week on week

marketview

Report issued: 2nd March 2022

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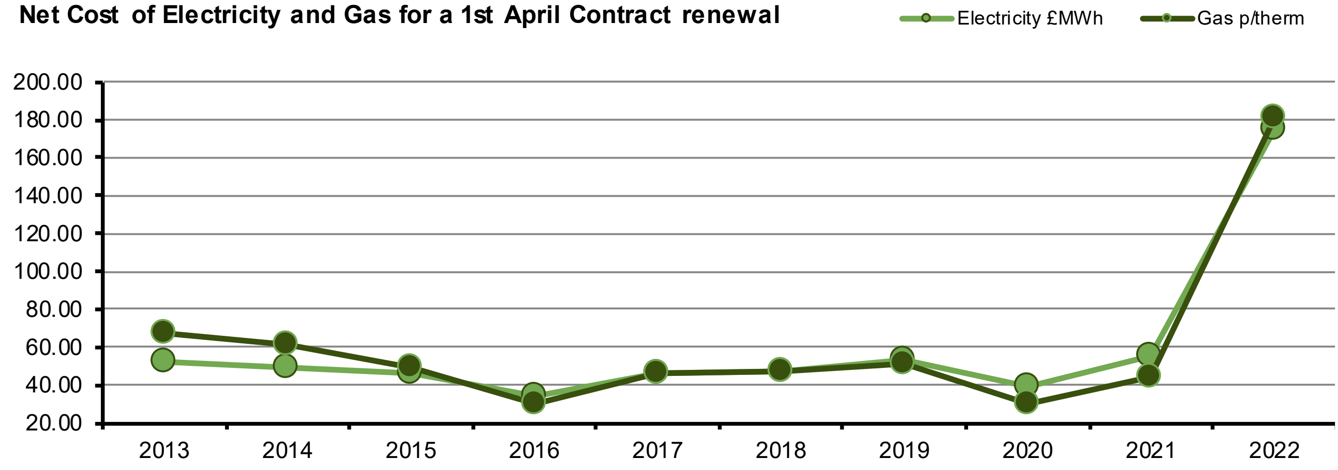
Net Cost of Electricity and Gas for a 1st April Contract renewal



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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
51.41	49.16	47.08	34.44	46.05	46.37	54.17	38.70	56.75	177.96

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.17	61.97	51.52	30.37	47.13	46.14	52.53	30.20	46.29	190.59

Week commencing 21st February 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$92.64	179.89	£174.54	$197.00	54.6
End	$97.17	227.35	£205.92	$247.00	71.4

Last week saw gas, power and oil swing violently from Thursday morning after news broke that Russia launched an attack on Ukraine. Mar 22 NBP hit a high print of 285p/therm that morning as the market digested the reality of Russia declaring war on a sovereign state. All eyes focussed on what sanctions would be levied against Russia and the energy market grew fearful that gas flow from Russia into Europe could end. Sanctions looked to cripple the Russian economy whilst Germany pledged to send directly to Ukraine to assist their defence against Russia. Alongside this, companies such as BP looked to divest from Russian state-oil company Rosneft. One thing was certain following Russia's move against Ukraine, volatility would ensue but ultimately the expectation is that prices are likely to increase. Whilst down from the highs, Summer 22 and Winter 22 NBP rose over 45p/therm over the course of the week whilst baseload power saw gains above £28/MWh from Mar 22 through to Winter 22. Oil swung around 7-year highs, often lifting above $100/barrel but ultimately failed to sustain this level come settlement Friday. Worries persist over supply, linked to Russia/ Ukraine, and helped the Apr 22 Brent contract finish $4.39/barrel higher over the week. Contrastingly, carbon dipped last week with Dec 22 EUAs down €1.33/tonne whilst the comparative UKA contract fell £4.14/tonne.

Week commencing 14th February 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$91.85	189.77	£177.04	$229.00	57.6
End	$92.64	179.89	£174.54	$197.00	54.6

Last week saw gas markets open strong, with front month pushing above 200p/therm, on Ukrainian-Russian tensions bubbling higher with US reports of an expected invasion by midweek published over the prior weekend. However, the market eroded this gain over the next two days as diplomacy efforts continued, Russia signalled that they would move troops away from the border, and the market seemingly discounted the likelihood of invasion and looked towards more bearish fundamentals with LNG on the way to UK & EU shores, mild temperatures, and high winds. Over the rest of the week, dips were well bought as no actual action to demilitarise the Ukrainian border materialised leading to losses being limited to 9.37p/therm for front month, 9.68p/therm for Summer 22 and 9.40p/therm for Winter 22. Power markets tracked losses in gas with Mar22, Summer 22 and Winter 22 UK base dropping £3.99/MWh, £4.71/MWh, and £3.52/MWh on the week. Percentage losses were smaller than gas, perhaps linked to lower liquidity but also stronger UKAs with the Dec 22 contract making gains on the week. Storms late in the week kept prompt gas and power markets somewhat in check. Carbon markets displayed some divergence with Dec 22 EUAs dropping €3.40/tonne whilst Dec 22 UKAs gained £4.35/tonne. European carbon pricing was hampered by a prominent MEP looking to bring in measures to dampen price spikes by relaxing the rules around injecting supply into the market. This divergence now sees the Dec 22 UKA contract price at a premium of just over £13.50/tonne to their European counterpart.

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.

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