

month on month marketview

Review of: 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
52.29	49.17	43.02	43.03	43.26	56.76	52.21	40.93	85.03	401.10

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
68.63	56.38	43.48	41.73	42.65	58.10	48.65	29.68	92.08	388.23

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

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

July in summary

Energy prices throughout July were once again very volatile. Prices increased throughout the month on the back of headlines coming out of Russia regarding one of the Nord Stream 1 turbines.

Market Volatility

Throughout July, we saw increasing high levels of volatility and very low liquidity leading to unprecedented prices across gas and electricity contracts. The driver behind these are the sanctions the west put on the Russian turbine that required maintenance.

Weather

The weather during July was dominated by dry spells and generally above-average temperatures. The early part of the month was cloudy and cool with some showers. Towards the second week of July, weather started to get a little warmer though most days was still cloudy with showers dotted through the week. Towards the middle and end of the month, weather been increasingly warmer reaching record highs of above 40 °C.

Gas, Storage and LNG News ▲

The first week of July saw the market become increasingly nervous as the political tensions over gas supply to Europe ramped up. Liquidity at start of the month was incredibly poor, as traders remained nervous of being caught on the wrong side of the news. Market rallied hard with Winter-22 hitting a new high, moves seemed to be driven around fears Norwegian oil and gas workers striking before the Norwegian government stepped in to end the strikes.

Moving to mid-July, the energy markets continued their volatility with change to the shape of pricing curves. Front month August-22 contracts sold off as the risk premium was shed as it gets closer to delivery. Traders battled all week with balancing fears of Nord Stream 1 coming back online. Value starting selling off on news that Canada was to return Siemens gas turbines, despite little changes to fundamentals. The selloff was then reversed due to news of Equinor's gas platform was out of action due to gas leaks.

The end of the month saw the continuation of volatility as Nord Stream 1 maintenance ended. The spent a few days anticipating the outcome of the 10-day Nord Stream 1 annual maintenance. News broke that gas flows were to remain but only at 40% capacity. The gas turbine that went over to Canada for maintenance remains in Europe although was not returned to Gazprom. The reduced levels of French nuclear capacity added pressure to already tight European power grids.

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.

Politics and Global Economics ▲

Throughout July saw European markets rise due to the political tensions over the gas supply coming out of Russia. With the ongoing issue with Canada not returning the Nordstream 1 turbine, it left gas supply coming into Europe very low at around 20% capacity. News broke that Canada would return the gas turbine to Siemens, with little change to fundamentals. Though the gas turbines were returned to Gazprom the capacity only came at 40%.

Oil ▼

At the start of July, Oil saw a big weekly drop as global recession fears prompted concern over demand. Going into mid-July we saw another large decrease in value, going down \$12.34/barrel on the week. Towards the end of the month we saw oil gain slightly as the market continued to monitor demand and supply worries.

Coal ▲

Limited volume of non-Russian coal due to sanctions been placed on the Russian market, has increased value of other markets. Potential for China to increase imports of Australian metallurgical coal amid possible lifting of informal import ban, which would be expected to lead to less incentive for supply to be diverted from the metallurgical to thermal segments of the market

Carbon ▼

Carbon started the month seeing weakness over the first week, with UKAs down £3.88/tonne. The spread for carbon increased with UKAs coming down once again during mid-month £2.01/tonne. Towards the end of the month we saw yet another drop in the value of carbon with UKAs dropping another £6.34/tonne.

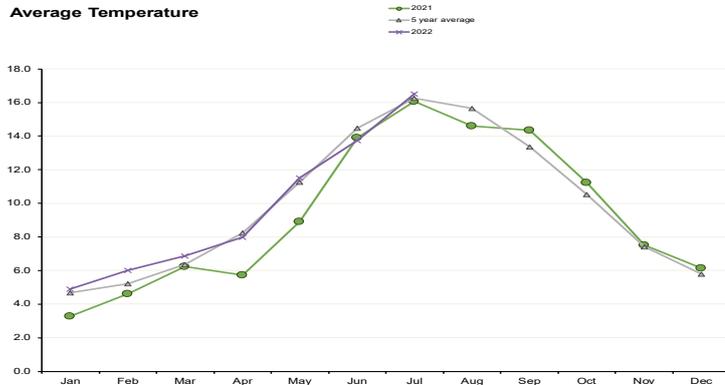
Looking Ahead

Looking forwards, the market is likely to continue seeing increases amid fears of a shortage of European gas throughout the winter period. This is all before there is an accurate European and UK weather forecast which, if we are due a cold spell, could see prices continue to rise to level which would deem the current prices 'cheap'. More emphasis is being placed on demand destruction through the winter period with countries like Germany announced that German gas demand would need to be 20% lower to make it safely through the coming two winters.

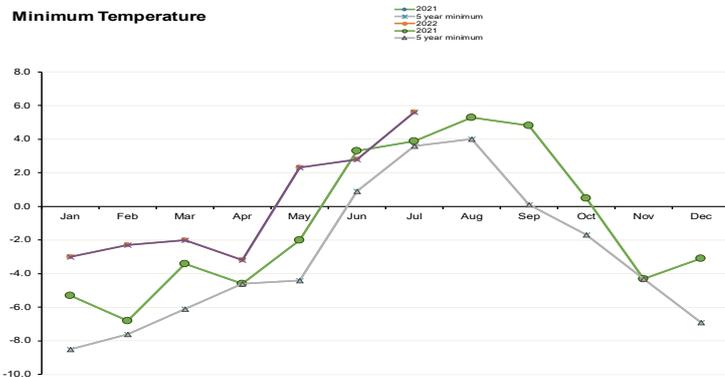
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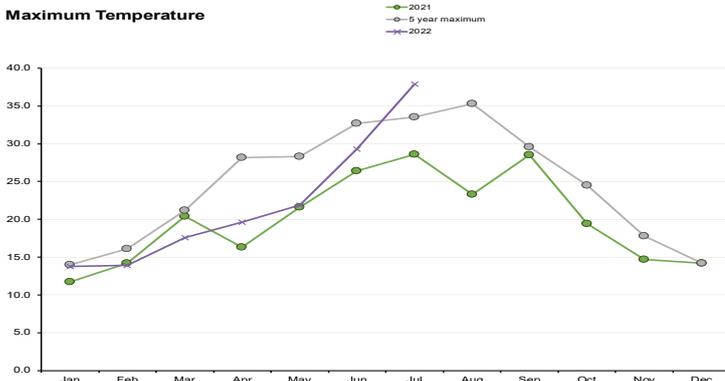
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

The weather during July was dominated by dry spells and generally above-average temperatures. The early part of the month was cloudy and cool with some showers. Towards the second week of July, weather started to get a little warmer though most days was still cloudy with showers dotted through the week. Towards the middle and end of the month, weather been increasingly warmer reaching record highs of above 40 °C.

Average temp: 2021/22: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	June	July	Year total
°C	-0.07	0.3	0.1
%	-5.51%	1.6%	0.0%

2021 v 2022 Summary

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

2021/2022	June	July	Year total
°C	-0.2	0.4	1.3
%	-1.1%	2.7%	0.2%

Min temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	June	July	Year total
°C	1.9	2.0	3.8
%	211.1%	55.6%	-16.8%

2021 v 2022 Summary

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

2021/2022	June	July	Year total
°C	-0.5	1.7	2.2
%	-15.2%	43.6%	-52.5%

Max temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	June	July	Year total
°C	-3.4	4.4	-2.9
%	-10.4%	13.1%	-11.8%

2021 v 2022 Summary

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

2021/2022	June	July	Year total
°C	2.9	9.3	2.1
%	11.1%	32.5%	9.6%

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.