

Report issued: 23rd June 2021

## Net Cost of Electricity and Gas for a 1st October Contract renewal



### Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
46.46	51.69	48.77	43.82	39.46	42.58	53.23	50.43	39.12	70.39

### Gas: core gas cost - excludes distribution, taxation and supplier margin and costs

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
61.48	68.65	58.29	46.01	37.78	41.95	55.17	48.91	29.96	64.64

### Week commencing 14<sup>th</sup> June 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$72.83	69.72	£75.34	\$120.15	8.1
<b>End</b>	\$73.50	71.32	£76.48	\$106.00	8.2

Last week saw gas and power prices lifted along the curve as attention to storage injections re-ignited with temperatures across the UK dropping off, halting the injections we had seen whilst temperatures were often in the mid-20°C's. Prices initially shifted higher on Monday, finding support from seemingly ever-present low storage coupled with Asian bid for LNG pushing the marginal price higher. Following this, weakness in carbon filtered through to gas and power, steering contracts lower. The story continued on Wednesday, with moves tracking carbon which saw a late sell off in Dec 21 EUA's push the rest of the complex lower. Sentiment changed come Thursday however as gas and power, to a lesser extent, took less direction from carbon which posted a €0.19/tonne within day loss. Gas marched higher, managing gains along the curve, albeit slight ones. Friday morning started quietly with prices drifting lower in what looked set to be a quiet day after a volatile week. This did not last though and over the course of the afternoon gas started to trade higher only to rally further still after the market had settled. Forecasts of low wind generation and continued tightening of LNG send-out coupled with an unplanned outage at the Karsto processing plant, spooked the shorts and sent them running for cover.

### Week commencing 31<sup>st</sup> May 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$69.72	61.07	£75.24	\$95.40	6.0
<b>End</b>	\$71.56	63.74	£72.95	\$101.50	5.9

Last week saw UK gas and power push higher on a short trading week thanks to the bank holiday. Most of this strength was due to a gap higher on Tuesday despite somewhat comfortable prompt fundamentals with temperatures well above seasonal norms and storage injections underway across Europe. The rest of the week was spent drifting lower from this high open as price action seemed to follow warmer weather, a strong roster of LNG arrivals to the UK, and losses in carbon contracts. The race is still on however to fill European storage levels, which still sit relatively depleted or the time of year ahead of Winter and could continue to support pricing through the summer injection season. Carbon markets posted gains in the first few days of trading reaching a high of €53.30/tonne on Tuesday before the rest of the week was spent sliding lower to close below €50/tonne. Brent markets continued to trek higher with the August contract first pushing above \$70/barrel then quickly trading above \$71/barrel. Strength was linked to OPEC+ showing a strong agreement amongst members to only continue to add supply at a slow rate in line with increased demand rather than flooding the market as well as crude stockpile drawdowns and slowing Iranian nuclear deal talks.

### Week commencing 7<sup>th</sup> June 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$71.56	63.74	£72.95	\$101.50	5.9
<b>End</b>	\$72.83	69.72	£75.34	\$120.15	8.1

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### Week commencing 24<sup>th</sup> May 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$66.52	62.37	£75.04	\$88.00	5.4
<b>End</b>	\$69.72	61.07	£75.24	\$95.40	6.0

Gas saw a rebound last Tuesday due to a heavy Norwegian maintenance schedule, rerouting of flows top Europe and lower LNG sendout. Low UK and European Gas Storage stock levels, along with a volatile Carbon market led to a bullish movements on the curve. This bullishness was short lived however, with prices crashing off near the end of the week as the arrival of warm weather was expected to weigh heavily on demand and finally give storage sites a chance to inject. LDZ demand out-turned around 70mcm/d over the weekend, down from c.120mcm/d a week ago. Wind output across Europe is expected to remain below normal due to the more settled conditions, however solar generation is to remain strong. Key risks still remain as the market remains tight with low storage levels and LNG import competition with Asia.

Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change. ECA cannot be held responsible for movement in the commodity market.