

Report issued: 31st 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
51.04	49.85	42.18	42.85	45.76	62.68	48.10	42.80	92.27	529.18

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
66.95	57.82	41.93	40.25	44.95	64.95	44.90	33.05	89.87	578.88

### Week commencing 22<sup>nd</sup> August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$96.44	572.61	£527.10	\$413.00
<b>End</b>	\$98.83	772.32	£698.27	\$401.00

Prices lifted last week, with the exception of EUAs which managed a modest decline through to Friday. The wider energy complex continues to rocket higher, reaching new record breaking levels. Sep 22 NBP increased 114p/therm over the course of the week, with similar gains long to Summer 23 NBP. With the Ofgem price cap level, of £3,549 per year for the average household, being announced at the end of the week, many in the market pointed to astronomical prices along the curve to indicate that the October 22 level may just be the tip of the iceberg. Jan 23 could see the cap set above £5,000, with Apr 23's level set to be even higher again. Power naturally followed gas higher again, seeing Sep 22, Winter 22 and Summer 23 baseload increase by £81.97/MWh, £137.14/MWh and £90/MWh respectively. Despite the aggressive nature of prices in gas and power, Dec 22 EUAs dropped €5.51/tonne over the course of the week to settle in the mid €80/tonne level. Despite this, UKAs disassociated themselves to edge higher settlement to settlement, increasing £2.38/tonne. Oct 22 Brent spiked \$8.61/barrel to lift back above the key \$100/barrel level.

### Week commencing 15<sup>th</sup> August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$97.55	478.37	£471.06	\$356.50
<b>End</b>	\$96.44	572.61	£527.10	\$413.00

Last week saw continued high prices as there appears to be no stopping the bulls in the current climate. Prices along the curves and across the energy spectrum saw gains as risk continues to be priced into energy contracts. Weather conditions place pressure on power generation across Europe as drought lowers river levels, hurting thermal power station efficiency and hydroelectric generation export in Norway. European leaders have also placed further emphasis on gas storage levels, with ever increasing targets. Summer-23 contracts continue to see strength as markets around the globe continue to struggle. UBL increased £62.42/MWh and NBP up 77.83p/therm on summer-23 contracts through the week. NBP saw gains of 38.14p/therm and 64.30p/therm for Sep-22 and Winter-22 contracts. UBL with gains of £44.11/MWh and £41.78/MWh for Sep-22 and Winter-22 contracts. Carbon was strong, EUAs and UKAs both increasing €7.23/tonne and £7.81/tonne on increased interest in thermal power generation across Europe, with numerous countries signing up coal stations for grid back up this winter. Brent contracts finished up \$1.62/barrel on the week, with the market swinging on news of tight supply and poor worldwide economic data. Wind generation increased late on in the week, providing 40% of the electricity stack on Saturday afternoon.

### Week commencing 8<sup>th</sup> August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$96.16	424.90	£433.35	\$295.00
<b>End</b>	\$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 1<sup>st</sup> August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$110.43	392.14	£405.85	\$408.00
<b>End</b>	\$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.

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.