week on week

marketview

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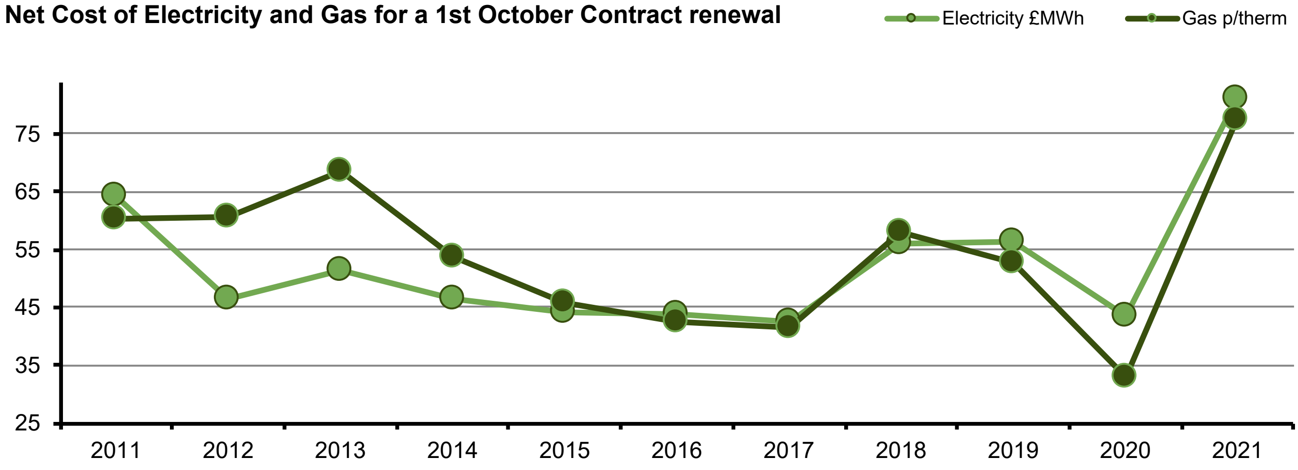
Report issued: 21st July 2021

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
46.5	51.4	46.42	44.02	43.78	42.65	56.04	56.19	43.63	81.11

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
60.76	68.48	53.67	45.73	42.5	41.53	58.04	52.83	32.89	77.47

Week commencing 12th July 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$75.48	83.31	£85.52	$132.00	14.3
End	$72.88	78.65	£82.47	$136.75	13.2

Last week saw prices dipping lower, albeit with large trading ranges and pronounced volatility. On Monday, the front 9 months of gas and power pricing were pulled lower by news that Nord Stream 2 construction would be complete by the end of August. Whilst positive news for the bears, there still is not a firm commissioning date or whether gas will even flow this year. Furthermore, bulls often bought the dip, creating further volatility within contracts and ensuring front month NBP regularly traded in a c. 5p/therm range. With prices quickly moving around and momentum often drawn from post settlement price action, the move lower over the course of the week really only tells part of the struggle across contracts. Moves in power were largely the same. The EU announced its ‘Fit for 55’ climate change package plans which announced sweeping plans to help EU states meet 2030 emissions targets on Wednesday. Whilst this provided some support to EUA’s on the announcement day, the commodity had largely priced in political support and the Dec 21 EUA contract shifted €1.37/tonne lower by the end of the week. UKA’s, whilst typically linked to EUA’s since their inception, sometimes moved independently of them last week, possibly a function of liquidity. Oil began the week quite stable, occasionally finding support from positive IEA data before news broke of key OPEC+ producers pushing to increase their respective supply into an already fragile market with supply finely balanced on recovering demand. Once confirmed, worries jumped to the possibility of other OPEC+ producers increasing their supply after UAE paved the way.

Week commencing 5th July 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$75.95	81.48	£85.85	$128.75	14.3
End	$75.48	83.31	£85.52	$132.00	14.3

Last week saw mass volatility and large traded ranges across commodity markets, but particularly so in gas. Front month started the week strong, continuing the prior week’s strength supported by the news that Gazprom had not booked any annual capacity on the Yamal pipeline. However, Tuesday and Wednesday saw a massive reversal with the contract dropping over 15p/therm from Tuesday’s open to Wednesday’s settlement. The rest of the trading week saw the contract push higher, all but reversing the Power markets lagged gas to some degree exhibiting fewer wild swings and was hampered somewhat by weaker carbon. Dec 21 EUAs suffered losses on three out of five trading days last week with the heaviest daily loss on Tuesday standing at €4/tonne. Brent markets also saw wide trading ranges. Volatility stemmed from disagreements between Saudi Arabia and the UAE on the continuation of OPEC+ oil supply cuts, which saw the contract lose just over $3.60/barrel between Tuesday’s open and Wednesday’s settlement. Support was found later in the week as US crude and gasoline inventories fell double that of analyst expectations.

Week commencing 28th June 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$75.62	77.00	£82.39	$117.80	11.9
End	$75.95	81.48	£85.85	$128.75	14.3

Last week saw gains across the complex, especially so in gas markets where front month pushed over 9p/therm higher than the prior week’s settlement. The front of the gas curve continues to be supported by the same underlying fundamentals of strong Asian demand for LNG and low storage levels across Europe. However also adding some further support last week was the news of unplanned Norwegian maintenance as well as the high levels of planned maintenance in July with both the Nord Stream 1 and Yamal assets due to be taken offline. This, along with extremely strong hub pricing,further stokes fears of refilling storage levels to adequate levels to cope with a cold Winter. Further down the NBP curve, pricing rallied but gains faded towards the backend. Power markets tracked gains in gas and carbon. Carbon markets were generally bullish last week, being dragged higher by rampant gas hub pricing. Brent markets were initially weak on Monday as traders were concerned over growing delta variant COVID-19 cases, although strong demand manifesting in US crude stock drawdowns helped to bring buyers to the fore once again. Late in the week volatility was added by a public disagreement between OPEC+ members and the UAE whereby OPEC+ wants to increase crude production to match higher demand whilst the UEA wants to continue to limit supply and support pricing.

Week commencing 21st June 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$73.50	71.32	£76.48	$106.00	8.2
End	$75.62	77.00	£82.39	$117.80	11.9

Another bullish week across the energy complex with fundamentals unchanged as renewable output remains lower, continued cooler temperatures and a strong Asian LNG bid all mean that injection season has faltered. On Monday, gas prices rallied early on, with the front month NBP contract trading at levels not seen since January as bullish sentiment continues seemingly unchecked. Demand has remained below seasonal norms, despite some cooler and wetter weather which could help prices reverse if we experience some warmer and sunnier weather. Another glimmer of hope on the horizon is that Nord Stream 2 will come online in good time, and we will see a pick-up in Russian gas flows to Europe. Carbon prices managed to post another positive week as Dec 21 EUA’s rose by €3.15/tonne to settle above €55/tonne. Brent prices stepped higher last week as drawdowns on U.S crude stocks, growing optimism over global fuel demand recovery and expectations that OPEC+ will not rush to force supply back into the market ultimately helped the Aug 21 Brent contract settle $2.67/barrel up come Friday.

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