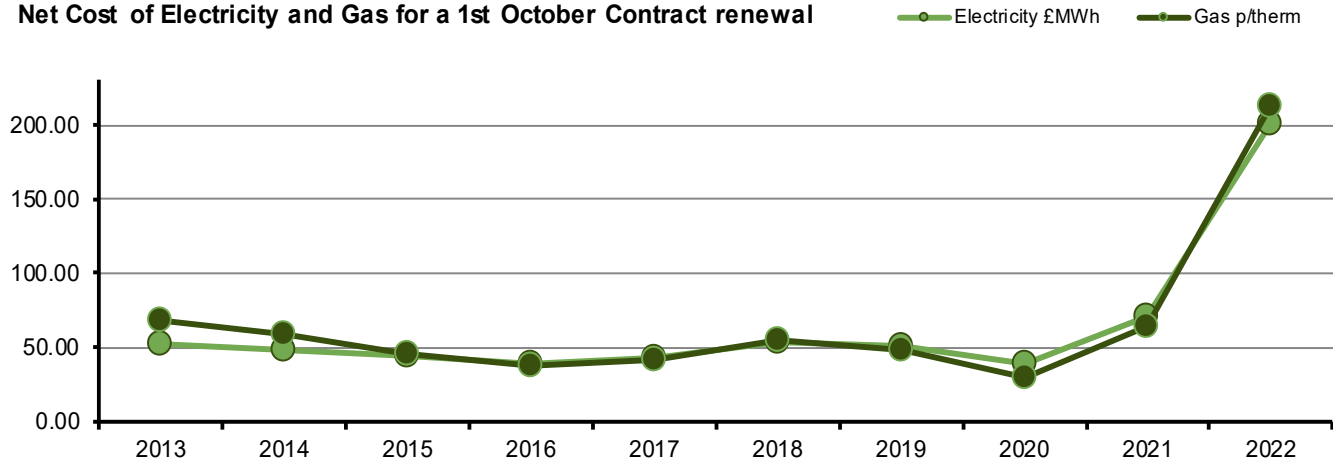


Report issued: 22nd June 2022

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
51.69	48.77	43.82	39.46	42.58	53.23	50.43	39.12	70.39	201.35

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
68.65	58.29	46.01	37.78	41.95	55.17	48.91	29.96	64.64	213.30

Week commencing 13th June 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$122.75	211.88	£207.15	\$311.00	73.7
End	\$115.89	256.16	£236.89	\$377.00	89.8

Volatility returned last week with big news headlines rocking the energy markets. Monday saw pricing drop as the Bacton interconnector opened back up and exports of gas continued. Tuesday then saw a jump up in prices as announcements overnight that Nord Stream 1 was flowing less gas to Europe due to ongoing maintenance of pipeline turbines. This was followed by early afternoon announcements on Wednesday that Freeport LNG facility would not be fully operational again until the end of the year. Gas and electricity rallied hard on this, July-22 settling at 196.55p/therm and UBL July-22 at £190.44/MWh. Wednesday saw a continuation of the bullish sentiment with further news that Nord Stream 1 volumes would be dropping even further. Front month contracts settling at 245.00p/therm and £231/MWh for NBP and UBL respectively. The market then dropped this value over a volatile 2 days of trading at the end of the week, it traded down on no real change in news. Carbon saw continued volatility as it initially tracked the movements up in gas and power. However, they moved lower on Friday as concerns over a global recession and interest rates increases prompts fears of selling back into the market. Brent Aug-22 contracts started the week increasing in price, testing the \$120/barrel mark, before a sell off on Friday dropped \$6.30/barrel as fears of decreasing global demand. Renewables remained strong amid warm weather helping to reduce demand for gas to power generation.

Week commencing 6th June 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$117.61	213.27	£209.16	\$331.00	75.1
End	\$122.75	211.88	£207.15	\$311.00	73.7

Last week saw a significant week of moves in the market. The start of the week saw low liquidity as the UK came back from the long bank holiday weekend. There was a pattern of late morning strength in the market followed by afternoon sell offs on Monday and Tuesday. This was interrupted on Wednesday morning news that Freeport LNG terminal in the US had been hit by a fire. The market rallied hard with Front month gas hitting 180p/therm. This coincided with news that the Bacton gas interconnector was out of action, leading to a glut of UK gas. Front month contracts then drifted down and settled at 154.90p/therm. Friday saw continued weakness in near time pricing. As the Bacton interconnector outage continued, within day pricing fell to a low of 5p/therm before recovering value later in the day. July-22 contracts finished the week down 13.60p/therm and Winter-22 contracts down 0.43p/therm. Power pricing continues to follow the moves seen in gas. It is pricing very low on day ahead and system prices as strong renewable generation reduces pressure on gas for power generation. On Sunday 12th SIP dropped to -£30/MWh at 08:30. July-22 contracts finished down £8.87/MWh, Winter-22 up £0.92/MWh. EUAs shed value, €5.01/tonne on the week, as the EU parliament negotiated internally on market regulations. A vote to new proposals was rejected on concerns of the phasing out of free allocation to industry. UKAs saw less volatility and only dropped £0.91/tonne. Brent saw continued strength as concerns over stock levels and an increase in demand. Aug-22 contracts finished the week up \$2.29/barrel. Wind generation picked up at the back end of the week, generating 10GW for nearly the whole of Friday and the weekend.

Week commencing 30th May 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$118.17	212.38	£215.18	\$310.00	74.2
End	\$117.61	213.27	£209.16	\$331.00	75.1

The long jubilee bank holiday meant the market moves across the week were small and liquidity remained very low. Front month gas saw moves down of 11.77p/therm whilst the back-end Summer 23 contracts rose 7.85p/therm with worries that the Russian invasion of Ukraine will continue to place pressure on gas supplies for longer. Power followed these moves, July-22 down £10.94/MWh and Summer-23 contracts up £3.92/MWh. Carbon markets saw continued strength, up €2.67/tonne on the week, amid proposals for a 63% cut in EU ETS emissions compared to 2005 levels. UKAs edged higher, up \$0.47/tonne following the move in EUAs. Brent saw a week of strength as the EU closed a deal to limit some Russian oil imports. Global concerns amid a shortening of supply have provided continued strength to contracts, helping it to near the \$120/barrel in front month Aug-22 contracts. Wind generation was minimal at the start of the week, remaining below 4GW before picking up >7GW on Friday and Saturday. Gas picked up the shortfall in wind generation averaging 45.65% of the stack at 15:00PM over the week.

Week commencing 23rd May 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$112.38	202.08	£205.79	\$357.00	70.5
End	\$118.17	212.38	£215.18	\$310.00	74.2

Last week saw large trading ranges on gas, carbon and oil as the markets continued their volatility. The NBP finished the week up across the curve as strength on Friday afternoon helped gas to recover some value that was lost in the previous week. June-22 settled the week up 5.40p/therm whilst Winter-22 gained 16.51p/therm. Downward revised weather forecasts have helped to provide support for prompt pricing as temperatures are expected to move closer in line to seasonal norms. UBL contracts closely followed the strength in gas and carbon, June-22 up £8.40/MWh and Winter-22 up £14.20/MWh. Carbon continued its recent volatility and regained some of the losses seen in the previous week. EUAs Dec-22 settled the week up €3.81/tonne whilst UKAs finished down £0.18/tonne as the spread between them closed. The recent volatility can be attributed to a lack of market liquidity and a reduction in supply. Brent saw a rise at the back end of the week, testing the technical barrier of \$120/barrel. The oil market has recently gone through a large reconfiguration as Russia's invasion of Ukraine has caused the EU to push for a Russian oil ban, talks on this are expected to resume today. Wind speed over the week remained high and helped provide >30% of the average generation stack.

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.