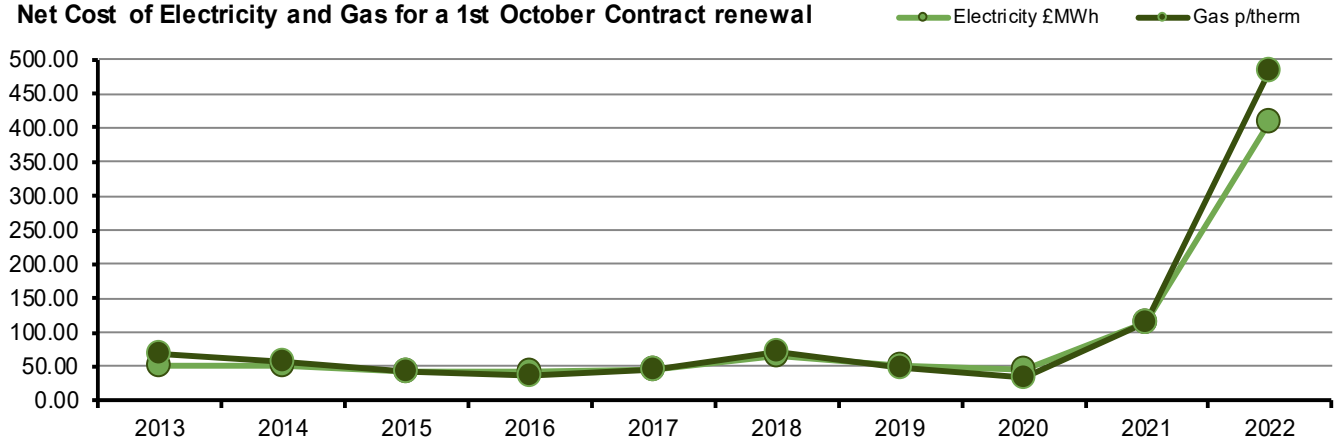


Report issued: 21st September 2022

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
51.54	50.72	42.67	41.13	45.99	64.70	51.15	45.75	113.94	410.01

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.12	58.25	42.33	36.79	45.45	70.12	46.99	34.67	114.67	484.80

Week commencing 12th September 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$94.60	476.92	£470.59	\$374.00
End	\$95.52	449.66	£394.59	\$304.00

Last week experienced particularly low levels of liquidity across all contracts along the curve in the UK power market. This was arguably compounded by the fact that despite having an overall Bearish profile, the NBP market experienced several spikes, rendering it unpredictable due to fundamentals not really contributing to this spiky profile. NBP winter 22 experienced a -3.39% price change on the contract value last week. With significant deliveries of LNG (28 vessels expected to dock across Europe by the 28th of September), gas stocks are looking healthy across Europe ahead of winter. Furthermore, the French nuclear fleet are being rushed back to operational status, meaning that power supply should be able to meet demand this winter. This will likely help induce further bearish sentiment in the coming weeks and could help prices to gradually descend. Brent also experienced a 2.13% reduction in price, decline in crude value is do often associated with weakening economies due to reduced demand. Wind generation remained at >11GW through Friday and Saturday massively removing pressure on gas for power generation. Gas generation was at <5GW midday on Friday.

Week commencing 5th September 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$94.60	476.92	£470.59	\$374.00
End	\$91.74	484.80	£410.01	\$324.00

The ever-changing energy industry saw another week of volatility as governments across Europe looked to protect their consumers and economies from large-scale increases in prices going to winter. Liz Truss was announced as the new UK Prime Minister and made a large energy policy her first action. Details around the policy still remain thin but the announced freeze of domestic price cap prices at £2500 for average household usage should provide some relief to domestic consumers. Business support is expected with a price cap also mentioned, the mechanics of this remain to be announced. There was a lack of detail on strategy to help reduce demand although it seems like the market will start pricing this in soon. The market drifted lower over the week on this news. Power was particularly weak, with Oct-22 losing £72.82/MWh and Winter-22 down £125/MWh. Gas saw smaller decreases of 31p/therm, with Oct-22 contracts and 6.6p/therm on Winter-22 with a small increase of 22p/therm on Summer-23 contracts. Carbon was particularly weak across the week, EUAs falling to 6-month lows on poor economic outlooks from Europe, with recession looming. UKAs followed the move as the spread between decreased. EUAs decreased €11.81/tonne and UKAs £19.08/tonne on the week. Brent hovered around the \$92/barrel mark all week as the market continues to battle supply and demand. Wind generation picked up a small amount, contributing more to generation than it had over previous months. Gas to power continues to make up near half of the generation stack.

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.

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.