week on week

marketview

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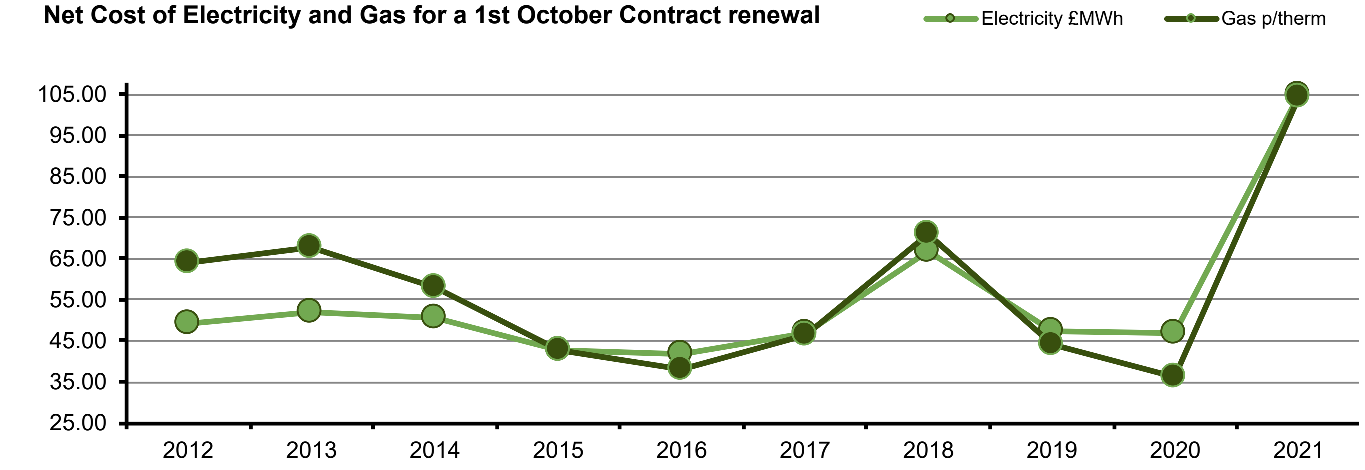
Report issued: 15th September 2021

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
49.18	51.04	49.85	42.18	42.85	45.76	62.68	48.10	42.80	92.27

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
64.01	66.95	57.82	41.93	40.25	44.95	64.95	44.90	33.05	89.87

Week commencing 6th September 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$73.09	104.23	£104.84	$168.25	24.1
End	$72.95	114.67	£113.94	$175.00	19.2

Last week saw continued volatility in both curve as well as, and especially so, in prompt gas and power markets. Front month NBP trekked higher still, posting fresh highs day on day last week. There was some bearish pressure at times coming mostly from Nord Stream 2 news as firstly Russia's Foreign Minister, Sergei Lavrov, announced that he expected the pipeline to be operational in the coming days. This was then ratified a few days later by Gazprom announcing that construction was indeed completed. Whilst these headlines managed to put the brakes on the bull run briefly, traders ultimately discounted the news entirely given that the pipeline would still have to undergo certification before any gas could flow, which could take months. The other question traders are asking is does Russia have the gas to flow to ease EU supply concerns? Internal gas balances look tight after a long cold winter and Gazprom-owned storage levels are unseasonably low. However, others still see this as positioning to ensure reliance on Nord Stream 2. Winter 21 also gained on the week, pushing up a staggering 16.60p/therm on the week. However, any volatility in the curve was vastly overshadowed by moves in the prompt. Low wind and plant outage saw fossil generators able to run charge huge premiums for their power in the balancing mechanism. As highlighted last week, this price action is concerning for the upcoming winter with so many four-digit prices seen in a low demand, calm shoulder month. Carbon markets rode on the coattails of gas for much of last week until Friday. However, Friday saw the contract drop €2.21/tonne to cement a small weekly loss. Brent markets finished the week up slightly as US supply continues to lag following damages after Hurricane Ida fighting off earlier bearish sentiment from Saudi Arabia cutting their pricing to Asia, as well as China selling out some of their strategic reserves hinting at lower and slower demand recovery than expected.

Week commencing 30th August 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$72.48	102.70	£101.97	$154.25	20.1
End	$73.09	104.23	£104.84	$168.25	24.1

The energy complex remained strong last week as UK markets played catch up with the rest of Europe following the bank holiday weekend. With Sep contracts expiring at the start of the week, only 1 month remaining of Summer 21 and fundamentals mostly unchanged, traders seem to be fearing the worst this coming winter. Reports suggest that supplies will be tight over the period, especially in the event of a colder than average winter and the hypothetical worries touted at the start of the summer come into full view as the scales tip further from possibility to increasingly likely. Midweek saw volatility take over as contracts dipped with some linking weakness to moves in oil markets as OPEC+ stand firm behind their policy to increase supply, with Russia suggesting they could produce above the quota, despite demand fears. Others are pointing to Mallnow nominations that picked back up to pre-condensate plant fire levels, although nominations dropped from the prior day. Either way, prices dropped across the energy complex with the exception of the front 9 gas months which just about held their level. Weakness extended through to early trading on Thursday although prices began to reverse these losses and manage settlement to settlement gains. However, a post settlement sell-off saw prices eek lower once again on Friday. Despite frequent changes to price direction, gains achieved at the beginning of the week were enough to help the complex higher overall on the week.

Week commencing 23rd August 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$65.81	92.97	£94.43	$142.00	16.3
End	$72.48	102.70	£101.97	$154.25	20.1

The week began fuelled by volatility with gas flows into the Mallnow entry point on the German/ Polish border increasing over Monday afternoon by 85% on what was being flowed last week, helping to present a mixed bag early on. Contracts returned to strength and despite swings in pricing, it was one way traffic in terms of bullish prices. Norwegian outages at the Nyhamna plant drove NBP higher at the front of the curve on Tuesday, rising by more than 8p/therm with Winter 21 NBP closely following. Whilst Gazprom's Nord Stream 2 statement took a bite out of the gas price, the noncommittal wording of the statement and the tight Russian domestic balance has seen this bearish driver fade. Aside from changing headlines, support continues to be found in lower-than-normal European gas storage levels and a tiny roster of LNG arrivals to the UK. The outage at the Nyhamna plant, originally expected to end on Saturday, extended until Tuesday, lower than expected wind and strong carbon helped gas and power end the week higher still. Sep saw new highs before expiry, along with Winter. Carbon began the week with EUA's and UKA's deviating from one another. Aside from this the contracts both generally followed suit, mostly finding strength from bullish gas although bearish pressure came from bumper supply caused by two auctions on Wednesday. Oil pricing was changeable as Covid related impacts remain a constant but fading somewhat as a fire at a Mexican offshore platform took 400,000 bpd offline and worries mounted with Hurricane Ida inbound to U.S shores.

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.