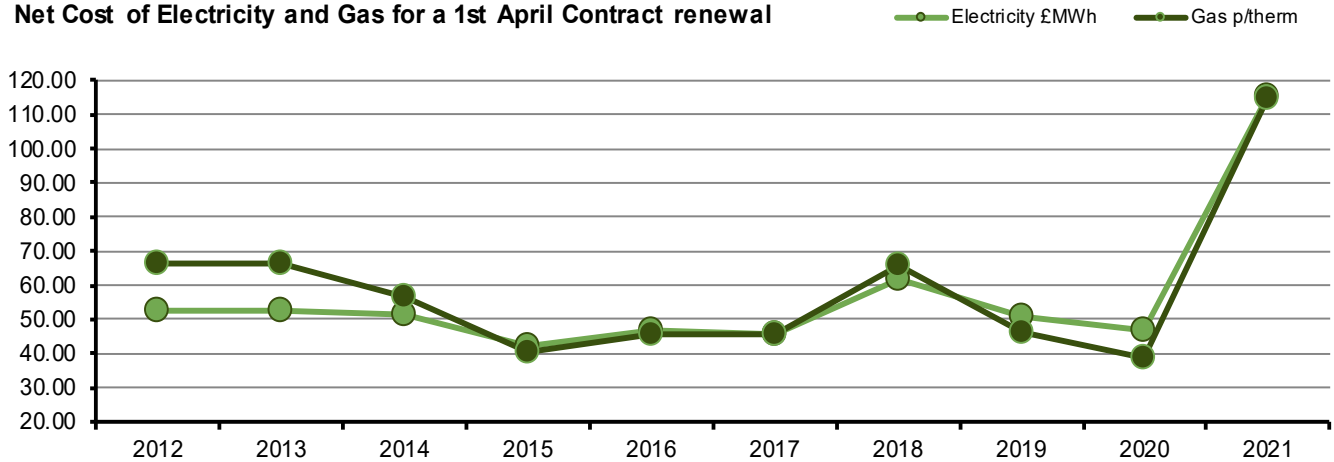


Report issued: 27th October 2021

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 18th October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$84.75	165.98	£159.55	\$239.50	46.3
End	\$84.79	160.04	£146.09	\$197.00	41.5

Last week saw gas markets drift lower after an explosive start on Monday as the news broke that Gazprom had again failed to book any capacity via Ukraine for the upcoming month, and had booked way under the available capacity via Malmow too. However, given recent Russian tactics many thought this auction inaction was already priced into the contract and pricing settled only 3p/therm above the prior day. Tuesday and Wednesday saw dips well bought and the front of the curve moved higher day-on-day, although the latter days of the week saw sellers brought to the fore and the contract ultimately dropped 15p/therm on the week. Little has changed in terms of fundamentals apart from some calling an end to injection season at multi-year lows as EU nominations switched to net withdrawals last week. Power markets tracked gas, but bearishness was bolstered further by weakness in carbon markets. Prompt power markets were kept somewhat in check by higher wind output last week. Carbon markets were weaker last week, ultimately failing to recover from a soft first few days of trading as Dec 21 EUAs gave up €1.17/tonne and Dec 21 UKAs dropped £2.12/tonne. The UKA auction last week cleared below where the market was trading once again, but less so than the previous auction, which only partially cleared due to government intervention. This seemed to help buyers gain confidence late in the week. Brent crude markets gained last week with Dec-21 rising \$0.67/barrel as fuel switching from gas or coal to oil where possible, helped to support the demand side. OPEC+ also continued to honour supply cuts, which helped to support the curve. US stockpiles once again saw a week-on-week drawdown, as refinery margins remain high.

Week commencing 11th October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$83.09	144.15	£143.63	\$216.00	38.1
End	\$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 licked 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 UKAs 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
Start	\$78.79	170.42	£159.97	\$238.50	47.5
End	\$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
Start	\$77.79	137.54	£145.57	\$200.25	37.3
End	\$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. UKAs 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. Driver 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.

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.