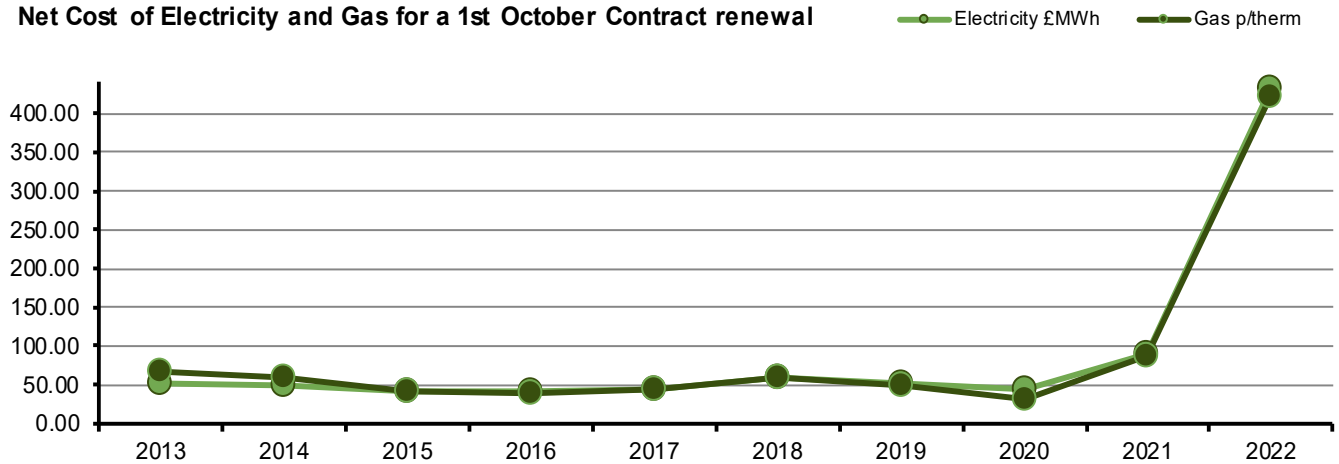


Report issued: 17th August 2022

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
51.39	50.26	42.78	42.08	44.72	58.26	51.70	43.17	89.38	431.35

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
68.03	58.88	42.80	39.80	45.02	60.20	48.33	32.44	87.77	423.15

Week commencing 8th August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$96.16	424.90	£433.35	\$295.00
End	\$97.55	478.37	£471.06	\$356.50

Last week saw bulls return to the gas and power markets as risk was priced into the full length of pricing curves. There was little in the way of change in the fundamentals. European power markets continue to struggle amid a crippling drought. The Rhine in Germany saw riverine flows so low that cargo ships carrying Coal were unable to make deliveries in the latter stages of the week. Additionally, French government officials hurriedly approved legislation to raise the allowed water discharge temperatures from nuclear power stations in an attempt to decrease production issues. Friday saw a Nord Stream 1 flows drop 5% due to a mistake in settlement nominations, spooking the market. Many traders took risk off on Friday as the market responded to the upcoming weekend. The week settled with Summer-23 contracts up 81.37p/therm and £57.57/MWh for gas and power respectively. Front month and Winter-22 contracts did not increase to the same level but neared all time highs. EUAs finished the week up €5.06/tonne and £5.42/tonne. Brent gained on continuing low supply volumes and increasing demand from the US and China. Wind generation remained very low as Gas for power generation remained the bulk of the supply stack all week. Solar output remained high during the warm and sunny weather.

Week commencing 1st August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$110.43	392.14	£405.85	\$408.00
End	\$96.16	424.90	£433.35	\$295.00

Last week saw volatility cause the front end of the curve to bounce about. Typically, gas and power have moved similarly in line with each other, although recently we've seen power remain high on days that gas has traded lower. Power is strong as fundamentals continue to look tight over winter. European power pricing remains incredibly strong helping to provide strength to UK pricing. Low hydro levels across Norway and continental Europe may result in reduced electricity export levels this winter, which will cause tightness in the UK grid. The pricing curve continued to evolve last week, as the back of the curve shifted higher, reducing the level of backwardation seen in recent months. Summer-23 contracts settled the week 36.75p/therm and £30.39/MWh for NBP and UBL respectively. Carbon had a strong week, EUAs and UKAs both gaining on increased emphasis across Europe on fossil fuel generation going into winter months. EUAs settled the week up €4.18/tonne and UKAs up £2.53/tonne. Brent remained very weak, with its biggest weekly drop in months on weak economic data concerns that demand would plummet. Wind speeds were high at the start of the week, generating over 17GW during the middle of the day on Tuesday. Wind continued to remain weak throughout the week with solar generation and gas for power generation strong during yet more warm weather.

Week commencing 25th July 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$104.46	356.27	£366.48	\$380.50
End	\$110.43	392.14	£405.85	\$408.00

Last week saw volatility as the markets remained nervous amid a poor outlook for winter supply. Gazprom announced that flows via Nord Stream 1 were going to be cut further, down to 20% of its capacity. The ongoing arguments around the return of the famous Siemens turbine continued with rows over paperwork and sanctions. Many western commentators blamed the latest moves by Gazprom as retaliation to sanctions imposed by the EU and UK. Tuesday saw the market rally hard, NBP up 17% on front month and 15% for Winter-22 contracts. Wednesday then saw confirmation that gas flow nominations had dropped down to just 20% of capacity. The EU commission responded to this by finally agreeing to voluntary 15% cuts in gas demand, the first signs of demand destruction seen in preparation for this winter. The market then dropped on Thursday on little new news, front month NBP contracts shedding 145% of value as we move closer to delivery month. The market then edged lower on Friday as traders looked to reassess the market after a hectic week.

Week commencing 18th July 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$100.94	338.93	£339.53	\$374.50
End	\$104.46	356.27	£366.48	\$380.50

Last week saw the continuation of high market volatility as Nord Stream 1 maintenance came to an end. The market spent the first few days of last week anticipating the outcome of the 10-day Nord Stream 1 annual maintenance, however news broke that gas flows were going to remain but only at 40% capacity. The gas turbine that needed maintenance was sent over to Canada but remains in Europe and has not been returned to Gazprom as of yet. The outlook for winter continues to look very tough, as reduced levels of French nuclear capacity look to add pressure to an already tight European power grid. This has now been reflected in pricing as winter contracts continue to trade at a significant premium to front month contracts. Friday brought strength in the market with prices rising 16p/therm on Aug-22 contracts and 8p/therm on Winter-22 contracts. NBP front month finished the up 48.27p/therm and Winter-22 down 2.49p/therm. Brent gained \$2.04/barrel, as the market continues to monitor demand and supply worries. Wind generation did pick up over the weekend, contributing over 47% of electricity supply on Sunday morning.

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.