week on week

marketview

Report issued: 16th February 2022

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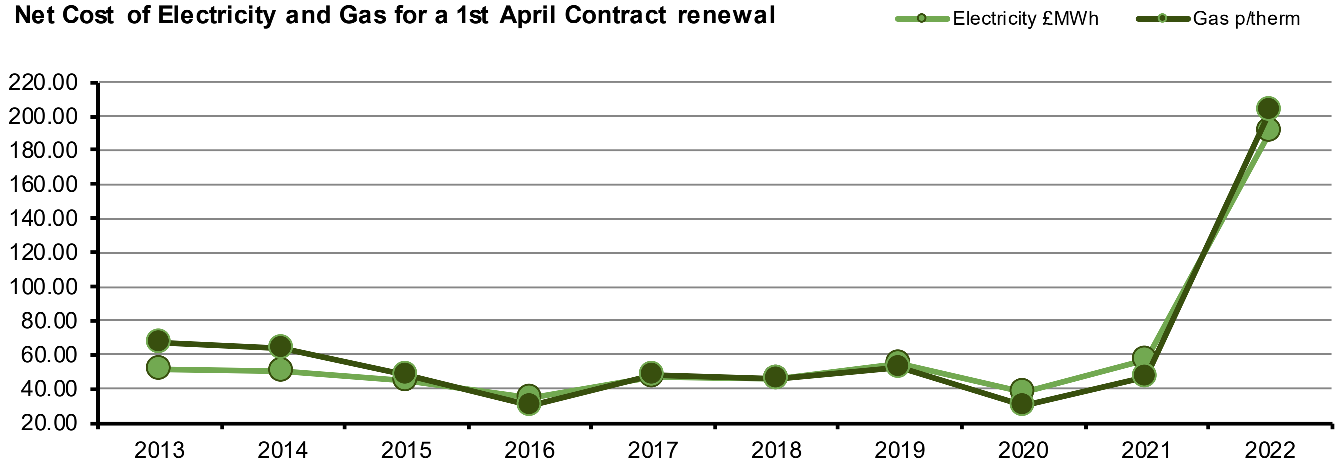
Net Cost of Electricity and Gas for a 1st April Contract renewal



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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
51.34	50.35	45.08	34.98	46.84	45.86	54.72	38.35	56.94	190.97

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.17	63.77	48.05	30.69	47.92	45.6	52.08	29.8	46.93	203.32

Week commencing 7th February 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$93.27	202.67	£190.52	$197.00	62.6
End	$91.85	189.77	£177.04	$229.00	57.6

Last week saw gas, power and carbon all lose value, with losses consistent for gas and power whereas a big midweek drop for EUAs dragged the commodity down despite stable, modest gains at the start of the week. Particularly high wind output saw it provide the lions share of the generation stack for much of the week and a peak of over 19GW on Saturday. This, along with milder temperatures, decent LNG arrivals and positivity around France/ Russia talks at the start of last week helped prices drop. Furthermore, rumours of increased Russian flow to Europe later this year as demand eases and storages fill helped to pressure prices along the curve. However, losses were stemmed from potential support from growing buying interest in Asia as well as continued Russian/Ukrainian tensions. Mar 22, Summer 22 and Winter 22 NBP finished the week 14.63p/therm, 13.52p/therm and 12.62p/therm lower, with losses similar in power where the respective baseload contracts lost £12.04/MWh, £11.35/MWh and £10.73/MWh. Carbon on the other hand, began the week tentatively with EUAs just about holding their level amidst a backdrop of bearishness in the wider energy complex. This showed signs the Dec 22 EUA contract was still striving for €100/ tonne however Wednesday saw carbon plummet on reports that EU lawmakers were considering more stringent price control mechanisms for the EU ETS. EUAs experienced their biggest one-day loss since the 17th of December 2021 (losing over €11/tonne that day). Apr 22 Brent gained a meagre $1.17/barrel on the week to stay near 7-year highs.

Week commencing 31st January 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$90.78	217.54	£202.25	$215.00	68.1
End	$93.27	202.67	£190.52	$197.00	62.6

Early last week brought sell offs for gas markets with front month NBP giving back close to 40p/therm by Tuesday's settlement. Weakness looked linked to warmer temperatures forecast for the beginning of February along with higher Russian flows to Europe for the start of February and a healthy roster of LNG vessels expected to reach UK and EU shores over the first half of February. However, the rest of the week saw price action reverse with rallies on Thursday and Friday limiting weekly losses. Strength was linked to lower Russian flows as well as climbing Asian LNG spot pricing, which could limit the flow to Europe over the coming weeks. Seasonal contracts showed similar patterns. Power markets tracked losses in gas with front month, Summer 22 and Winter 22 UK baseload dropping. Prompt markets were kept in check by lower demand with higher temperatures and stronger wind output. Carbon markets started the week with losses before a failed auction on Wednesday spurred on buying and price action pushing through technical levels that drew in more buyers still. Strength continued to end the of the week with the contract breaking new all-time highs day on day and settling €7.23/tonne above the prior week. UK carbon markets were bullish too, but less so than its EU counterpart, with Dec 22 UKAs gaining £3.22/tonne on the week and the UKA/EUA premium being trimmed a little to just over £6/tonne. Brent markets were kept in a relatively tight range for the first half of the week by OPEC+ continuing to stick to the planned quotas, struggles to match current output quotas, profit taking around the $90/barrel level and weak US payroll data. The back end of the week saw strength however as traders focused on a tight 2022 in terms of supply/demand.

Week commencing 24th January 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$87.83	172.66	£166.75	$193.50	50.5
End	$90.78	217.54	£202.25	$215.00	68.1

Last week saw traders generally buying the dip as Russia/Ukraine tensions continued to boil, further helping prices tick higher. Front-month gas and power saw price increases, pulling both contracts further above the 200 mark and ensuring the spread between near-term contracts through to Mar 23 is relatively tight. With this said, low wind at the start of the week helped pull the front month contracts higher but swelling wind output towards the end of the week had the expected opposite effect, keeping these prices volatile. It was possible for the spread to narrow between near-term contracts and Mar 23 due to prices further along the curve bouncing higher to bring them in line with the very front of the curve. Summer 22 and Winter 22 NBP rose, whilst the comparative baseload seasonal contracts also jumped, seeing the spread between front-month contracts and Winter 22 contracts lowered to single digits for gas and power. Carbon began the week lower, finding pressure from equities dropping due to Russia/Ukraine tensions and some weakening of gas and power prices later in the day. Aside from this EUAs and UKAs generally travelled higher, with UKA's displaying particular strength to outstrip gains in EUAs and increase the spread between their European counterpart more so. Brent contracts continue to move higher, nearing seven-years highs alongside their most positive month since Feb 21. Mar 22 Brent managed to increase by $2.14/barrel, largely supported by tight supply and political tensions although providing counterbalance are looming Fed rate hikes could weigh on the contract, even after achieving a settlement position above the key $90/barrel level.

Week commencing 17th January 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$85.34	172.87	£166.92	$177.30	50.5
End	$87.83	172.66	£166.75	$193.50	50.5

Last week saw gains for much of the complex as bearish sentiment was largely bucked by fears around a Russian invasion of Ukraine. Front-month gas opened the week trading lower as traders were focused on a healthy roster of LNG vessels and a system handling cold temperatures with ease. Initially supporting pricing was a string of unplanned Norwegian outages, although they were rectified relatively quickly, and the sting of reduced supply softened. Towards the backend of the week, attention turned to growing concerns that Russia will invade Ukraine, Front-month spurred on by increased levels of intervention and comment from the US and others. Further down the curve contracts were not as weak given that one of the main factors in bearish sentiment was the volumes of LNG expected, which can be counted on less down the curve, with Summer 22 and Winter 22 gaining. Power markets largely tracked gas with front-month dropping on the week whilst seasonal contracts saw gains. At the prompt end of the market, an expected Triad was seen on Thursday with cooler temperatures and drops in wind also producing some interesting days with Tuesday hitting a high of £772/MWh in the imbalance market. European carbon markets generally tracked gas, although with auction dynamics providing some internal momentum too. On the week Dec 22 EUAs gained whilst Dec 22 UKAs gained also, generally being well bought. Brent markets also ground higher on the week with the Mar 22 contract gaining $1.83/barrel. Bullish factors came from the 2022 supply/demand balance looking tight whilst bearish price action was largely linked to a surprise build in US inventories.