

Report issued: 20th April 2022

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



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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
52.41	50.43	45.10	34.21	42.68	49.60	56.15	39.80	58.40	192.60

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
68.10	60.45	47.91	31.23	43.27	49.11	52.62	31.99	48.35	214.81

Week commencing 11th April 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$100.27	243.94	£227.43	\$0.00	80.3
End	\$107.71	217.33	£210.10	\$340.50	74.2

Last week saw weakness at the front of the curve for gas and power markets with strength at the backend. The market vied last week with the uncovering of supposed Russian war crimes that had some struggling to see how sanctions couldn't be extended to Russian energy products, especially gas, against a speech highlighting the reliance on Russian gas by the German Chancellor in his joint speech with Boris Johnson on Friday. Traders seem to be discounting the likelihood of interrupted flow, at least in the near-term, despite a resolution from the European Parliament to ban EU imports of Russian energy products. Front month closed the week down almost 29p/therm although traders also seemingly priced in a longer tail to the Russian invasion and the post-war fallout with Summer 23 gaining almost 25p/therm. Last week has produced an interesting shape to the NBP curve with front month now at a 30p/therm discount to Winter 22, but with the Winter 22/Summer 23 spread narrowing a little as the backend moved higher. Power markets took gas as the main signal, shrugging off movements in carbon markets, with front month and Winter 22 dropping £19.41/MWh and £10.68/MWh whilst Summer 23 rallied £19.49/MWh. Wednesday saw relatively heavy selling over the course of the afternoon to push the contract back down to €77/tonne and early weakness on Thursday dragged the contract down closer to the €76/tonne level. UK carbon also saw gains on the week, finishing £2.42/tonne higher. Brent markets began the week with strength as traders bet on EU sanctions extending to oil, however of the course of the week pressure built significantly. The end of the week was spent trying to push higher with analysts warning that the market remains tight despite strategic reserve releases. Jun 22 Brent dropped \$1.61/barrel on the week.

Week commencing 4th April 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$104.65	255.33	£233.28	\$275.00	83.7
End	\$100.27	243.94	£227.43	\$0.00	80.3

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Week commencing 28th March 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$119.88	243.01	£214.93	\$283.00	79.6
End	\$104.65	255.33	£233.28	\$275.00	83.7

The market struggled last week to decide whether or not to believe the progress made in peace talks between Ukraine and Russia. Russia committed to a pull-back of its troops, although had said this previously, along with promising to allow humanitarian corridors out of major cities, before doing precisely the opposite. The market also vied with whether gas flow to Europe would stop at the start of April with Putin decreeing that this was the start date for payment in Roubles despite earlier signals of a phased approach. The decree was also followed by the threat that Russia would not ship gas for free and any deviation from the payment rules would lead to a stop of gas flow. This certainly provided support into Friday, although as Friday came around the flows into Germany looked stable if not a little higher, risk premium was shed from the curve over the course of the day. Front month NBP gained 16.21p/therm on the week whilst Winter 22 gained 23.75p/therm and Summer 23 managed to drop a little. Power markets tracked gas with front month, Winter 22, and Summer 23 gaining £10.93/MWh, £26.93/MWh, and £2.87/MWh. Carbon markets continued to bounce around in the current trading range with Dec 22 EUAs seeing rallies above €80/tonne being sold and dips below €76/tonne being bought. Auction weakness last week also helped to cement losses late in the week with record discounts to the secondary markets. Oil markets were especially bearish last week with the Jun22 contract falling \$12.98/barrel on the week. Weakness looked linked to Russian/Ukrainian peace talks along with EU sanctions on oil looking less likely. Further pressure came from Biden announcing a release of 1 million barrels-per-day from US strategic reserves over the next six months.

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 at 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 afternoon, 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 looked linked to fears of chemical weapon use in Ukraine and some desire to test the 300p/therm level, whilst weakness came from a lacklustre 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 9.39p/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 UKA's. 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 it recently found itself above on the May 22 Brent contract but struggled to consistently stay above.

Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change.

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