week on week

marketview

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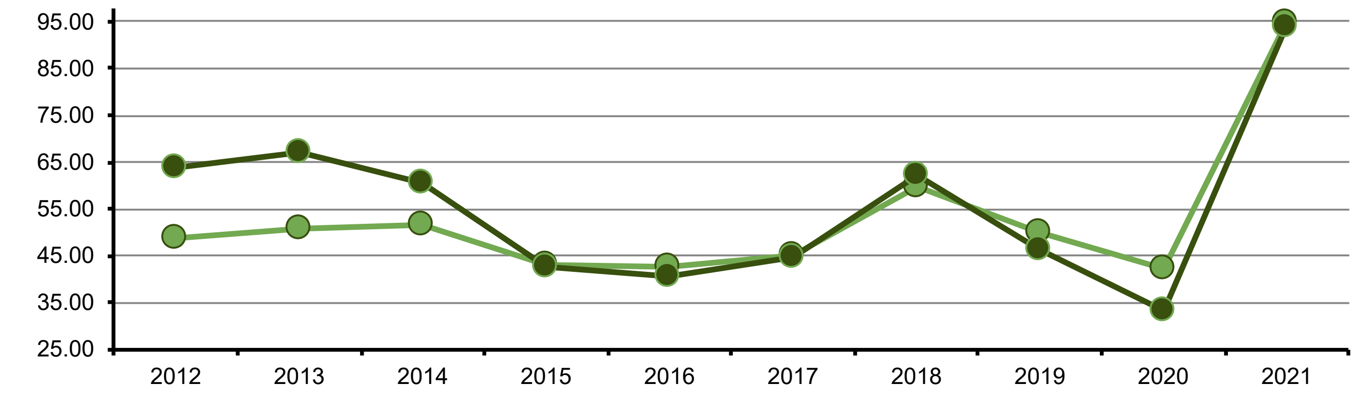
Net Cost of Electricity and Gas for a 1st October Contract renewal



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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
48.86	50.91	51.75	42.80	42.40	45.13	59.80	49.80	42.32	94.93

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
63.61	67.19	60.56	42.47	40.40	44.75	62.26	46.39	33.22	94.17

Week commencing 16th August 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$71.08	97.54	£97.27	$152.85	19.1
End	$65.81	92.97	£94.43	$142.00	16.3

Last week saw vast volatility in the European energy complex, led mostly by gas hub pricing. Front month NBP marched up higher on Monday reaching the week's high of 119.34p/therm and settling an impressive 8.17p/them higher. Support came from a change in sentiment around Russian gas with the market moving from asking the question of 'when' Russia would flow to Europe, to 'if' they could flow gas based on a tight Russian domestic balance and the outages. However, Wednesday and Thursday provided the most impressive price moves as Wednesday saw Gascade, the North Germany TSO, post nominations on their website for the Lubmin II hub, which is the receiving station for Nord Stream 2. This shocked the market and saw a huge sell off as traders were stopped out of long positions with a low of 103.05p/therm being printed, however these nominations were later confirmed to be an IT error rather than Nord Stream 2 going through testing and the market pared losses to settle 5p/therm lower. Thursday then brought further Nord Stream 2 drama as Gazprom made the statement that they expect the pipeline to deliver 5.2 bcm of gas to Europe over the balance of 2021. Some analysis places the start of gas flow to be mid-October, whilst others suggest it could be earlier if Gazprom do not wait for both pipelines to be finished. Friday saw profit taking push pricing higher during low liquidity to limit losses on the week.

Week commencing 9th August 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$70.97	91.55	£92.30	$143.10	16.9
End	$71.08	97.54	£97.27	$152.85	19.1

The energy complex remained volatile last week as liquidity struggled with many traders away from their desks during the holiday season but one consistent remained in the front 9 months of gas and power shifting higher over the course of the week as fresh highs were set. Despite a slight dip on Monday that came about as prices seemed to correct themselves and end the day in line with the previous week's settlement, contracts at the front of the curve spent most of the week lifting higher. Continued disruption to Russian supply to Europe helped to support pricing as did another unplanned outage at Norway's Troll field whilst prices remained well supported at the prompt end of the market. Wednesday saw the front month gas contract once again hit new all-time highs, as fears of tightness across the Winter are still forefront in trader's thoughts. Both gas and power traded lower on Friday after a strong week that saw gains across the board as traders looked to take profit ahead of the weekend amidst low liquidity. Higher levels of wind also helped by providing addition supply into the grid and reducing the amount of gas burn generation needed. This month has seen a step up of injections as spot market prices trade at a discount to Sep and other months across the winter period. Whilst positivity can be drawn from this, it doesn't detract from current fundamentals still pointing to Europe being short gas over the coming winter. Carbon largely followed gas last week until Thursday where the losses outpaced the other commodity. Delta variant impacts and rising cases across Asia hampered gains in oil where the Oct 21 Brent contract suffered a loss of $0.11/barrel by the end of the week.

Week commencing 2nd July 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.