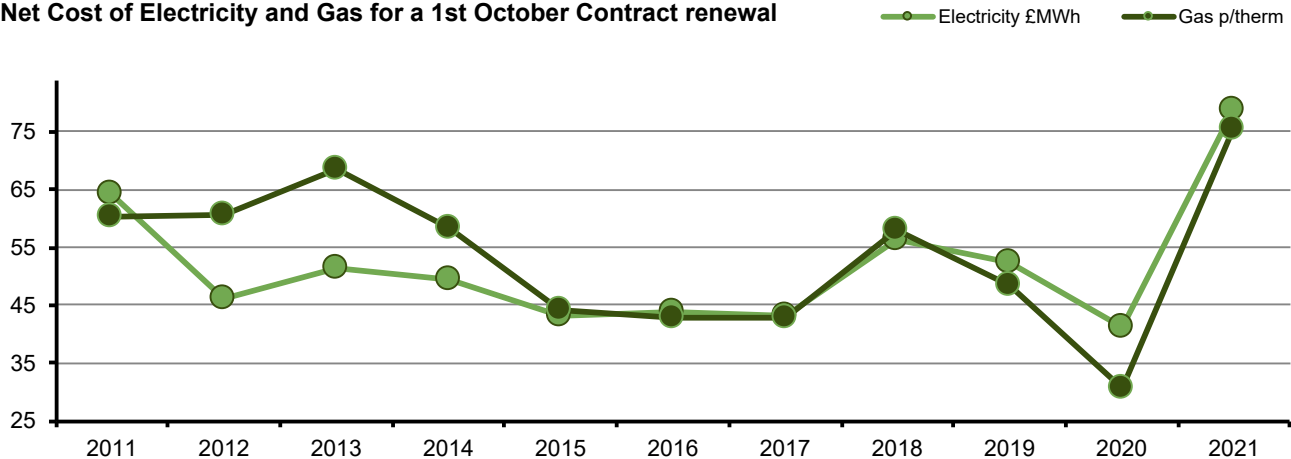


Report issued: 4th August 2021

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
46.27	51.34	49.55	43.25	43.76	43.19	56.48	52.23	41.03	78.70

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
60.53	68.49	58.30	44.03	42.77	42.67	57.98	48.48	30.49	75.54

Week commencing 26th July 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$73.57	81.63	£83.23	\$139.50	13.2
End	\$76.29	96.18	£90.92	\$141.20	18.1

Another extremely bullish week for gas, pulling the rest of the complex with it whilst oil grappled with COVID-19 variant impacts and supply fundamentals. The week saw Aug-21 and Sep-21 both topping 100p/therm in quite incredible moves and often trading at a premium to Winter 21. The markets were favouring the bullish factors of a worsening storage backdrop as the high price environment struggles to see much injection as well as a meagre roster of LNG arrivals. Further providing support was outages at Norway's Troll field that saw Langede injections fall significantly with Gassco data suggesting the field would be fully online again at the start of next month. Further bullish fundamentals encouraged prices higher with wind output still low and solar levels failing to reach recent output, heaping further pressure on gas burn generation making injection at any significant level less likely. Additionally, news broke that Gazprom chose not to purchase any Ukrainian interruptible capacity for August helped to keep the bid in the market. Power prices were no different, riding the wave higher led by gas. Volatility at the end of the week saw profit taking early on, although bids soon crept into the market during the afternoon and contracts settled a little below the previous session. Dec 21 EUAs and UKAs found ample support through gas prices with both contracts finishing the week higher. Brent rose \$1.97/barrel on the week, ultimately finding strength in tight supply and some stock drawdowns despite some days of rises and worries around Covid-19 variant impacts.

Week commencing 19th July 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$72.88	78.65	£82.47	\$136.75	13.2
End	\$73.57	81.63	£83.23	\$139.50	13.2

Markets remained choppy last week with carbon retreating over the course of the week whilst oil, power and gas all edged higher. Significant price action was focused on the front 9 months of the gas curve, with intraday volatility remaining high. Power generally tracked gas characteristics, staying volatile at the front end of the curve with large moves whilst Summer 22 onwards generally saw more docile activity. Gas and power prices did stutter on Tuesday and Thursday, seeing marginal or flat moves settlement to settlement on these two days but this could not stop either commodity continuing its bullish run higher. Despite warmer weather and strong solar output, prices came under fire from still bullish fundamentals of strong Asian LNG bids, meagre wind output and constant worries around much lower than desired storage across Europe ahead of winter. Carbon bucked the energy complex trend last week as EUAs and UKAs lost value, with the two sometimes de-coupling which has been seen in recent weeks at times. Oil felt the full brunt of delta variant worries on Monday as stock markets globally lost value with investors typically absconding markets particularly exposed to knock on effects from rising Covid-19 cases. The contract did rebound resolutely with strength linked to expectations that supply will still be tight as global demand and GDP continue to recover.

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 EUAs 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. UKAs, whilst typically linked to EUAs 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.

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.