week on week

marketview

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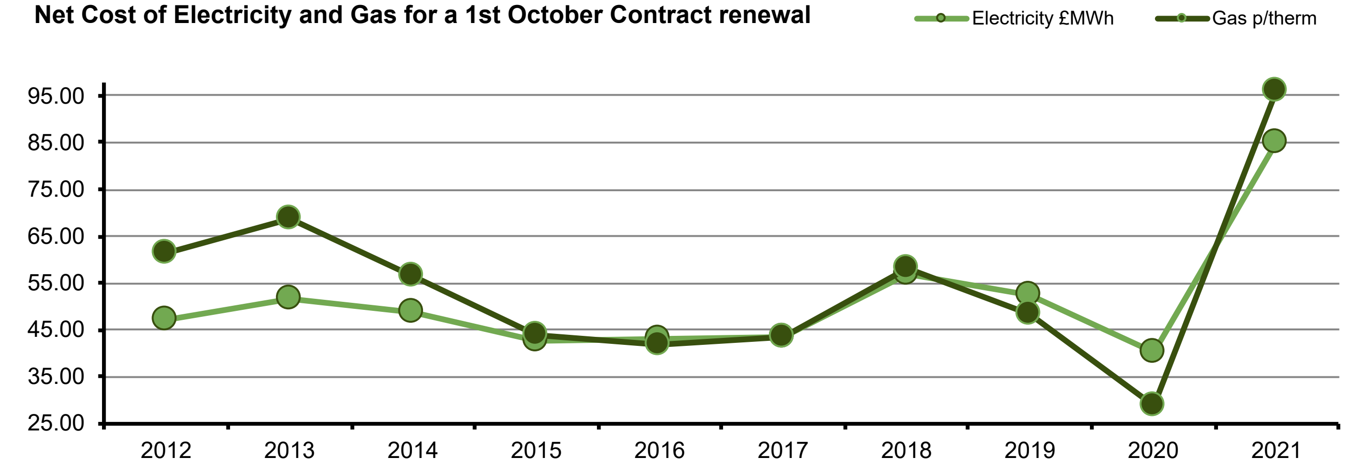
Report issued: 11th August 2021

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
47.01	51.70	48.79	42.76	43.03	43.36	56.87	52.29	40.28	84.80

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
61.17	68.65	56.30	43.60	41.73	43.23	58.12	48.15	28.69	95.91

Week commencing 2nd August 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$76.29	96.18	£90.92	$141.20	18.1
End	$70.97	91.55	£92.30	$143.10	16.9

Last week saw further gains for UK gas with front month touching a high of 111.50p/th. The week began with a strong start, and although the contract traded lower through Tuesday and Wednesday, bullish price action on Thursday and Friday saw the contract gain just over 4p/th week to week. Thursday's strength was linked to a fire breaking out in a condensate plant, which could interrupt flow to Europe. However, the risk to flow was limited and the jump in price does more to highlight the nervousness in the market than anything else. Power markets tracked gains in gas and carbon, with carbon markets also largely bullish last week being pulled higher by strength in gas. Last week's strength in UKAs saw the Dec 21 contract trade a premium again to EUAs in GBP equivalent. Brent markets struggled last week with heavy losses on Monday, Tuesday, and Wednesday. Weakness came from a cocktail of bearish news from low Chinese and US manufacturing numbers early in the week to a surprise build in US crude inventories later in the week. These builds were however paired with heavy draws in gasoline, highlighting strong refinery margins, which should act to draw more crude.

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/th 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 Langeled 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 EUA's and UKA's 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, measly 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 EUA's and UKA's 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 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.

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