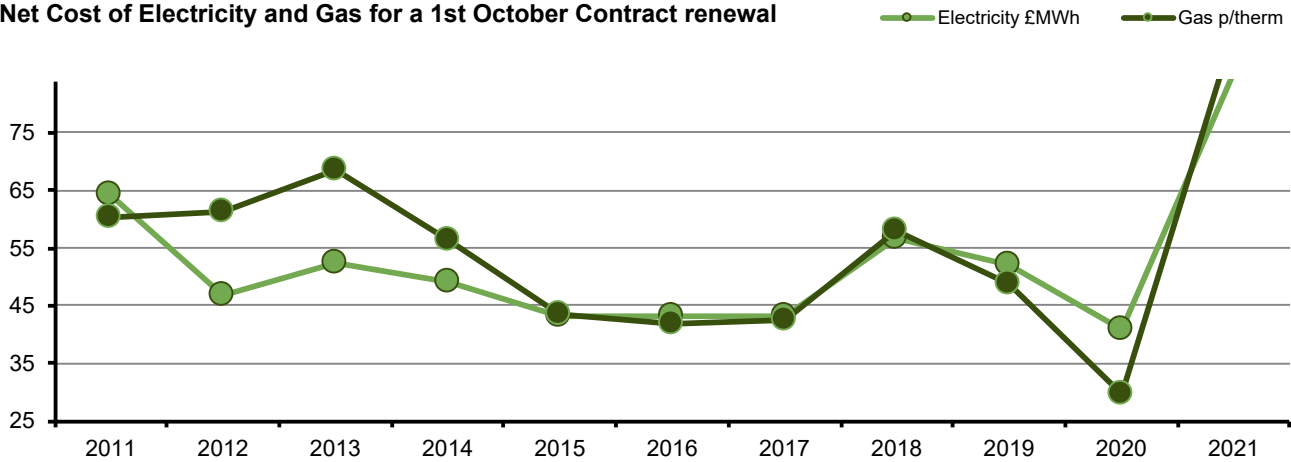


month on month marketview

Review of: 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 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 46.92 | 52.29 | 49.17 | 43.02 | 43.03 | 43.26 | 56.76 | 52.21 | 40.93 | 85.03 |

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

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------|-------|-------|-------|-------|-------|------|-------|-------|-------|
| 61.4 | 68.63 | 56.38 | 43.48 | 41.73 | 42.65 | 58.1 | 48.65 | 29.68 | 92.08 |

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

July in summary

Prices have continued to rise higher as the fundamental drivers of low storage and a bleak LNG supply outlook continue to loom. It is looking more and more certain that this winter will be one of the tightest.

Market volatility

Volatility this month continues to come from the below average storage levels, low renewable outputs and bullish wider fuels.

Weather

The first half of July was mostly unsettled, with spells of heavy rain and showers, especially over England. All areas were drier and much warmer by mid-month, with warm temperatures and unbroken sunshine for many. The final week was much more unsettled once again, with temperatures back to near average and frequent showery rain.

Gas, Storage and LNG News ▲

The start of July saw mass volatility and large traded ranges across commodity markets, but particularly so in gas. This was to be a feature of the markets throughout the month. The markets were supported by the news that Gazprom had not booked any annual capacity on the Yamal pipeline. However, there was then a massive reversal following sell off as the Winter 21 contract neared 100p/therm, with profit taking pushing pricing lower. With no change to the underlying fundamentals of low gas storage and strong competition for LNG it was natural that buyers stepped back in and markets recovered these early losses.

The volatility continued with 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 certainty that gas will even flow this year. Any dips once again saw traders step back in, seeing wide price ranges. 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. All of which saw markets climb further.

The end of the month saw gas gain more bullish momentum, pulling the rest of the complex with it. The market favouring the bullish factors of a worsening storage backdrop, struggles to see much injection into storage as well as a meagre roster of LNG arrivals. Further support came from outages at Norway's Troll field that saw Langede injections fall significantly. Low wind output still low and solar levels heaped further pressure on gas burn generation reducing injection at any significant level. News broke that Gazprom chose not to purchase any Ukrainian interruptible capacity for August, lending further support.

Politics and global economics ▲

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.

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. The aim of this is to cut net greenhouse gas emissions across Europe by at least 55% by 2030.

The UK lifted its remaining COVID restrictions on 19th July, which allowed the few remaining businesses such as nightclubs to reopen as well as hospitality venues returning to full capacity. This in turn should increase the overall energy demand as life gets back to some sort of normality.

Oil ▲

Brent markets ultimately moved higher on the month, although we saw wide trading ranges, with volatility stemming from disagreements between Saudi Arabia and the UAE on the continuation of OPEC+ oil supply cuts. News then 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. Towards the end of the month, there were also concerns beginning to emerge around the impact of the latest Delta COVID variant on China and the potential impact on demand moving forward.

Coal ▲

Coal markets have risen following the rise in gas, as the switch from gas to coal generation has been more appealing, with the low renewable output also intensifying this. TTF and coal forward pricing currently suggests European gas prices will remain above the switching price in coming months, which indicates an incentive to switch from gas to coal, thus driving an expected increase in European hard coal burn.

Carbon ▲

Carbon managed to remain above €50/t but started the month with several days of losses. It saw contrasting influences, sometimes being dragged lower by COVID worries, and then supported higher by the strength in gas and the wider market. The end of the month saw Dec 21 EUA's and UKA's find support through gas prices. Prices had dipped as market participants anxiously awaited the Polish and UK carbon auctions on Wednesday. The Polish auction added 2.5 million EUAs into circulation and later the 6th UK ETS auction added just over 6 million UKA's to the market.

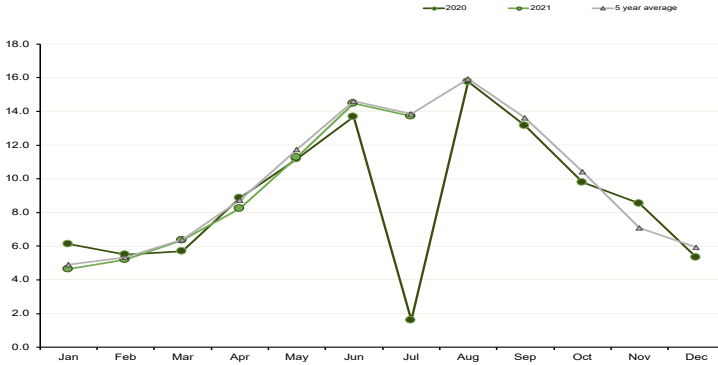
Looking Ahead

August was the earliest suggested date that the Nord Stream 2 project could be completed. If we get a completion date, this may then provide some certainty over when gas flows are expected to begin. We also are expecting to hear a formal announcement this month on the consultation to delay the implementation of some of the TCR charges until April 2030. The continuing COVID situation in China will also be something to monitor, as the Delta variant continues to spread and restrictions are imposed, to see to what extent this impacts oil demand.

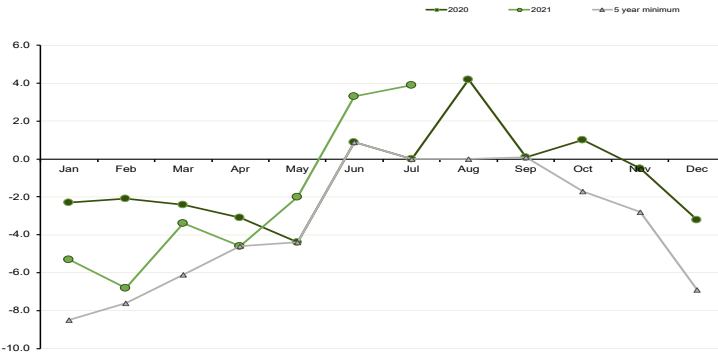
month on month marketview

Review of: July 2021

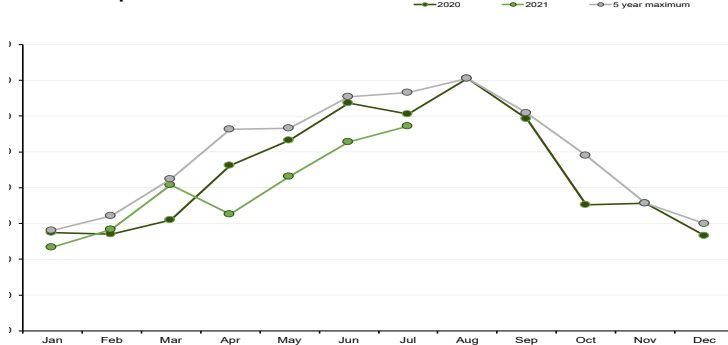
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

The first half of July was mostly unsettled, with spells of heavy rain and showers, especially over England. All areas were drier and much warmer by mid-month, with warm temperatures and unbroken sunshine for many. The final week was much more unsettled once again, with temperatures back to near average and frequent showery rain.

Average temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

| 2021 | June | July | Year total |
|------|------|-------|------------|
| °C | -0.1 | -0.1 | -0.2 |
| % | -0.8 | -1.0% | 0.0% |

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

| 2021 | June | July | Year total |
|------|------|--------|------------|
| °C | 0.8 | 12.1 | 1.6 |
| % | 5.9% | 747.1% | 1.0% |

Min temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

| 2021 | June | July | Year total |
|------|---------|------|------------|
| °C | 2.4 | 0 | 1.9 |
| % | 266.70% | 0% | 19.9% |

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

| 2021 | June | July | Year total |
|------|--------|------|------------|
| °C | 2.4 | 0 | -0.9 |
| % | 72.70% | 0% | 23.4% |

Max temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

| 2021 | June | July | Year total |
|------|--------|--------|------------|
| °C | -6.3 | -4.7 | -4.9 |
| % | -19.3% | -14.1% | -18.8% |

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

| 2021 | June | July | Year total |
|------|---------|-------|------------|
| °C | -5.4 | -1.7 | -2.2 |
| % | -17.00% | -5.6% | -6.9% |

Utility Impact Summary

Bullish behaviour continued through July with a mixture of weather throughout July, but low renewable generation meant more demand on traditional methods.

When you switch your heating on make sure:

-It is on a timer, don't leave it running when there is no-one in the building

-On a temperature set point, usually around 22 degrees is enough, heating to a higher temperature does not make it warm up faster, it will only use more energy try to reach an unachievable temperature.

It is particularly important this year to check your heating settings as closing the building during lockdown may have meant that the usual settings were altered and timers and temperatures need to be reset.

As the evenings begin to grow lighter, adjust any automatic lighting timers to ensure lights are not switching on needlessly.