

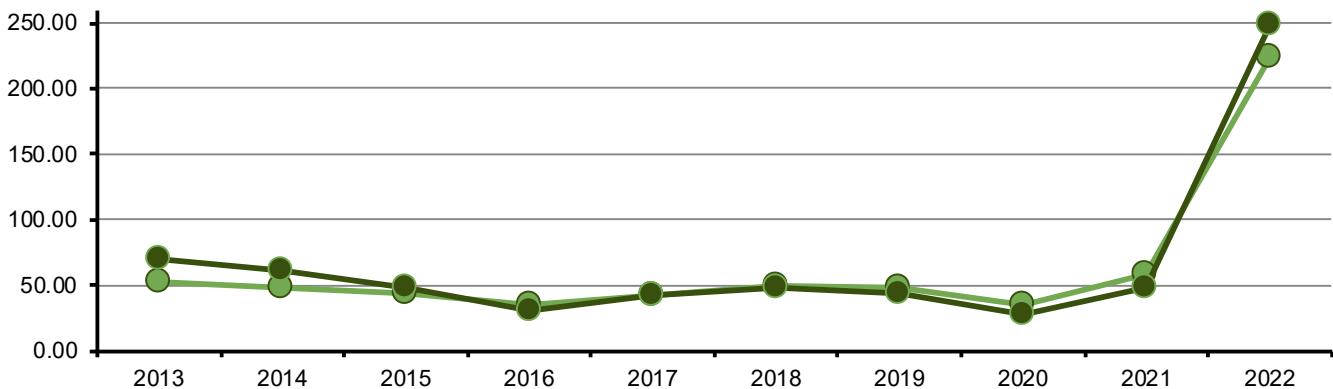
week on week

marketview

Report issued: 30th March 2022

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

Electricity £MWh Gas p/therm



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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
53.02	48.56	44.33	34.9	42.62	49.38	48.08	35.00	58.88	223.42

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
69.40	60.53	47.38	30.53	42.11	48.54	43.72	28.12	47.36	247.88

Week commencing 21st March 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$106.95	247.88	£223.42	\$285.00	80.0
End	\$119.88	243.01	£214.93	\$283.00	79.6

Last week saw energy prices move in tumultuous fashion, something that's becoming all too familiar for market participants and spectators alike. Despite this, gas began the week timidly, generally easing lower as levels stuck around the pre-Ukraine war trading range. Putin then stated any "hostile states" will have to pay in Russian Rubles for any gas bought from Russia. Prices spiked in the news, seeing front month lift above 300p/therm once again before settling back below this level. The week ended with extreme volatility in gas markets with front month NBP showing strength through the first half of the day to push back above 300p/therm briefly before failing to hold the level and being sold over the course of the afternoon. Strength took linked to fears of chemical weapon use in Ukraine and some desire to test the 300p/therm level, whilst weakness came from a tackluster set of EU/G8 meetings that failed to see much more in the way of sanctions that may increase the chance of reduced gas flow. Despite highs above 300p/therm, Apr 22 NBP dropped 9.39/p/therm on the week with losses consistent across gas and power. Carbon continued to grapple with apparent willingness to test €80/tonne as Dec 22 EUAs eventually lost €0.29/tonne on the week with losses slightly more pronounced for Dec 22 UKAs. Most losses for EUAs occurred on Wednesday with the expiry of the March options contract which brought sellers to the fore. Oil, on the other hand, increased over \$12 on the week to settle just above \$120/barrel, a level its recently found itself above on the May 22 Brent contract but struggled to consistently stay above.

Week commencing 14th March 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$111.00	297.74	£258.52	\$387.00	100.2
End	\$106.95	247.88	£223.42	\$285.00	80.0

Last week saw gas markets fall further amidst little in the way of extremely bullish news flow from the Russian invasion of Ukraine. This helped markets to fall back towards more fundamental views with gas storage looking healthier, LNG headed towards Europe and cold weather premiums being shed on temperate forecasts. Front month gas ended the week down 65p/therm with Summer 22 and Winter 22 dropping 56.30p/therm and 43.40p/therm. However, with markets remaining headline-driven, bullish headlines such as Zelensky refusing an "Austrian-type" deal and lower flow into Germany helped to provide some within-day strength. Power markets tracked gas with front month, Summer 22, and Winter 22 dropping £48.35/MWh, £40.79/MWh, and £32.11/MWh the week. Carbon markets were stronger last week with Dec 22 EUAs gaining just over €2/tonne whilst their UK counterparts gained close to £5/tonne. Whilst the week shows strength, it's worth noting that Dec 22 EUAs struggled to convincingly break through €80/tonne several times over the week with sellers hitting the level hard. Dec 22 UKAs rose in a week without auction, but this week's auction should help to bring some liquidity and sellers to market to temper pricing. Oil markets gave up gains on the week with May 22 dropping \$4.74/barrel as the market began to price in improved sentiment around Ukrainian-Russian peace talks, perhaps too soon, as well as a spike in COVID-19 cases in China leading to travel bans and reminding traders of the downside case to oil once again.

Week commencing 7th March 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$113.88	377.72	£310.39	\$467.00	127.5
End	\$111.00	297.74	£258.52	\$387.00	100.2

Last week saw prices return to some sense of recent normality after a blockbuster move higher on Monday saw front month gas hit 800p/therm by 8am. The market had gone from discussing how high 200p/therm had been in recent months to only go and see front month gas trade in a near 300p/therm range within day. The move was sparked by fears over whether Russian gas supply to Europe would remain and set a volatile tone for the week. Tuesday saw a 200p/therm trading range on the Apr 22 NBP contract, with prices truly erratic and often headline driven although some moves had traders and analysts alike scratching their heads. Apr 22 NBP finished the week 149.21p/therm lower, likely helped by news of Russian flows actually increasing to Europe towards the end of the week. Power prices largely moved in line with gas. Apr 22, Summer 22, and Winter 22 baseload dropped by £99.74/MWh, £89.95/MWh and £26.93/MWh, respectively. Oil prices were also hindered by bearishness entering the market as gas and power prices began to trade back to recent pre-war levels. May 22 Brent dropped \$5.44/barrel over the course of the week, sinking away from highs of \$130/barrel at times during the week. Carbon was the outlier last week with buyers emphatically stepping back into the contract on Tuesday as Dec 22 EUAs traded in a €13/tonne range and gained €10.21/tonne from the prior day, a strong reversal from the recent trend. The contract gained €11.66/tonne by the end of the week and helped to see Dec 22 UKA's jump £4.19/tonne higher too.

Week commencing 28th 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 further unprecedented volatility of commodity markets. Front month UK gas saw over a 100% move upwards on the week, equating to 235.66p/therm. Bullish factors included UK ports shutting their doors to Russian vessels, including LNG carriers; margin rate hikes on exchanges; increased pressure on NATO to enforce a 'No Fly Zone' over Ukraine, which would constitute a severe escalation; the exit of large European trading houses and utilities from exposures to Gazprom and other Russian entities, such as Rosneft; increased fears of Russia halting gas flow to Europe; and the Russian capture, and resulting fire, at Zaporizhzhia, Europe's largest nuclear power plant. This not to say price action was one way, there were periods of severe downwards movements in price action too with close to 70p/therm downward moves in single hours not uncommon with bearish factors including Germany's public opposition to sanctioning Russian energy firms and the idea of mandated EU gas storage levels being brought into legislation to temper markets in the medium-term. Seasonal contracts also moved higher but not in the same way as Summer 22 gained 211.20p/therm whilst Winter 22 gained 'just' 88.27p/therm. Power markets moved up with gas from front month. Summer 22 and Winter 22 UK base gained £170.43/MWh, £152.21/MWh, and £70.33/MWh. Carbon markets were negatively correlated to gas last week with Dec 22 EUAs dropping just over €23/tonne on the week, whilst their UK counterparts dropped £12.05/tonne. Losses looked linked to speculative money fleeing the asset with portfolio rebalancing occurring across the investment community along with stressed balance sheets due to exchange margin movements causing the selling of EUAs in size at times, helping to spook the market. Oil markets have also seen meteoric rises with the May 22 Brent contract gaining \$20.18/barrel with Russian oil struggling to get to an already tight market.

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