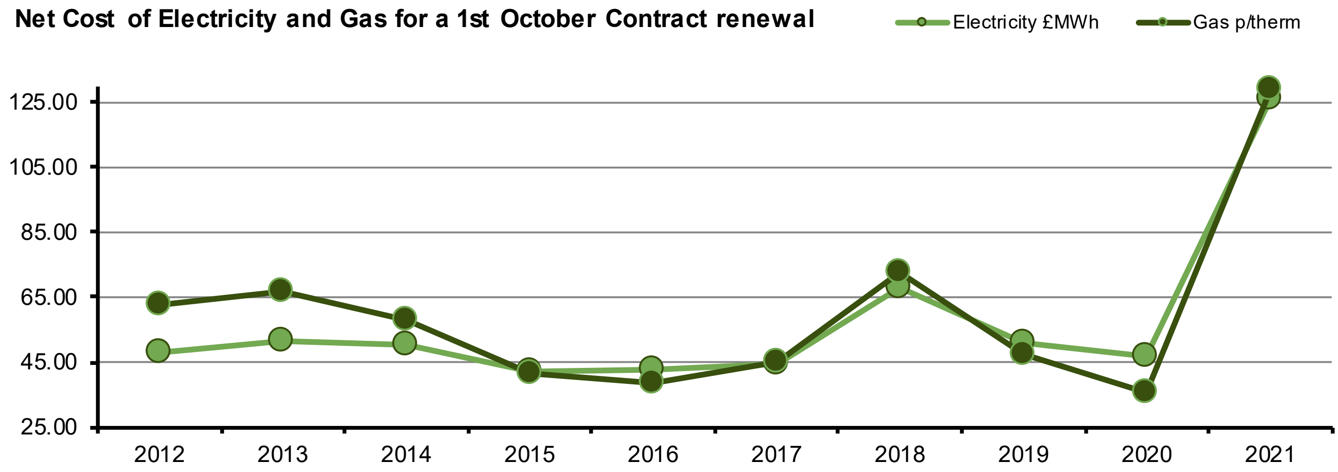
week on week

marketview

Report issued: 29th September 2021



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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
48.02	51.36	50.39	42.03	42.6	44.21	67.74	50.78	46.71	126.14

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
62.51	66.69	57.73	41.43	38.33	44.92	72.39	47.6	35.65	128.83

Week commencing 20th September 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$74.81	128.83	£126.14	$168.65	30.5
End	$77.79	137.54	£145.57	$200.25	37.3

Last week saw gas pricing plunged into chaos once again on Monday as Gazprom booked no additional capacity via Ukraine for October and took reduced capacity via Yamal. Whilst this changes little in terms of fundamentals, the market exploded higher concerned about any change to winter supply with front month posting a close to 27p/therm gain from the prior day's settlement. However, sentiment started to change over the rest of the week with the contract trading lower day on day. It is worth noting that this statement largely ignores the massive volatility present with several days with trading ranges in excess of 10p/therm, highlighting the importance of the timing of any trade execution for customers on flex contracts. Bearish sentiment came from increased wind load factors helping to ease pressure on the prompt as well as the arrival of one LNG vessel with another expected in the coming days. Power markets largely outperformed gas last week, with UK carbon markets seeming to lead power more than any signal from gas on some days. Carbon markets were certainly interesting last week with divergence between EUA and UKA contracts. This dissociation could be linked to limited supply in UKAs compared to their European counterparts, as well as signs of increased investor interest in the UK scheme further exacerbating the physical shortage. Brent crude markets were supported last week by still reduced US supply, eating further into US stockpiles with a larger drawdown in US crude than expected. Also lending some support was the announcement by Iran that OPEC+ would do what they could to keep oil pricing near $70/barrel whilst the global economy continues to fight and recover from the COVID-19 pandemic.

Week commencing 13th September 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$72.95	114.67	£113.94	$175.00	19.2
End	$74.81	128.83	£126.14	$168.65	30.5

Last week saw gas markets remain at centre stage of the energy complex. Front month rallied hard into the start of the week. Bullishness continued into Wednesday morning before momentum turned around and sellers came to the fore. This bearish momentum looked strained early on Thursday as the contract was pushed higher but ultimately came to fruition with the contract being smashed lower into settlement to cement a within-day loss. Friday again started strong before selling off over the course of the afternoon, however rather than weakness into the close we saw buying. This buying was likely a mixture of shorts being closed and buyers getting into the dip with more mainstream media picking up stories of struggling energy firms and record high wholesale pricing. Power markets were extremely bullish too, tracking gas and strength in short term power. We also saw another four-figure system imbalance price, not helped by fire at an IFA interconnector substation that has knocked 1GW of the line's capacity off until the end of March 22. Carbon markets continued to show dissociation to gas pricing. Dec 21 EUAs ultimately dropped €1.44/tonne on the week and is starting to stray into bearish territory given its inability to break out of the recent range despite gas market behaviour. Brent markets gained on the week as US supply, struggling to return after Hurricane Ida, was hit further by Storm Nicholas, threatening to curb Texan production. Gains were tempered however by the Chinese looking to sell out some of their Strategic Reserves.

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.

ecaBusinessEnergy.com

T 01246 290 490 **E** Sales@ecaBusinessEnergy.com