

Report issued: 7th September 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
52.10	50.80	42.54	42.46	45.58	63.38	48.58	46.58	99.15	697.95

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.71	58.30	44.02	39.30	44.82	65.84	44.77	36.43	98.51	778.50

Week commencing 29th August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$98.83	772.32	£698.27	\$401.00
End	\$94.60	476.92	£470.59	\$374.00

Energy markets continued their volatile nature last week as the market saw a mass selloff through pricing curves. This began with the UK market selling off after the long bank holiday weekend, dropping 180p/therm on front month NBP contracts on Tuesday. The market then sold off hard again on Friday, providing short term welcome relief to consumers across Europe. Power closing the week at £410/MWh for Oct-22 contracts and £630/MWh for Winter22 contracts, down £231/MWh and £221/MWh respectively. Gas saw more of a decline, settling the week down 293p/therm and 301.75p/therm for Oct-22 and Winter-22 contracts. This relief was short lived as Gazprom then announced the suspension of Nord Stream 1 flows indefinitely at 17:30pm on Friday, citing the impact that western sanctions have had on turbine maintenance. UKAs remained strong through the power and gas volatility as the price higher than EUAs. EUAs saw a decline of €12.42/tonne with Europe battling the impact of high prices on demand from industrial consumers. Brent continued to decline across the week despite the possibility of price caps on Russian oil exports, dropping \$6/barrel. Wind generation picked up across the week, helping to ease the pressure seen on gas for power generation over much of the summer and hitting highs of 13GW over Sunday evening.

Week commencing 22nd August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$96.44	572.61	£527.10	\$413.00
End	\$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 15th August 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$97.55	478.37	£471.06	\$356.50
End	\$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 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.

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