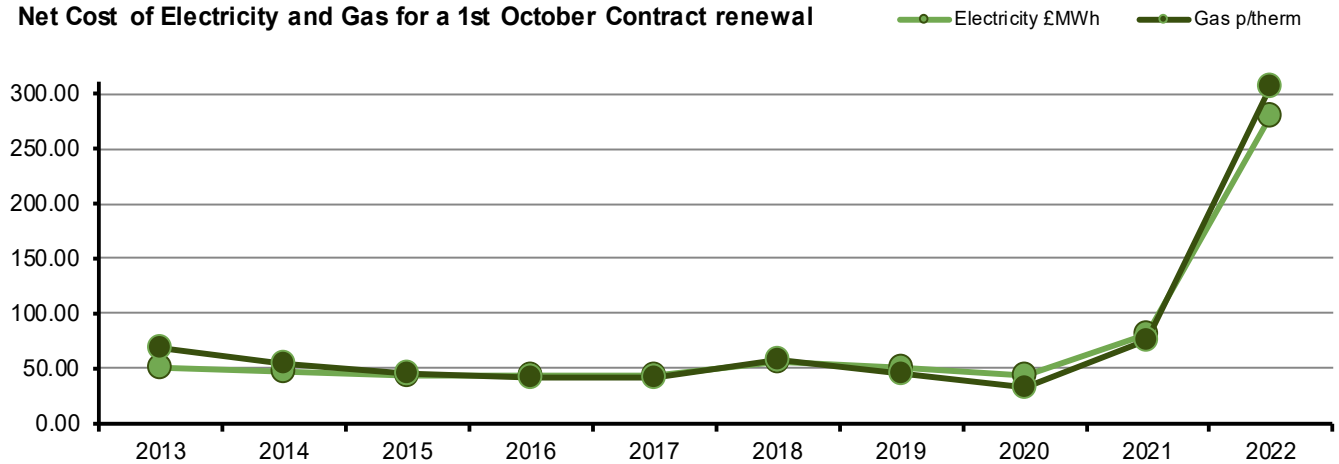


# week on week marketview

Report issued: 13th July 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
51.67	46.74	44.11	43.42	42.95	56.35	50.95	43.10	81.18	279.10

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
68.74	54.28	45.81	42.10	41.98	58.13	46.13	32.14	75.65	306.02

### Week commencing 4<sup>th</sup> July 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$110.33	317.84	£289.35	\$373.00
End	\$106.49	376.15	£341.93	\$397.00

Last week saw the market become increasingly nervous as the political tensions over gas supply to Europe ramped up. Market liquidity remains low as traders remained nervous of being caught out by large spikes in the market. Electricity continued to follow the moves in gas closely, something that seems unlikely to change in the short term. Monday saw the market rally hard, with Winter-22 hitting a new high of 416p/therm. Moves seemed to be driven around the fears of Norwegian gas and oil workers going on strike on Wednesday. Tuesday saw a similar rally with Winter-22 NBP again hitting a new high of 434p/therm, although a Tuesday afternoon sell-off saw value shed as the Norwegian government stepped in and ended workers strike. Later stages of the week saw the market rally once again due to the nervousness around the Nordstream 1 maintenance. With the new highs in the market we would expect to see demand destruction across consumers which may provide a slight relief this winter. The end of the week saw Aug-22 NBP drop 23% as Canada hinted it may return gas turbines to get Nordstream1 back up to 100% capacity. Aug-22 NBP settled the week down 26.72p/therm, with Winter-22 up 24.78p/therm and Summer-23 up 50.57p/therm. Power followed closely, Aug-22 down £14.16/MWh, Winter-22 up £36.78/MWh and Summer-23 up £33.09/MWh.

### Week commencing 27<sup>th</sup> June 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$113.45	279.37	£255.06	\$374.75
End	\$110.33	317.84	£289.35	\$373.00

Last week saw volatility dominate the energy markets as nervousness persists. Winter-22 and Summer-23 markets remain bullish as supply issues worsen and there is little in the way of bearish factors to mitigate supply interruptions. The week started with concerns of increased Russian aggression in Ukraine and fears of increased NATO involvement in the Ukraine and Russia conflict. The end of the week saw Aug-22 contracts drop value as LNG deliveries to the UK look to remain strong during August. As the UK is currently a net exporter of gas, and with continued threat of supply interruptions from Russia, Winter-22 pricing is expected to stay strong. This resulted in NBP gains of 8.33p/therm and 7.46p/therm for Winter-22 and Summer-23 respectively. Power continues to follow moves seen in gas with no real indicators that this would stop. Aug-22 UBL dropped £9.33/MWh whilst Winter-22 and Summer-23 saw gains of £2.26/MWh and £4.12/MWh. Carbon saw a week on consolidation with relative quiet in comparison to the gas and power markets. EUAs finished the week up €0.70/tonne whilst UKAs finished down £0.70/tonne. Brent continued its volatility as the market battles a tightness in supply and lower OPEC+ output against waning global demand and recession fears.

### Week commencing 20<sup>th</sup> June 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$115.89	256.16	£236.89	\$377.00
End	\$113.45	279.37	£255.06	\$374.75

Last week saw turbulence in the global energy markets as the Russian-Ukraine war continued to challenge policy makers globally. The markets started off the week trading wide ranges, as a lack of liquidity help to increase volatility of pricing. The market remained nervous throughout the week as it waited on news of Russian gas flows through to Europe. Front month gas saw trading ranges of 36.5p/therm, nervousness was balanced by warmer weather forecasts for July. Concern remains about supply of gas to Europe over this winter, this was illustrated by Germany activating phase 2 of their gas emergency plan, aiming to reduce consumption of consumers in favour of injection into storage. Power followed the moves seen in gas but saw less volatility in its trading. Front months finished the week down 31.1p/therm and £10.49/MWh for NBP and UBL respectively. Winter-22 contracts meanwhile were up 34.20p/therm and £28.78/MWh for gas and power. Brent had a volatile week, dropping \$1.01/barrel of value on poor economic forecasts out of the US amid tight supply. Renewable generation crept up at the end of the week, with wind and solar generation combining to produce 70% of the electricity stack on Sunday 26th at 15:00. Grid emissions dropped to 33g/kWh with the plentiful renewable generation.

### Week commencing 13<sup>th</sup> June 2022

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

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.

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.