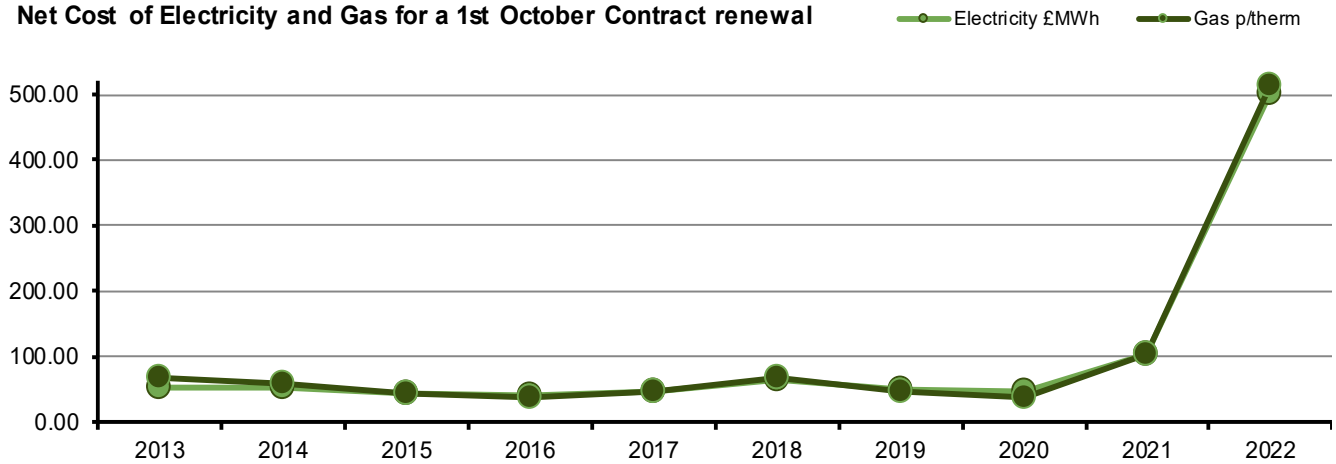


month on month marketview

Review of: 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
52.10	50.80	42.54	41.70	45.46	63.96	48.41	46.58	102.18	503.20

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	38.26	44.95	65.84	44.77	36.43	102.22	514.95

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

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

August in summary

Energy prices throughout August were once again very volatile. Prices increased throughout the month reaching record highs on the back of headlines of Russia cutting Nord Stream 1 capacity down to 20% for most of the month.

Market Volatility

Throughout August, we saw increasing high levels of volatility and very low liquidity, leading to record high pricing on energy contracts. The main driver been Russian Nord Stream flows been cut to 40% at the start of the month to 20% for most of the month.

Weather

The weather during August was dominated by high pressure during the first half of the month, and the second week became very hot. The high pressure eventually moved away to leave more showery conditions, with thunderstorms in places on some days, though the final week was drier once more. It was another drier than average month, and there was plenty of sunshine, especially early on.

Gas, Storage and LNG News ▲

The first week of August saw volatility cause the front end of the curve to bounce about. Typically, we see gas and power move in line with each other, although August saw days where gas traded lower and power remained high. Power started the month very strong as fundamentals continued to look tight over winter, with European power pricing remaining strong providing strength to UK pricing. The pricing curve continued to evolve in the first week, as the back of the curve shifted higher, reducing the level of backwardation seen in previous months.

Moving to mid-August bulls returned to the gas and power market as risk were priced into the full length of pricing curves. There was no change to fundamentals with European power market struggling amid a crippling drought. The Rhine in Germany saw riverine flows so low that cargos carrying coal were unable to make deliveries. European leaders put further emphasis on gas storage levels, which increased targets further.

Towards the end of the month, we saw high volatility due to news that Nord Stream 1 would be shut down completely for 3 days due to yearly maintenance. For most of August Nord Stream has been sat at 20% capacity, which was down from the average of 40% capacity we saw through July. Going into the final week of August we saw large increases across all gas prices. The new price cap was announced towards the end of the month, with the average household now paying £3,549 per year.

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 August, Oil remained very weak, with its biggest weekly drop in months on weak economic data concerns that demand would plummet. Through Mid-August, Oil gained on continuing low supply volumes and increasing demand from the US and China. Towards the end of the month Oct 22 Oil spiked \$8.61/barrel to lift back above the key \$100/barrel level.

Coal ▲

Throughout August, the Rhine River in Germany/Netherlands became impassable due to critical low levels of water. This meant that coal barges could not get to drop off in Europe. This led to the coal-fired power plants across Europe having to cut capacity to certain power plants. Towards the end of August cargos were coming through the Rhine but with only around half the amount of usual shipments.

Carbon ▲

Carbon had a strong first week of August, EUAs and UKAs both gaining on increased emphasis across Europe on fossil fuel generation going into winter months. Mid-August saw carbon have a week of strength on low auction volumes in September and an ever-increasing appetite for thermal power generation going into this winter. Carbon finished strong towards the end of August.

Looking Ahead

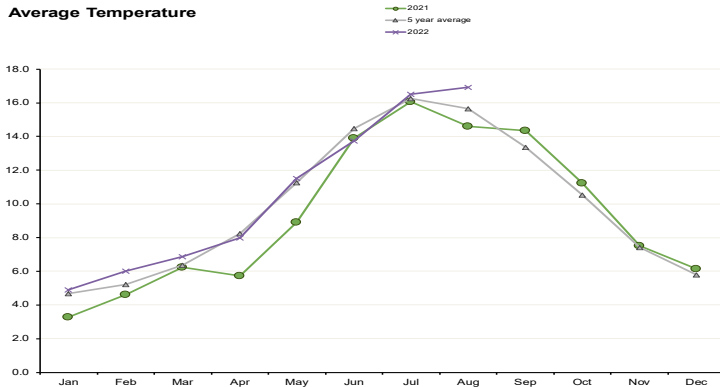
Looking forwards, the market looks like it will slowly drop off through September. Although this could change at any point with headlines still been the front-runner of volatility. With European gas storage levels now hitting the 80% mark, which leaders requested happen before November, it could help the market drop off. If prices were to keep above seasonal normal throughout September, it could help the gas for power generation lower and thus lowering the demand on gas.

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.

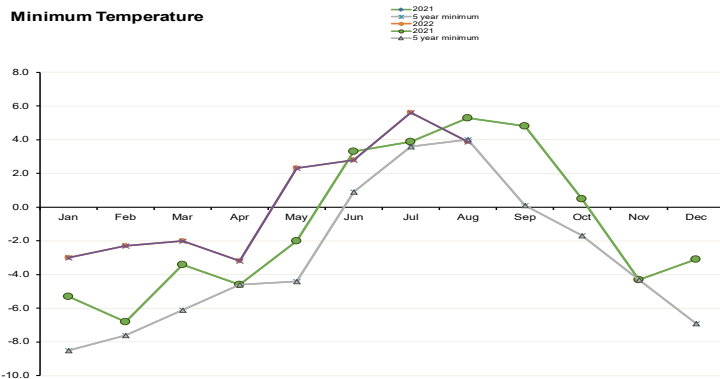
month on month marketview

Review of: August 2022

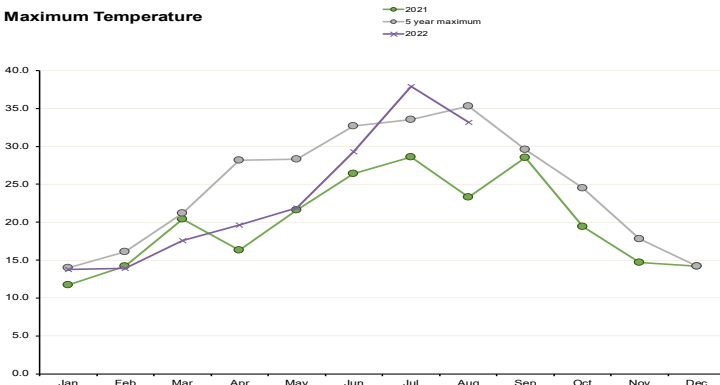
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

The weather during August was dominated by high pressure during the first half of the month, and the second week became very hot. The high pressure eventually moved away to leave more showery conditions, with thunderstorms in places on some days, though the final week was drier once more. It was another drier than average month, and there was plenty of sunshine, especially early on.

Average temp: 2021/22: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	July	August	Year total
°C	0.3	1.3	0.3
%	1.6%	8.2%	0.0%

2021 v 2022 Summary

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

2021/2022	July	August	Year total
°C	0.4	2.3	1.4
%	2.7%	15.9%	0.2%

Min temp: 2021: Summary

2021/2022 Summary v 5 Year Average

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

2021/2022	July	August	Year total
°C	2.0	-0.1	3.4
%	55.6%	-2.5%	-15.0%

2021 v 2022 Summary

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

2021/2022	July	August	Year total
°C	1.7	-1.4	1.7
%	43.6%	-26.4%	-49.3%

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	4.4	-2.1	-2.8
%	13.1%	-5.9%	-11.0%

2021 v 2022 Summary

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

2021/2022	July	August	Year total
°C	9.3	9.9	3.1
%	32.5%	42.5%	13.7%

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.