week on week

marketview

Report issued: 19th January 2022

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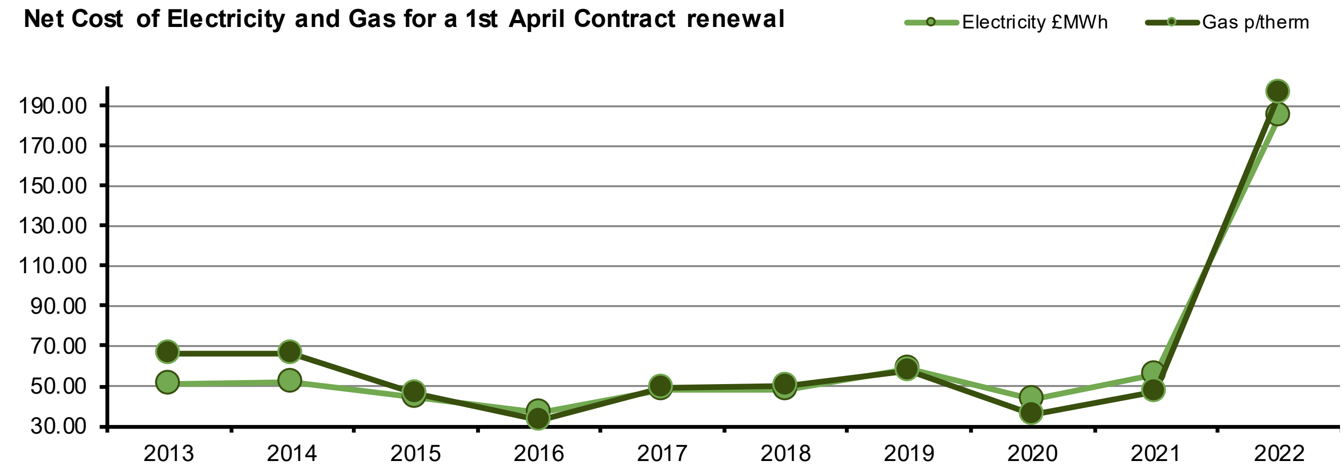
Net Cost of Electricity and Gas for a 1st April Contract renewal



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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
51.37	51.53	44.52	36.53	47.91	48.41	58.60	43.13	56.15	185.35

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
66.27	66.40	46.48	32.92	48.84	50.04	57.73	36.26	47.18	196.35

Week commencing 10th January 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$81.65	198.31	£190.77	$147.00	57.5
End	$85.34	172.87	£166.92	$177.30	50.5

Gas and power spent the first half of the week pushing lower before a late rally Thursday helped prices higher. Prices generally felt pressure from ample LNG expected into UK shores whilst a weak first daily auction of the year for EUAs set the tone for the start of the week. Despite dropping wind output and further cold weather forecast, pressure was felt along the curve for gas and power. The tug of war between LNG and colder weather remained a constant theme for the week and saw prices attempt to edge higher on Tuesday, although ultimately bearish momentum carried prices lower. Feb 22 NBP settled lower with losses consistent down the curve. The movement lower was similar for power although front-month baseload managed to hold for an extra day before eventually giving up the level. Thursday saw prices race higher once again with the dip being well bought as news late in the day that a fire had broken out at the Hornsea gas storage facility. Although no long-lasting effects were expected with REMIT data showing the problem was to be resolved by 18:00 of the same day. Fear is still rampant in the market, and this gave the front of the curve room to rally once again. Carbon generally followed weakness in gas and carbon, seeing EUAs and UKAs post losses last week. EIA releasing their updated US oil demand outlook that saw a 140,000 barrel per day increase in 2022 helped dissipate bearish Covid-19 related impacts. Mar 22 Brent rose $4.31/barrel by the end of the week.

Week commencing 3rd January 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$79.29	160.48	£177.46	$128.25	45.8
End	$81.65	198.31	£190.77	$147.00	57.5

Last week saw gas and power markets recover from the sell-off between Christmas and the New Year. Front-month NBP opened the week strong, catching up to strength in TTF pricing over the bank holiday. Adding to bullish sentiments were upcoming cool temperatures, reversed Russian flows, low EU storage levels and high winds causing disruption to the unloading of LNG at Milford Haven. Strength was also found late on Wednesday from the news that French Nuclear output was to be lower than expected for the balance of winter with maintenance expected to run through to April, helping front-month to gain. Weakness looked to be linked to a healthy roster of LNG vessels headed for Europe, warmer temperatures expected for the upcoming week, stop levels being hit as well as announcement from the Dutch government that they were set to increase output from the Groningen gas field by almost double to ensure security of supply. Despite Friday's sell-off front-month gained on the week whilst Summer 22 and Winter 22 also gained. Power markets largely tracked gas although settlement pricing obscured some of the volatility present. Carbon markets also displayed marked volatility last week. Dec 22 EUAs gained through the first half of the week to sit close to the top of the three-month range with the week's high of €88.55/tonne printed on Wednesday. Thursday and Friday tempered gains with weakness in the wider complex feeding through. Brent crude also had a strong week with the Mar22 contract gaining on the week and Monday-Thursday bringing a series of higher highs each day. Positive sentiment came from reduced fears around Omicron's severity on the global economy as well as tighter than expected commodity balances for 2022 despite OPEC's decision to continue to reduce supply cuts.

Week commencing 27th December 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$75.86	246.41	£247.92	$167.75	77.0
End	$79.29	148.23	£177.46	$128.250	43.1

The past weeks of trading in the energy complex has continued to be shockingly volatile. Weakness began on the 23rd December 2021 and continued to the 24th, seeing a drop in two days for the Feb 22 NBP contract. Weakness was to be expected with much of the market calling the move up overdone and commenting that almost any activity was uneconomic. Furthermore, such strong premiums to JKM pricing meant that the trans-Atlantic spread widened to levels where Europe was the desirable location for the US to send LNG too. LNG could easily be swayed east once again with the US-UK arbitrage closing and any cold spells will turn the focus back on European storage levels, which saw injections into the end of the year but begin the year sitting close to 56% full. Seasonal contracts were also extremely weak, with Summer 22 NBP dropping, to settle below the contract's high, and Winter 22 dropping also. Power markets were even weaker than gas at the front of the curve with front-month, Summer 22 and Winter 22 UK baseload both dropping. Again, weakness looked linked to unsustainable levels that needed to correct with times where Jan22 peaks were trading close to £1,000/MWh and Feb22 base settling at a high of £574/MWh in late December, opening large gaps between short term power pricing levels and the curve. Carbon markets looked somewhat anti-correlated to gas markets with a move higher on the week for Dec 22 EUAs. UKAs were less buoyant with the Dec 22 contract dropping. Brent markets remained very much in the $70-80/barrel range but pushed back to the upper end gaining on the week. Support was found in investors being less concerned with the Omicron variant as well as positive messaging coming from OPEC+ that supply cuts would be maintained.

Week commencing 13th December 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$74.88	197.99	£198.06	$144.00	58.3
End	$73.06	237.71	£249.20	$162.00	74.1

Last week saw large gains in gas and power markets with front month, Summer 22, and Winter 22 gaining. The gains in the seasonal contracts vastly outstripped gains in the very front of the curve, which market participants have linked to a few factors over the course of last week. Factors included trading houses and hedge funds attempting to front-run hedging of large domestic portfolios. Expectation of reduced LNG capacity by Summer 22, and Nord Steam 2 looking ever less likely to be delivering gas in time to help to allay further storage depletion to critical levels by the end of Winter, leaving us in a similar situation, relying on Russian flow and LNG to refill gas storage for Winter 22. Power markets moved in line with gains in gas with strength across the curve as front month, Summer 22, and Winter 22 gained on the week. Prompt power markets were kept largely in check by higher wind output with Thursday looking tight until wind output was forecast to double at the day-ahead stage helping to keep generators in check and pricing in the recent range. Carbon market also posted gains last week. Dec 21 EUAs reaching new highs once again last week pushing to levels above €90/tonne that had market participants discussing the €100/tonne level with more belief than ever. However, a sell off on Thursday that saw the contract drop. Brent crude saw gains over the first half of the week as news coming out of South Africa on the severity of Omicron symptoms looked positive as well as roadblocks on US-Iran talks, helping to push potential supply increases further in into the future.