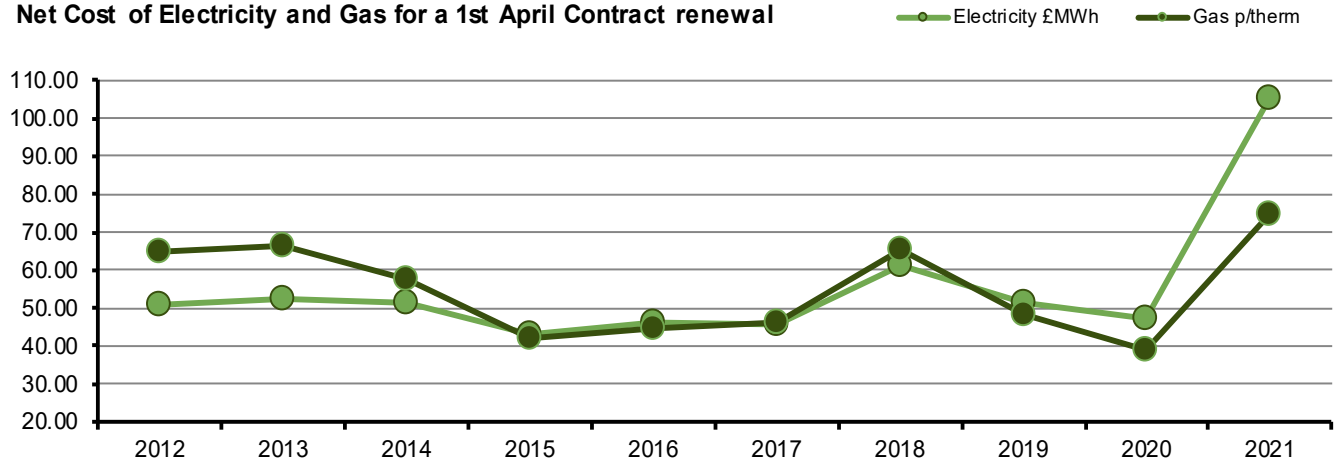


Report issued: 20th October 2021

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



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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
51.03	52.34	51.4	42.79	45.9	45.63	61.23	51.48	47.33	105.5

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
64.59	66.42	57.55	41.78	44.54	46.05	65.51	48.44	38.7	74.83

### Week commencing 11th October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$83.09	144.15	£143.63	\$216.00	38.1
<b>End</b>	\$84.75	165.98	£159.55	\$239.50	46.3

Last week began with the front month gas and power contracts uncharacteristically dropping whilst the rest of the curve ticked higher. Typically, the front month contract has been the catalyst for the whole curve and whilst the gas and power did end the week higher, early weakness here at the start of the week would have helped to see Nov 21 NBP gains capped compared to later contracts. Mixed trading continued for the front month contracts until Wednesday when both contracts found further support declining wind output. With this said, volatility continued to be the best word to describe the gas markets with picking a mid-term direction difficult, although floods in one of China's key thermal coal production provinces means LNG can be expected to continue to point towards Asia rather than Europe. Thursday saw prices bound higher, reaching the weekly high with strength seeming to be linked to buying at technical levels as well a stronger prompt with day-ahead wind forecast to drop from 10GW overnight to just 1GW by the end of the day, and statements from Russia that domestic supply needs would be a priority. Friday however saw prices retrace, losing value to settle in line with Wednesday's level. The EUA/UKA spread narrowed last week as €60/tonne proved to be sticky although the contract ultimately settled just below this mark. Dec 21 UKA's lost £1.78/tonne on the week, creeping back closer in line with their European counterpart. Brent continued to find support from fuel switching as gas and coal prove to be costly in comparison despite Brent reaching multi-year highs itself.

### Week commencing 4th October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$78.79	170.42	£159.97	\$238.50	47.5
<b>End</b>	\$83.09	144.15	£143.63	\$216.00	38.1

Last week saw front month UK gas trade a ridiculous 199p/therm range with the start of the week bringing gains with bullish momentum continuing as Gazprom's ability and willingness to meet European demand remained in question and mid-term temperature forecasts were revised colder. Wednesday saw the peak of the rally with front month pushing above 400p/therm. However, this level was ultimately rejected as profit targets were met and selling ensued. This selling pressure continued to build over the afternoon as the contract fell through support levels and Putin made an announcement that Russia was ready to step in and increase supply to Europe to 'steady the market'. The contract managed to post a within-day loss of 20.46p/therm. Thursday and Friday saw several rallies off support levels that ultimately failed, feeling like the underlying wish of the market was to move lower to levels more in line with fundamentals. However, these rallies also show a willingness to step into the market, hinting that if forecasts turn colder or a shock to supply occurs, we could be pointing upwards again. Carbon markets were again interesting last week with the decoupling between EUAs and UKAs continuing further. Dec 21 EUAs dropped €3.71/tonne of value on the week, with the heaviest selling coming on Wednesday with some participants pointing to selling of spot EUAs to generate cash to aid with funding positions amidst exchange margin rate hikes. UKAs saw a weak auction on Wednesday only partially clear as the government looked to have exercised their option to not fill bids too far below futures pricing. The Dec 21 UKA contract dropped £11.50/tonne on the week, bringing the UKA/EUA spread back in. Brent markets gained on the week with Dec 21 trading up \$3.11/barrel despite late weakness due to surprise builds in US crude and gasoline stockpiles.

### Week commencing 27th September 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$77.79	137.54	£145.57	\$200.25	37.3
<b>End</b>	\$78.79	170.42	£159.97	\$238.50	47.5

Last week saw the Oct 21 and Winter 21 gas and power contracts expire as we officially entered the shoulder month of October. Nov 21 NBP and baseload gained an eye-watering 57.31p/therm and £45.18/MWh, both lifting above 200p/therm and £200/MWh by some way. Both contracts are up over 300% from their starting point in Jan 21 but this isn't yet accounting for non-commodity elements of gas and electricity which would see prices higher still. UKA's posted an impressive gain of £9.10/tonne over the course of the week as EUAs lagged, losing £0.90/tonne over the week. Tuesday saw the Dec 21 EUA contract plummet and despite some efforts to rebound, the contract ultimately posted a loss. Tuesday's loss was attributed to investor retrenchment as the reality of tight energy markets globally sunk in for energy concerned investors. Diver shortages in the UK, meteoric gas prices, concern for northern hemisphere coal stocks, and considerable risk of demand destruction through industrial turn down paint a tricky outlook for this winter. Brent saw the Dec 21 contract become the new front month and, despite some volatility and wider trading ranges, ultimately traded sideways for most of the week. A late rally on Friday helped to cement a gain of \$2.05/barrel by settlement Friday but nervousness persists around tight energy supply globally and the looming OPEC+ meeting which seems set on increasing supply into an already finely balanced oil market.

### Week commencing 20th September 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$74.81	128.83	£126.14	\$168.65	30.5
<b>End</b>	\$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 look 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 100p/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.

Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change.

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