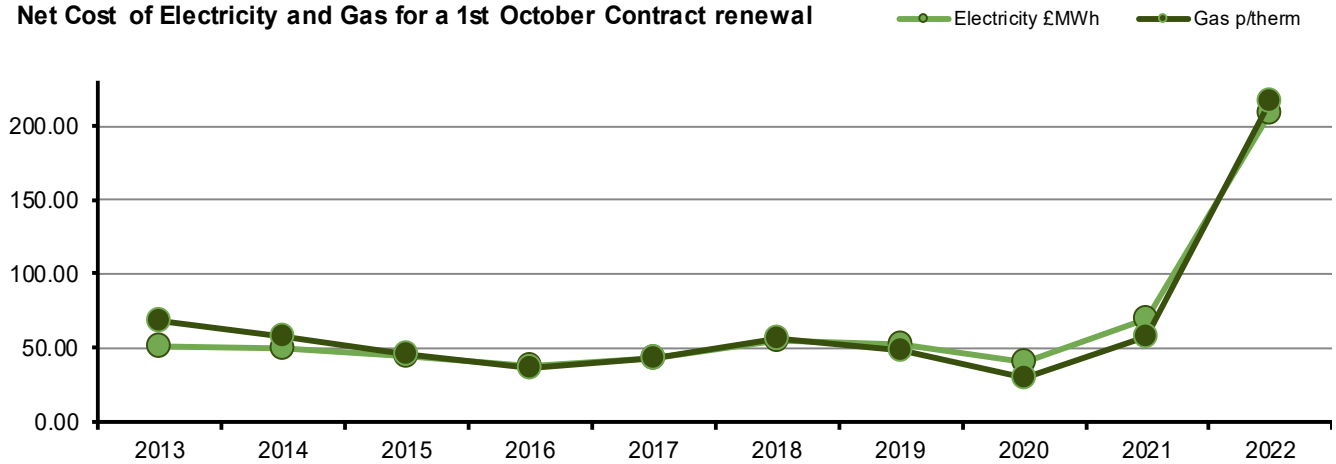


month on month marketview

Review of: May 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
51.51	49.20	43.95	38.30	42.90	54.98	52.03	39.73	69.45	208.88

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.70	58.20	45.90	36.11	42.84	55.92	47.74	29.47	58.09	216.98

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

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

May in summary

May saw market volatility continue with Russian gas and oil sanctions complete with milder weather and healthy LNG, with covid-19 also having an impact once again.

Market Volatility

Geopolitical tensions and sanction announcements throughout May were competing with bearish fundamentals resulting in high levels of volatility. Low liquidity along with a reduction in global demand further added to this volatile market picture.

Weather

The weather during much of May was mostly quiet, with unsettled and showery for much of the time but with a few warmer and brighter days. The northwest of the UK saw most of this wet weather, with some other parts of England and Wales slightly drier than average. Sunshine totals were also below average in many areas this month, especially in the northwest. Temperatures were above average for the majority of May, but the latter part of the month did see temperatures turn cooler.

Gas, Storage and LNG News ▲

May began with markets taking direction from headlines from Russia, with the threat of further European nations having their gas supply from Russia shut off. Aside from this, the market fundamentals were favourable with increasing volumes of LNG arriving at UK ports, with wind outputs also rising to help support the grid. This resulted in volatility in pricing continue.

This volatility remained as Russia threatened to cut off supply via the Yamal pipeline, with this seen as having a potentially negative impact for many European nations next winter. Further cause for volatility came from the looming deadline on 20th May for European payments for Russian gas deliveries. Any country that did not make this payment in Roubles was facing the possibility of having their gas supplies stopped. This nervousness saw prices rise, though the fundamentals of a healthy LNG supply and warmer and windier weather did help to provide some weakness to the markets. This deadline largely passed without any issue, which saw markets revert to following the fundamental bearish drivers.

The end of May followed the trend throughout the month, with large trading ranges and volatility continuing. Gas prices recovered and found some strength as the latest weather forecasts for the end of May/start of June were revised down and expected to be closer to seasonal normal levels.

Politics and Global Economics ▲

Unsurprisingly, the ongoing conflict in Ukraine continues to provide headlines that continue to drive the volatility within the markets. This month saw much anticipation over the looming deadline on the 20th of May for payments for Russian gas deliveries to be made in Roubles. This deadline passed with most payments being made in a way that did not contravene the sanctions. That said Finland, which also expressed its determination to join NATO, saw its gas supplies shut off on the 21st because of this. The Netherlands has also seen supply

from Russia shut off as a result of not paying in Roubles. The 31st of May also saw the EU reach an agreement on a Russian oil ban, with up to 90% of Russian imports to be stopped by the end of the year.

Elsewhere, parts of China continued with covid-19 lockdown restrictions, which reduced global energy demand. These restrictions were beginning to be eased by month-end, with an expectation that demand from China will now pick up. Closer to home, the UK Government are discussing the possibility of re-opening a mothballed gas storage facility at Rough. This could potentially be live and operational 'within months'. There were also several local elections across the UK, with the Conservatives losing many seats across the country. The Sue Gray report into Downing St. parties was finally released and inflation rose to 9%, applying further financial pressures, all of which are applying pressure to Boris Johnson's leadership. A raft of financial packages was announced by the chancellor to aid households with the cost of living, with these measures to be paid for in part by a windfall tax on energy company profits.

Oil ▲

Oil markets saw weakness at the start of May with demand across China continuing to be subdued as a result of covid-19 lockdowns in certain parts of the country. Brent did find strength from the continued disagreements within the EU on the scale of additional Russian oil sanctions. Continued worries throughout the month on global economic growth saw OPEC+ attempting to balance the increase in supply with growth forecasts, with traders balancing news around a slowdown in global economic growth and covid-19 lockdown easing in China. The end of this volatile month saw oil rise, with the EU deciding on a ban on Russian oil. According to the European Council president, Charles Michel, three-quarters of Russian oil imports will be immediately affected, rising to 90% by the end of the year.

Coal ▼

Coal prices have fallen back this month following their recent surge, with the front-month coal price falling to \$228.87/t on 30th May having spent most of May hovering around the \$250/t level.

Carbon ▼

Carbon opened the month strong, with contracts gaining value. However, this was short lived as volatility took hold of this commodity also, with both UKAs and EUAs seeing a drop off in value through the middle of the month. There was some recovery for both EUAs and UKAs at month end, which also saw the spread between the two close. The recent volatility can be attributed to a lack of market liquidity and a reduction in supply.

Looking Ahead

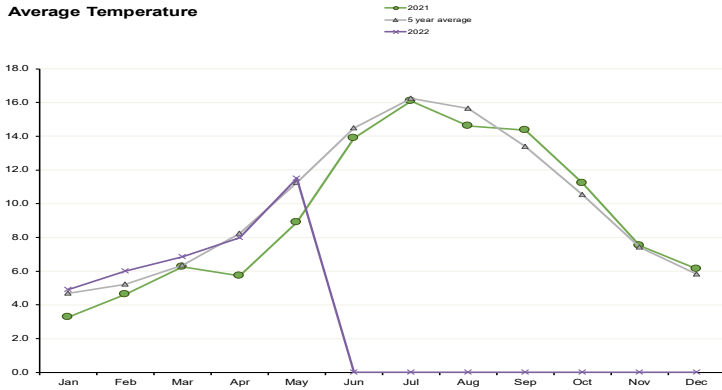
Weather forecasts show temperatures are expected to be above seasonal normal levels at present both in the UK and across Northwest Europe. This should help to suppress demand and allow storage injections to continue. LNG arrivals, for now, look to remain healthy, though with China easing covid-19 restrictions, their demand is expected to increase which may start to lure cargoes away from Europe. Headlines coming from the ongoing conflict between Russia/Ukraine and any possible retaliation to the EU's oil ban could limit any downside. Volatility is likely to remain across all commodities.

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: May 2022

Average Temperature



Average temp: 2021/22: Summary

2021/2022 Summary v 5 Year Average

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

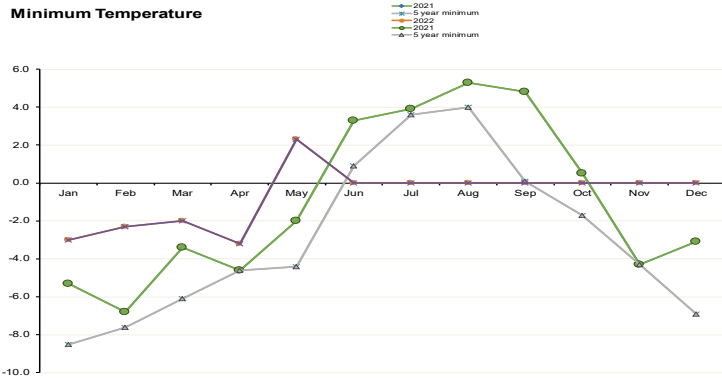
2021/2022	Apr	May	Year total
°C	-0.2	0.2	0.3
%	-3.0%	2.2%	0.1%

2021 v 2022 Summary

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

2021/2022	Apr	May	Year total
°C	2.3	2.6	1.7
%	39.3%	29.4%	0.3%

Minimum Temperature



Min temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

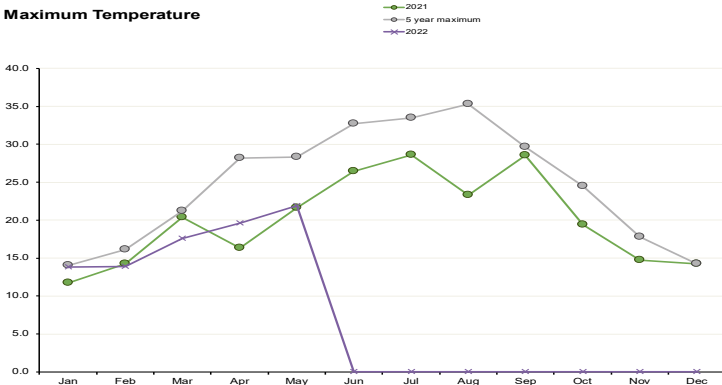
2021/2022	Apr	May	Year total
°C	1.4	6.7	4.6
%	-30.4%	-152.3%	-76.9%

2021 v 2022 Summary

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

2021/2022	Apr	May	Year total
°C	1.4	4.3	2.8
%	-30.4%	-215.0%	-79.2%

Maximum Temperature



Max temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	Apr	May	Year total
°C	-8.6	-6.4	-4.2
%	-30.5%	-22.6%	-17.0%

2021 v 2022 Summary

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

2021/2022	Apr	May	Year total
°C	3.3	0.3	0.5
%	20.2%	1.4%	4.7%

Met Office UK summary

The weather during much of May was mostly quiet, with unsettled and showery for much of the time but with a few warmer and brighter days. The north-west of the UK saw most of this wet weather, with some other parts of England and Wales slightly drier than average. Sunshine totals were also below average in many areas this month, especially in the north-west. Temperatures were above average for the majority of May, but the latter part of the month did see temperatures turn cooler.

Utility Impact Summary

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 are now lighter, make sure to adjust any automatic lighting timers to ensure lights are not switching on needlessly.