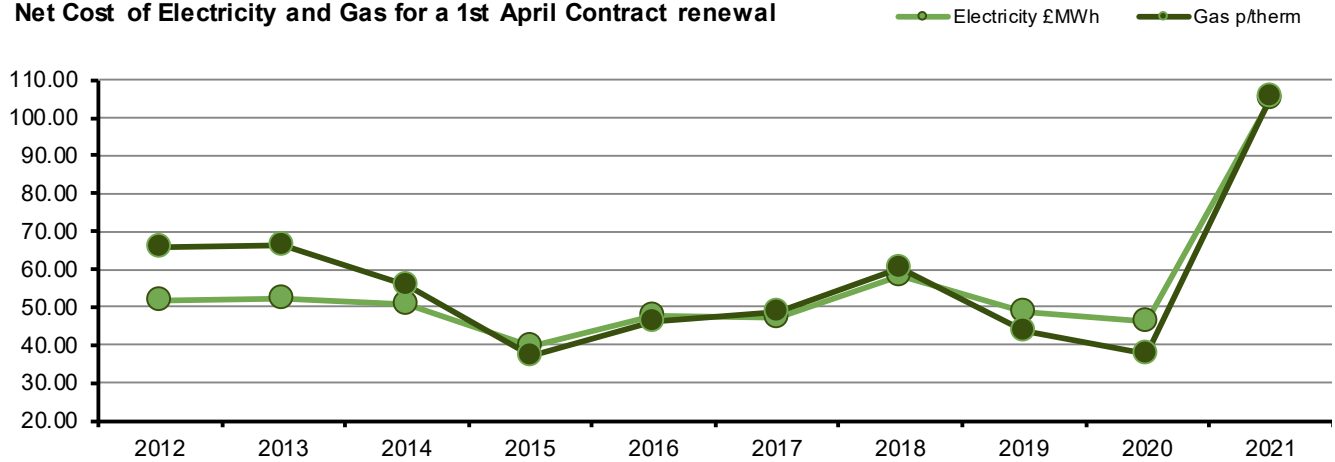


Report issued: 17th November 2021

## 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
51.96	52.06	50.69	39.68	47.6	47.4	58.5	48.75	46.05	105.15

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
65.83	66.28	55.8	37.15	46.34	48.8	60.42	43.49	37.45	105.49

### Week commencing 8<sup>th</sup> November 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$82.75	132.39	£131.32	\$145.00	31.4
<b>End</b>	\$82.19	133.44	£131.98	\$142.50	32.3

Last week saw mixed performance across the energy complex. Gas markets were initially stronger as the expected pick-up in Russian gas flow to Europe proved underwhelming and front month pushed back. However, nominations grew at the Polish-German border and Gazprom made a public statement that the volumes and route of gas flow had been decided, which saw the market begin to give back the prior day's gains. Wednesday saw the low of the week for the front month contract before bulls took control once again. Support was found late in the week from Belarusian threats to halt the flow of gas through Belarus if Poland did not open its borders to the growing number of migrants attempting to cross into the EU. US reports that Russia was building a significant armed forces presence at the border with Ukraine with an increased threat of invasion provided further pressure. Power markets were generally kept in lockstep to gas as front month UK baseload gained, whilst Summer 22, and Winter 22 dropped. Carbon markets were stronger on the week as Dec 21 EUAs gained, with strength linked to increasing gas hub pricing and a structural tightness with the compliance market looking short into next April. UKAs also made gains with the Dec 21 contract gaining with traders seeing little excuse for significant downside with just three auctions remaining into the end of the year. Brent crude markets were mixed with strength at the start of the week linked to a supportive U.S. infrastructure bill, higher than expected Chinese exports and Saudi crude rising in price. However bearish sentiment came from higher than-expected US inflation numbers and OPEC+ trimming their demand forecast for crude.

### Week commencing 25<sup>th</sup> October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$84.79	160.04	£146.09	\$197.00	41.5
<b>End</b>	\$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. EUA's 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 1<sup>st</sup> November 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$84.33	128.20	£125.25	\$166.00	30.4
<b>End</b>	\$82.75	132.39	£131.32	\$145.00	31.4

Last week saw gas markets initially move lower as the news broke over the weekend prior that Putin had ordered Gazprom to flow gas to Gazprom owned storage facilities in Europe once domestic storage was full. Whilst Monday saw front month drop within-day it rose a little settlement-to-settlement, which may have been a sign of the market's cautiousness to come. Once again, the front of the curve had 200p/therm in its sights and spent Thursday and Friday attempting to stay above the level but ultimately failed. Power markets were mostly stronger last week. Prompt power markets brought some excitement last week with Tuesday producing system pricing just below £4,000/MWh as wind dropped and cold temperatures supported demand. The remainder of the week saw wind load factors pick up once again to keep markets in check with day-ahead auction results dropping £100/MWh from Tuesday to Friday's delivery. Carbon markets were stronger on the week whilst Dec 21 UKAs gained. Brent crude suffered some losses last week with the Jan 22 contract finishing the week close to \$1/barrel lower than the prior week. Losses were linked to the EIA report showing a larger than forecast build in US crude stockpiles, fuelling questions around demand recovery in the short- to mid-term.

### Week commencing 18<sup>th</sup> October 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$84.75	165.98	£159.55	\$239.50	46.3
<b>End</b>	\$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 Mallnow too. However, given recent Russian tactics many thought this auction inaction was already priced into the contract and pricing settled only 3p/th 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/th 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.

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.