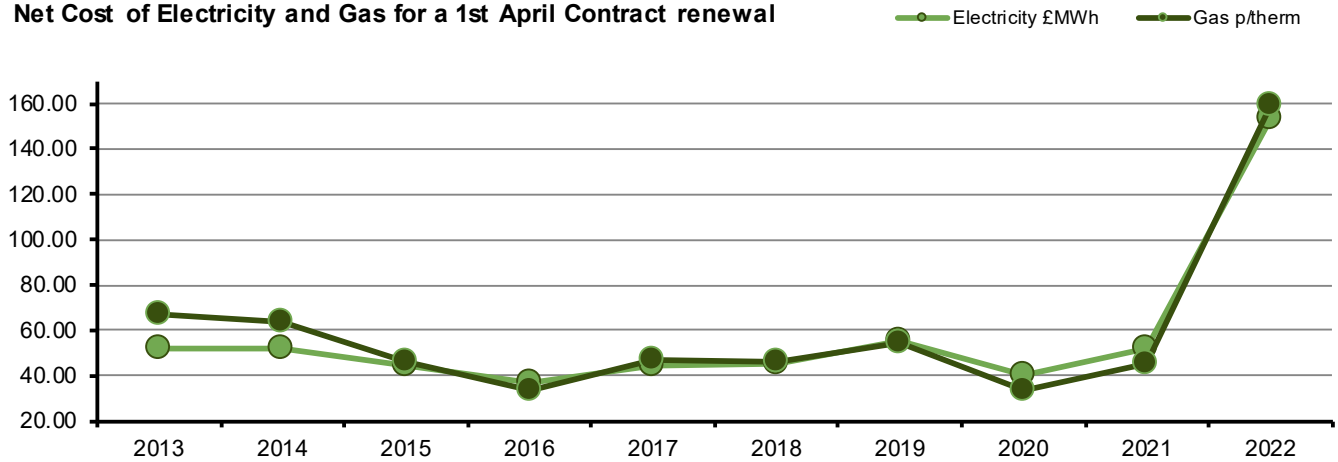


month on month marketview

Review of: January 2022

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
51.93	51.75	44.18	36.45	44.65	44.90	55.33	40.30	51.98	153.38

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.39	63.60	46.28	33.63	46.83	45.73	54.83	33.58	44.90	159.23

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

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

January in summary

January was another volatile month for prices with cold weather, low gas storage and tensions building in Russia/Ukraine continuing to dominate the market.

Market volatility

Volatility in January continued to come from the underlying market fundamentals of a tight supply, LNG arrivals and ongoing fears of possible colder weather, coupled with the ongoing tensions between Russia/Ukraine.

Weather

The weather at the beginning of the month was very mild, with a strong south-westerly flow, but from the 4th it was colder with some overnight frosts, especially in England and Wales. Around the middle of the month, temperatures turned milder again with a further mild spell in the final few days of January. The first ten days were rather unsettled, but then there was a long dry spell, with rain towards the end of the month mostly confined to western parts of Scotland.

Gas, Storage and LNG News

Start of the month saw markets recover from the sell-off seen between Christmas and the New Year. Upcoming cool temperatures, reversed Russian flows, low EU storage levels and high winds causing disruption to the unloading of LNG at Milford Haven all provided bullish sentiment. Strength was also found 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. This strength was to be short-lived as weakness from a healthy roster of LNG vessels headed for Europe, warmer than average temperatures and an 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.

The middle of the month saw a tug of war between bullish and bearish drivers trying to gain overall control. Prices generally felt pressure from ample LNG expected into UK shores during the month and a system handling the temperatures with ease, which ultimately saw prices come off mid-month. This was countered by fears around a Russian invasion of Ukraine. Support also came briefly from a string of unplanned Norwegian outages, although they were rectified relatively quickly, and the sting of reduced supply softened.

The end of the month saw the bull-run resume, with traders generally buying the dip as the main driver of Russia/Ukraine tensions continued to boil, further helping prices tick higher. Changeable wind outputs added to the volatility as wind generation increased significantly in the final few days, having been below average previously.

Politics and global economics ▲

The ongoing tensions between Russia and Ukraine was the main driver. Armed forces began accumulating at the border between the two countries, with European countries and the US providing Ukraine with support. Due to the vast reserves of gas and oil Russia usually supplies to Europe in particular, the growing political tension has instigated some panic buying of fuel.

Nord Stream 2 continues to be postponed with speculation that the pipeline will be used as a political and financial weapon as a deterrent in the ongoing Russia/Ukraine stand-off should things escalate.

Oil ▲

Brent crude had a strong month. 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. News that U.S. Covid-19 cases continued to rise did nothing to dampen this, with the EIA releasing their updated US oil demand outlook, which saw a 140,000 barrel per day increase expected in 2022. Tight supply fundamentals and political tensions ensured the month finished strong for oil prices.

Coal ▲

Indonesia's authorities are reported to have partially lifted the original blanket ban on all coal exports from the country for the entire month of January. Seaborne coal demand has in recent months been intersecting seaborne supply (cost) curves at a very steep point. This reflects constraints to supply against a backdrop of firm demand, and helps to explain the high degree of volatility in coal prices of late. Increasingly stringent mobility restrictions and government-mandated business shutdowns have been imposed in a number of countries in recent weeks. Governments have generally attributed these measures to concerns about the impact of the SARS-CoV-2 virus. These fundamental coal market drivers described above, along with the high level of gas prices and the heightened volatility in gas prices of late have contributed to ongoing elevated volatility and high level of seaborne thermal coal prices in recent times. This relationship is likely to continue in the short term given the dynamics of fuel substitution.

Carbon

Carbon markets generally tracked gas, with a strong start to the month. Dec 22 EUAs gained through the first half of the week to sit close to the top of the three-month range. Mid-month, carbon generally followed weakness in gas, seeing EUAs and UKAs post losses. There was some internal momentum coming from auction action too. A strong auction saw buyers forced to the open market and a surge in EUA pricing.

Looking Ahead

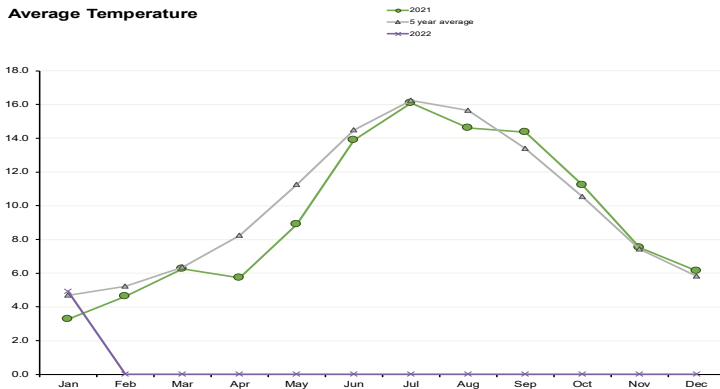
Looking to February, we anticipate that the current volatile nature of the markets will continue. From one perspective, the combination of worsening Russian relations and low storages point to higher energy prices. On the other hand, there is lots of LNG scheduled to arrive in the UK next month. Weather outlooks also suggest temperatures will remain above average and wind output is expected to increase, hopefully reducing dependence on gas for power generation.

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.

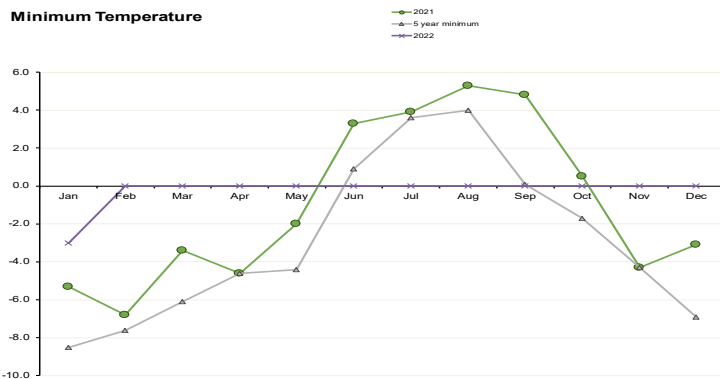
month on month marketview

Review of: January 2022

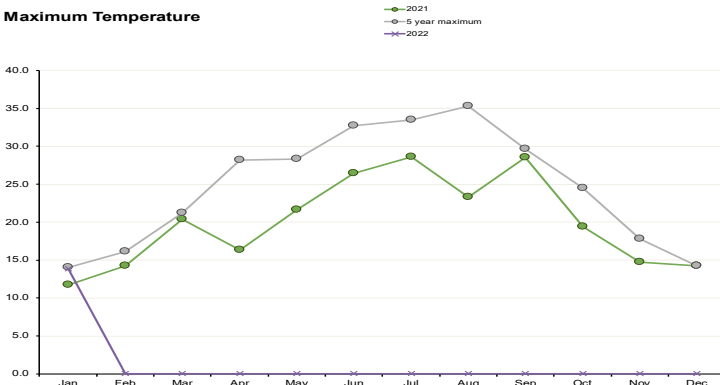
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

The weather at the beginning of the month was very mild, with a strong south-westerly flow, but from the 4th it was colder with some overnight frosts, especially in England and Wales. Around the middle of the month, temperatures turned milder again with a further mild spell in the final few days of January. The first ten days were rather unsettled, but then there was a long dry spell, with rain towards the end of the month mostly confined to western parts of Scotland.

Average temp: 2021/22: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	Dec	Jan	Year total
°C	-0.1	0.2	0.2
%	-2.3%	4.8%	4.8%

2021 v 2022 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2021/2022	Dec	Jan	Year total
°C	0.5	1.6	1.6
%	8.9%	49.1%	49.1%

Min temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	Dec	Jan	Year total
°C	3.8	5.5	5.5
%	-55.1%	-64.7%	-64.7%

2021 v 2022 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2021/2022	Dec	Jan	Year total
°C	0.1	2.3	2.3
%	-3.2%	-43.4%	-43.4%

Max temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	Dec	Jan	Year total
°C	-0.8	-0.2	-0.2
%	-5.3%	-1.4%	-1.4%

2021 v 2022 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2021/2022	Dec	Jan	Year total
°C	0.9	2.1	2.1
%	6.8%	17.9%	17.9%

Utility Impact Summary

Volatility gripped the market through January due to continued tight fundamentals, healthy LNG supply and escalating tensions between Russia/Ukraine.

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

-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.

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