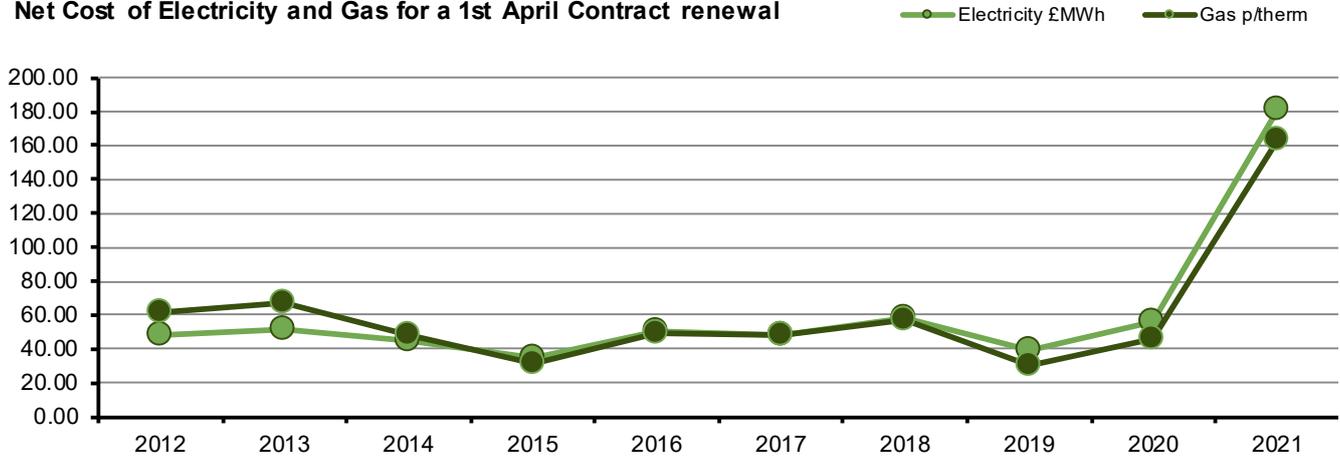


month on month marketview

Review of: 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
48.07	51.73	44.64	35.23	50.78	48.02	58.74	39.74	56.47	181.44

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
61.72	66.86	47.61	31.49	49.11	48.30	57.32	29.77	46.41	163.63

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

December in summary

December was a volatile month for prices with cold weather, low gas supply and tensions building in Russia/Ukraine dominating the market.

Market volatility

Volatility in December continued to come from the underlying market fundamentals of a tight supply and looming colder weather, coupled with tensions in Russia/Ukraine

Weather

The weather during the early part of December was rather unsettled and chilly, though towards the middle of the month we entered a quieter spell and it turned milder. Unsettled conditions returned in time for Christmas, and, after some very cold nights in northern areas, milder weather spread north gradually to all parts, and the last three days of the month were unusually mild. Overall it was a mild and dull month, with rainfall generally near average.

Gas, Storage and LNG News ▲

Start of the month saw large gains in prices on the back of trading houses and hedge funds attempting to front-run hedging of large domestic portfolios, expectation of reduced LNG capacity by Summer 22, and Nord Stream 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.

Prices continued to move higher in the months, led initially by a strong start for gas with the German Foreign Minister reiterating over the weekend that Nord Stream 2 will not be consented until it complies with EU law. Strength was further supported by a growing number of Russian forces amassing on the Ukrainian border.

The end of December, specifically over the Christmas period, saw significant sell off with prices recovering drastically on the back of warmer temperatures. News Years day was the warmest days on record for a number of years. LNG also stepped up during this period along with reduced demand due to Christmas holidays.

Politics and global economics ▲

Tensions built as Russian forces massed on the Ukrainian border, sparking fears over an impending invasion. The US were involved and continue to be so, bringing their own weapons into Ukraine for the potential invasion.

Nord Stream 2 continues to be postponed through December with fears that the pipeline will not come online until late 2022 despite previous news of this coming online earlier.

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.

Oil ▲

Brent crude saw gains over the first half of the month with 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 into the future. Brent markets remained very much in the \$70-80/barrel range but pushed back to the upper end gaining \$3.19/barrel 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.

Coal ▲

Steep increases in gas prices are continuing to support large gains in coal prices. In the near-term, there is now diminished scope for additional gas-to-coal switching, as Europe's coal generation has now increased to levels nearing full capacity.

We are now in the 'shoulder' demand season between the northern hemisphere summer and winter, however coal demand remains strong. This is a function of low coal inventories in key import markets, which is driving a need for ample restocking prior to winter. Multiple port fires, as well as multiple damaged shiploaders have combined with the impact of heavy rainfall that has constrained coal production in Indonesia. These disruptions, coupled with the loss of existing coal production capacity such as the Prodeco mine in Colombia, has left the seaborne market in very short supply at a time when demand has recovered strongly.

Carbon ▼

Carbon started the months on the up, reaching new highs once again pushing to levels above €90/tonne that had market participants discussing the €100/tonne level with more belief than ever. This then sold mid-month settling to slightly higher levels seen in November.

Looking Ahead

Although it is unthinkable that gas prices can increase further from the current incredible highs our balance indicates that bullish price direction is to prevail. The forecast for consumption to increase in January, once again disappointing results

of monthly auction via Russian routes and storages approaching a dangerously low level does not suggest prices will soften anytime soon. The extreme tightness will be exacerbated by market sensitivity to changes in weather forecasts or any other news or sources of supply that can impact the European balance. Thus, we expect the strong volatility to continue.

month on month marketview

Review of: December 2021

Average Temperature



Average temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

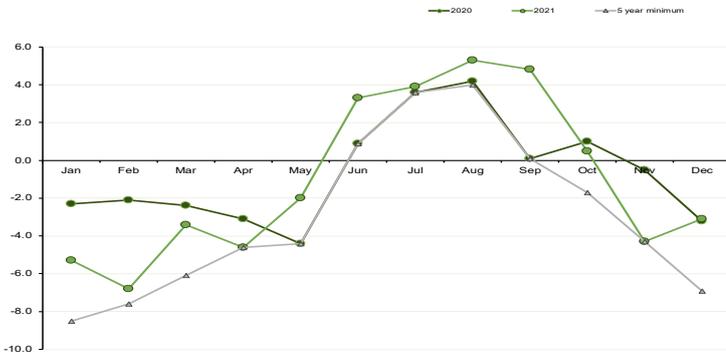
2021	Nov	Dec	Year total
°C	0.3	-0.1	-0.2
%	4.9%	-2.3%	0.0%

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2021	Nov	Dec	Year total
°C	-1.1	0.5	0.1
%	-13.1%	8.9%	0%

Minimum Temperature



Min temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2021	Nov	Dec	Year total
°C	0.0	3.8	2.0
%	0%	-55.1%	389.7%

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2021	Nov	Dec	Year total
°C	-3.8	0.1	-0.3
%	88.4%	-3.2%	21.0%

Maximum Temperature



Max temp: 2021: Summary

2021 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2021	Nov	Dec	Year total
°C	-3.1	-0.8	-4.8
%	-17.4%	-5.3%	-18.0%

2020 v 2021 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2021	Nov	Dec	Year total
°C	-3.1	0.9	-2.7
%	-17.4%	6.8%	-8.0%

Met Office UK summary

The weather during the early part of December was rather unsettled and chilly, though towards the middle of the month we entered a quieter spell and it turned milder. Unsettled conditions returned in time for Christmas, and, after some very cold nights in northern areas, milder weather spread north gradually to all parts, and the last three days of the month were unusually mild. Overall it was a mild and dull month, with rainfall generally near average.

Utility Impact Summary

Bullish trends continued through December due to tight fundamentals.

When you switch your heating on make sure:

-It is on a timer, don't leave it running when there is no-one in the building

-Make sure that timers have been adjusted following the clocks going back

-On a temperature set point, usually around 22 degrees is enough, heating to a higher temperature does not make it warm up faster, it will only use more energy try to reach an unachievable temperature.

It is particularly important this year to check your heating settings as closing the building during lockdown may have meant that the usual settings were altered and timers and temperatures need to be reset.

As the evenings begin to grow darker, adjust any automatic lighting timers to ensure lights are not switching on needlessly.