

Report issued: 8th December 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
51.83	52.39	50.86	38.94	45.20	47.90	58.35	49.18	44.80	111.43

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
66.57	67.17	56.07	36.42	44.10	49.38	59.30	44.26	35.13	109.30

### Week commencing 29<sup>th</sup> November 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$75.58	148.39	£162.57	\$152.00	41.3
<b>End</b>	\$71.20	146.63	£160.44	\$124.50	38.9

Last week saw carbon hit lofty new heights with seasonal gas and power contracts posting strong gains, however front month contracts struggled more so. Jan 22 NBP became the new front-month gas contract, gapping higher on Monday before spending most days sinking lower to settle. Summer 22 and Winter 22 NBP showcased more established gains, moving higher come the end of the week. Gas prices generally felt support from storage worries in Europe remaining and being further compounded by colder forecasts being announced. Moves higher front TTF and even US gas at times helped to prop gas up and provide direction. Whilst mostly following gas, power from even more guidance from carbon which saw Dec 22 EUAs reach a new high above €80/tonne towards the end of the week. Jan 22 baseload gained virtually in line with its seasonal contracts, whilst Summer 22 and Winter 22 baseload rose. Providing bearish pressure to gas and power last week was strong wind output helping to ease pressure on gas burn generation and Gazprom booking day ahead capacity late on Thursday sparked a sell-off in the last hour of trading. Dec 21 EUAs increased by the end of the week, lifting above €80/tonne at times but ultimately settling just below this point on Friday. UKAs on the other hand struggled to follow, often disassociating from EUAs which led to the contract ending the week flat. Oil was the main outlier last week with Feb 22 Brent shedding \$1.71/barrel of value, giving up the \$70/barrel level by the end of the week, a level the contract grappled with all week.

### Week commencing 22<sup>nd</sup> November 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$79.14	144.97	£149.99	\$145.00	37.5
<b>End</b>	\$75.58	148.39	£629.57	\$152.00	41.3

Last week saw gas prices push higher overall, with days of strength in the middle of the week helping contracts to post gains although capped either side by losses with ensured price increases were kept in check. Dropping wind output and colder temperatures putting strain on gas was outweighed by nervousness around resurgent COVID-19 cases in Europe as Austria entered lockdown and Germany reports sharp rises in cases. With so much of the attention this winter on Nord Stream 2, another beast from the east type of scenario in Europe and general European storage levels, COVID-19 has once again reared its head and could force prices lower if restrictions and lockdowns are re-imposed. Dec 21 NBP ended the week higher, with a weak day on Friday helping to keep gains for the week quite modest. Power, on the other hand, found support from carbon hitting lofty new heights. Dec 21 EUAs hit a new high, although the contract eventually settled off this level by the end of the week. Dec 21 baseload rose by the end of the week. The front season power contracts were tamer, although still stronger than gas, with Summer 22 and Winter 22 baseload gaining. Brent slipped lower last week. Jan 22 Brent dropped \$6.17/barrel on the week, finding some support from the amount of oil released in the Strategic Reserves being called into question along with OPEC+ looking to match their supply cuts in line with this level.

### Week commencing 15<sup>th</sup> November 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$82.19	133.44	£131.98	\$142.50	32.3
<b>End</b>	\$79.14	144.97	£149.99	\$145.00	37.5

Last week saw a bullish start to the week with losses later in the week, though not enough to stave off weekly gains. Gains were linked to temperature forecasts dropping as well as the German regulator halting the Nord Stream 2 certification process. This, and resulting momentum, helped front month to reach a high by mid-week with the market worried once again about gas balances over Winter. However, the latter half of the week generally saw losses with attempted moves higher squashed by sellers. Front month settled lower than the high, with little in the way of news helping to move the contract lower. UK power markets were also stronger on the week, outperforming gas at the front of the curve on the back of further supportive strength in carbon. Front month, Summer 22 and Winter 22 UK base gained on the week. However, for the rest of the week the market was kept largely in check by higher wind load factors. Carbon markets were strong last week with EUAs hitting several new highs, as some linked strength to a 'COP premium'. Dec 21 EUAs finished the week up and managed to hold on to gains in the latter half of the week despite falling gas pricing, which should be regarded as bullish. Dec 21 UKAs also had a strong week, helped higher by a strong auction on Wednesday, largely in line with market pricing. The Brent crude market was the odd one out last week as the Dec 21 contract posted a \$3.28/barrel loss on the week. Bearishness came from fears that the US would release strategic reserves and encouraged other large consumers to follow suit to temper pricing, which was further amplified by China appearing to agree to join the strategic reserve selling effort.

### 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 Belarussian 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.

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.