the Nordic countries due to rising price differences regionally within the countries, graph 1 shows clearly why that is the case. As we can see, wholesale prices in the southern bidding areas of the Nordics have risen significantly over the past years, whereas prices in the north have fallen.

- In Denmark, prices rose almost threefold in 2023–25 compared to 2015–21
- Southern Norway (NO1, NO2 and NO5) saw almost twice as high prices
- In Southern Sweden (SE4), prices are around twice as high
- Northern Norway (NO3 and NO4) and Northern Sweden (SE1 and SE2) have experienced falling prices

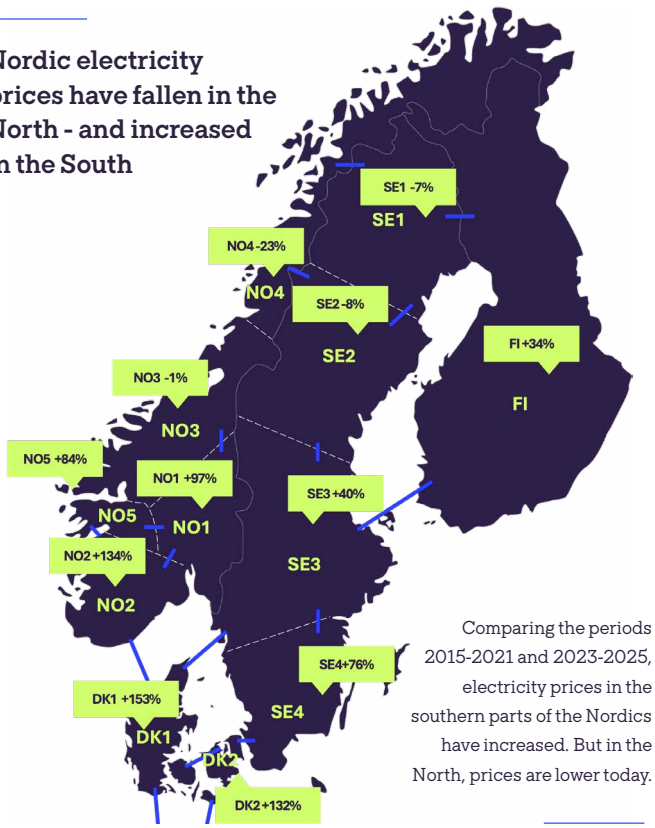
The graph illustrates that the southern price areas of the Nordics have completely decoupled from the northern price areas. The southern bidding areas are now to a much higher degree coupled with Germany in terms of prices. During the 2015–21 (Jan – Jan) period, there was only an average 8 EUR/MWh difference between the cheapest and most expensive Nordic price zone, but for the last three years, the price difference has amounted to 58 EUR/MWh between the cheapest area (NO4) and the most expensive one (DK1). Significantly rising power prices in Germany, caused by the country's gradual phaseout of coal and nuclear power and the effects of the war in Ukraine, have had a direct impact on the southern part of the Nordics, from where there are several big transmission cables to Germany.

Higher share of renewables in the Nordics and Germany and increasing volatility



Graph 2: Change in spot price volatility - 2015-2021 and 2023-2026

Nordic electricity prices have fallen in the North - and increased in the South



Comparing the periods 2015-2021 and 2023-2025, electricity prices in the southern parts of the Nordics have increased. But in the North, prices are lower today.

In addition to the growing Nordic price differences, it is also worth noticing how much the Nordic power prices are fluctuating today (2023–2025) compared to the levels seen between 2015 and 2021. The outlier period with the energy crisis 2021–2022 has been excluded. This is visible in graph 2. In the late 2010s, standard deviations were both significantly lower than they have been over the last few years, and they were also almost identical across the Nordics.

The increased share of solar and wind in the power mix of both the Nordics and Germany has led to increasing volatility depending on the weather. Especially in Denmark, southern Norway and southern Sweden, prices are at times soaring, particularly in connection with the Dunkelflaute phenomenon, with non-windy and cloudy weather and very limited renewables production.

New Finland-Sweden cable

Between Northern Sweden and Finland, a new transmission connection, the Aurora Line, was taken into operation in November 2025, which increases cross-border capacity by 800–900 MW. This is expected to enable more export of surplus hydropower and wind generation in northern Sweden and Finland during peak demand periods. By easing structural bottlenecks between Nordic bidding zones, the Aurora Line is expected to reduce price volatility and support price convergence.

Norgespris increases price differences

The result of the trends demonstrated by the two graphs above has been that high power prices, high volatility and major price differences between north and south have become hot political topics in the Nordics. In Norway, the government this year introduced the so-called Norgespris to mitigate private consumers' exposure to volatility and the fact that prices in the south had exploded to a level multiple times higher than prices in the north.

More than 1.3 million households across Norway have already signed up for Norgespris, according to Elhub.no. There is less incentive for these electricity customers to adjust consumption to prices, especially in the southern parts. As a result, indications so far are that consumption has increased in households that signed up for Norgespris, compared to those that did not. This in turn risks driving up prices in the affected areas, costs which are subsequently covered by the Norwegian state.

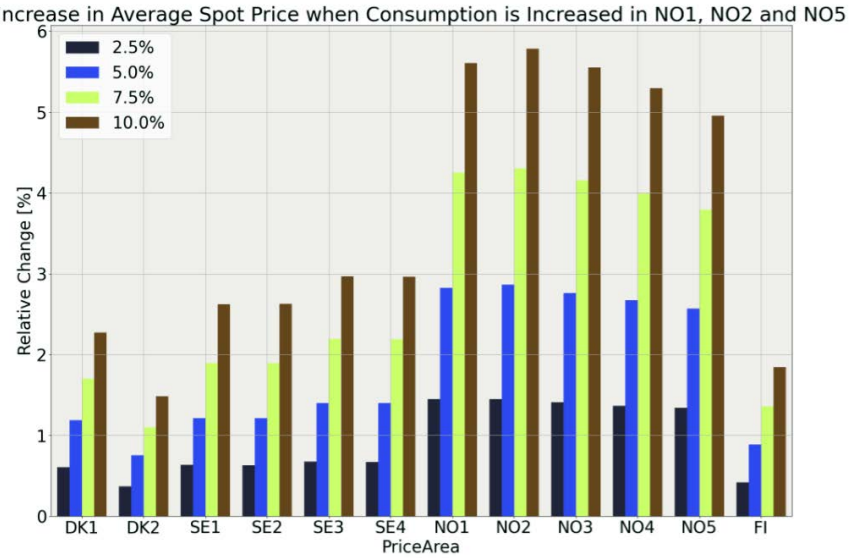
It is not only in Norway that prices rise because of the higher consumption Norgespris has led to. It also has a spillover effect on neighboring countries. Graph 3, based on calculations by Mind Energy's analysts, shows how much prices are expected to rise in each price area across the Nordics if consumption increases with a given amount in southern Norway. A 5 % consumption increase, for example, would have a clear effect on prices. The impact is highest in Norway, but due to the effect of cables and limited import options from Norway during periods with high prices, Denmark and Sweden will also be impacted. According to Mind Energy's estimates, prices in Denmark, Sweden and Finland will likely be between 0.5 % and 1.5 % higher than they would have been without Norgespris.

Norgespris, a voluntary, state-funded support scheme for private consumers, was introduced on October 1, and entails:

- A fixed power price of 0.40 NOK/kWh + tax for private consumers, applying to homes and holiday homes.
- The Norwegian government pays the difference when the price exceeds 0.40 NOK/kWh.
- Does not apply to businesses and industry
- The scheme runs throughout 2029, with the price of 0.40 NOK/kWh locked through 2026.

Fact box 2

Prices across Denmark, Sweden and Finland will likely increase due to Norgespris



Graph 3: How the average spot price in bidding zones would be affected by a given increase in demand because of Norgespris

Similar initiatives in Sweden and Germany

It is not only in Norway that the government has felt the heat from voters after years of high power prices and growing volatility. In Sweden, the government has proposed a so-called Högkostnadsskydd (high-cost protection), somewhat similar to Norgespris, although with noticeable differences. Whereas Norgespris offers a fixed, flat price, the Swedish Högkostnadsskydd is activated if the average price level in a given price area of a month exceeds 1.5 SEK/kWh. In principle, the effect can be expected to be similar to that of Norgespris, meaning reduced incentive for consumers to lower their consumption, resulting in higher consumption.

In Germany, the newly elected government in November also proposed a subsidy scheme. The proposal for a price cap of 50 EUR/MWh for German industrial producers is expected to lead to increased demand in Germany, which has been struggling with weakening competitiveness and low economic growth rates for years.

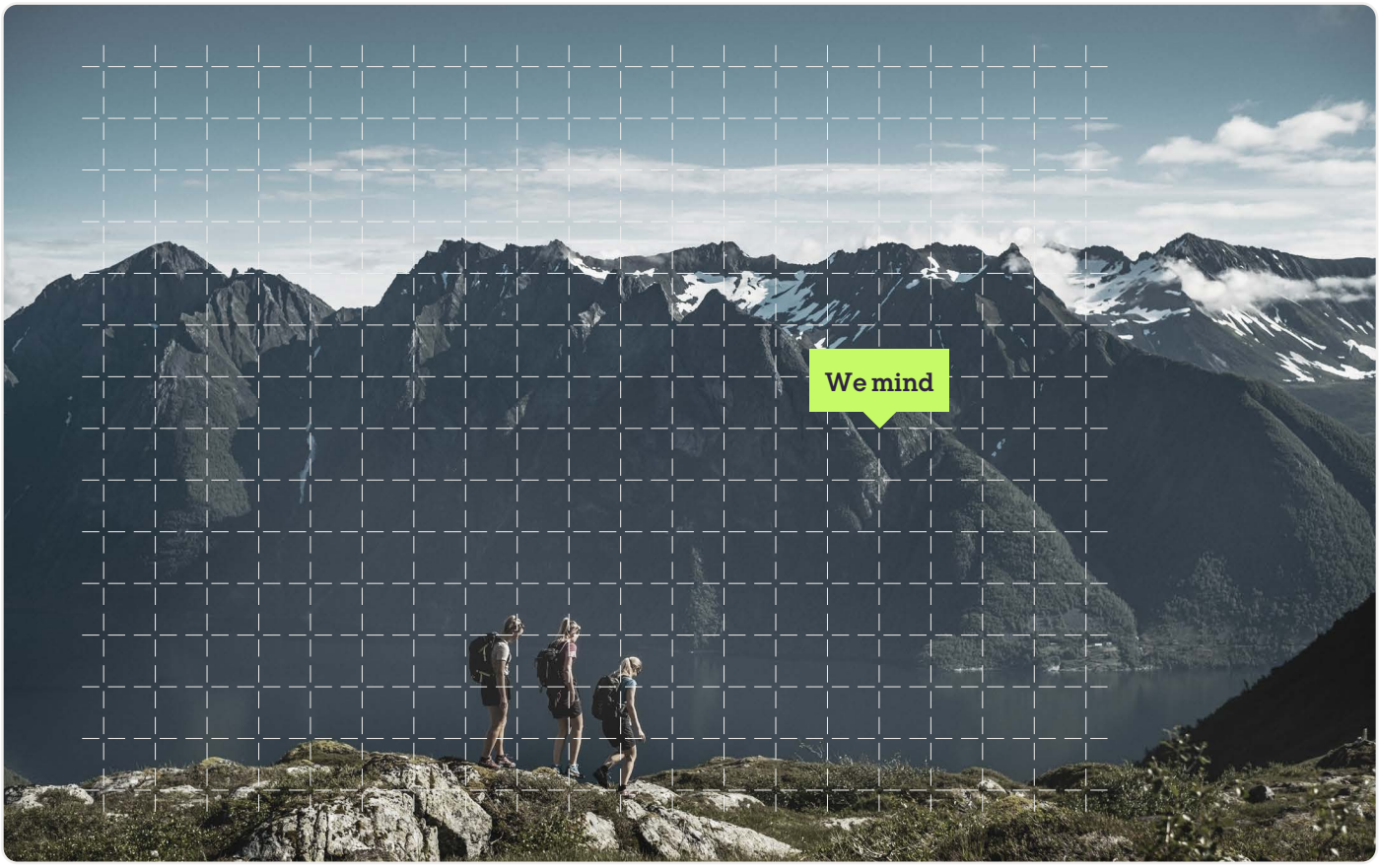
In addition to the subsidy schemes, the governments in Norway, Denmark and Sweden have proposed lower or almost removed electricity taxes, which is also expected to lead to higher demand.

Tax cuts

- The Swedish energy tax on electricity will be reduced by approximately 20 percent starting from 1 January 2026. The new tax rate will be 41.1 öre/kWh. (This however comes after the government raised the tax on electricity in 2025)
- In Denmark, the electricity tax will during 2026–2027 be lowered to the EU minimum level of 0.8 øre/kWh in 2026 and 2027, down from 72.7 øre/kWh today.

Fact box 3

In 2026, when electricity taxes have been lowered, this can also be expected to have an effect in terms of increased consumption. How large this effect might be will depend on several factors. The Swedish high-cost protection scheme could potentially also lead to less incentive to reduce consumption in periods with price peaks.



Conclusion

As the tables in this report show, in the Nordics, price gaps between northern and southern price areas are growing. The south is coupling more and more with power prices in Germany, where the availability of solar and wind is extremely decisive. In the north, hydro resources are still essential. Therefore, even if the Nordics remain centralized with price areas within the same power market, regionally the landscape is becoming increasingly differentiated.

The political initiatives introduced during 2025 risk exacerbating the problems they are meant to solve, especially the high electricity prices and high volatility.

Norgespris is the most defining right now as it has already been implemented and according to Mind Energy estimates, the effect will be higher electricity prices in the Nordics, particularly in southern Norway. It is worth mentioning that because Norgespris is only offered to private consumers, one of the effects will be rising prices for the country's businesses and industry. The government compensates for this with lower taxes for the industry, but it is far too early to say how much of the price increases caused by Norgespris this will offset.

At the same time, due to the effects of Norgespris, Norway is becoming increasingly exposed to the effects of periods with low water reservoir levels. Furthermore, the expected buildup of data centers in the northern price areas in Norway will drive up consumption in that part of the country, and exports to the south will fall as a result. This at a time where the need of imports from the north is in fact growing in southern Norway, particularly during peak hours. With private consumers not necessarily adjusting consumption during periods with high prices and potential reduced inflow from the north, southern Norway may face very high wholesale prices in the future, meaning much higher energy cost risks for the country's businesses. To mitigate the effect, businesses who are actively reviewing their energy strategies should consider fixing and hedging parts of their expected consumption.

In total, the implementation of Norgespris and the potential implementation of somewhat similar policies in Sweden and Germany are in a way counteractive to the green transition, as they decrease incentive to consume power when solar and wind production is high. Also, they are disruptive to consumer flexibility, contrary to market needs.

In the coming years, increased flexibility will be the key to avoid the high volatility. Better battery storage possibilities is a decisive element in improving this. Given the growing volatility, industries – and society as a whole – will have a lot to gain by businesses adjusting their energy consumption during peaks. Furthermore, the growing price fluctuations call for a more thorough look at companies' risk strategies.

The Nordics has one of the most efficient power markets in the world, in this environment high prices and volatility are a supply and demand problem, related to the transformation of our energy system and accelerated by infrastructure constraints and lack of batteries as well as flexible production. To conclude, the political initiatives currently seen in several Nordic countries can be expected to lead to increased volatility and uncertainty in the coming years, rather than less.