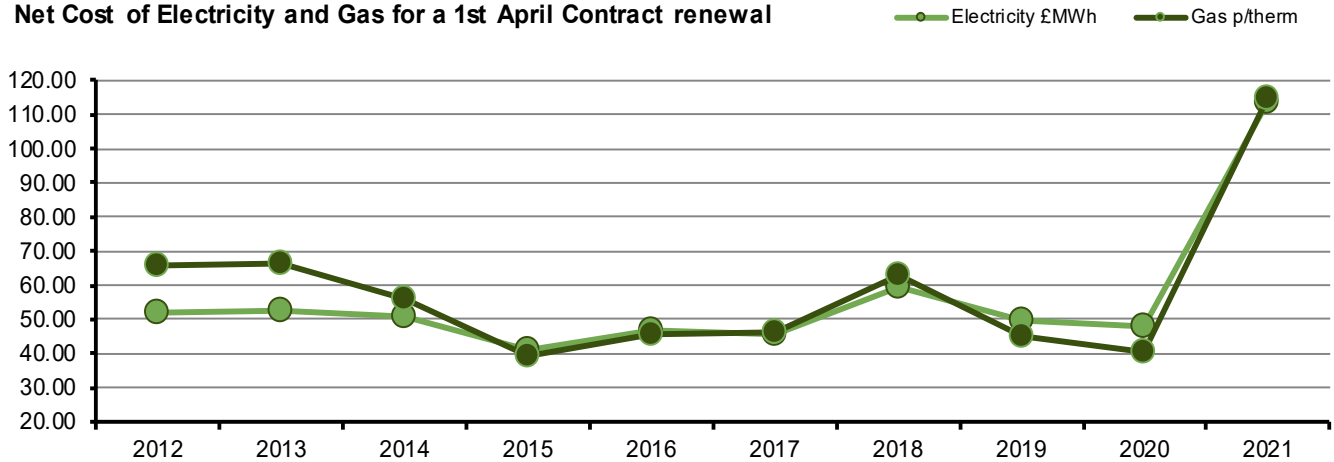


Report issued: 3rd November 2021

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
51.91	52.32	50.78	41.2	47	45.65	59.35	49.7	47.83	113.55

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
65.97	66.45	56.02	39.54	45.69	46.3	62.82	45.1	40.18	114.65

Week commencing 25th October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$84.79	160.04	£146.09	\$197.00	41.5
End	\$84.33	128.20	£125.25	\$166.00	30.4

Last week saw fairly muted price movement on gas and power for the majority of the week. Despite some within day volatility at times, both contracts generally end back near these marks at the lower point of their recent, wide trading range. However, late news on Wednesday that Putin had told Gazprom to start filling Gazprom owned European gas storage once Russian storage is full provided significant bearish pressure on gas and power contracts. With expectations that this could begin to take place from as soon as the 8th of Nov, the Dec 21 NBP dropped just over 26p/therm from the prior day's settlement on Thursday and traded down further still post-settlement to see the contract below 200p/therm for the first time in roughly a month. Furthermore, strong wind output helped keep length in the system and decrease the need for gas burn generation whilst more LNG arrivals are expected into UK shores this Nov, all helping to see substantial gas and power price drops on Thursday and Friday of last week. EUAs managed to just about hold their level last week, initially tracking gas lower on Thursday before finding support around the mid €58/tonne level on Friday to post a slight weekly settlement gain of €0.44/tonne. UKAs on the other hand struggled to maintain their level, losing £4.76/tonne on the week. Brent contracts found bearish direction from a surprise U.S. inventory rise and many countries seeing increased Covid cases and mentions of some restrictions being imposed over the Winter period to help curb the increase.

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 Mailflow too. However, given recent Russian tactics many thought this auction inaction was already priced into the contract and pricing settled only 3pth 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 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 as 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.

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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