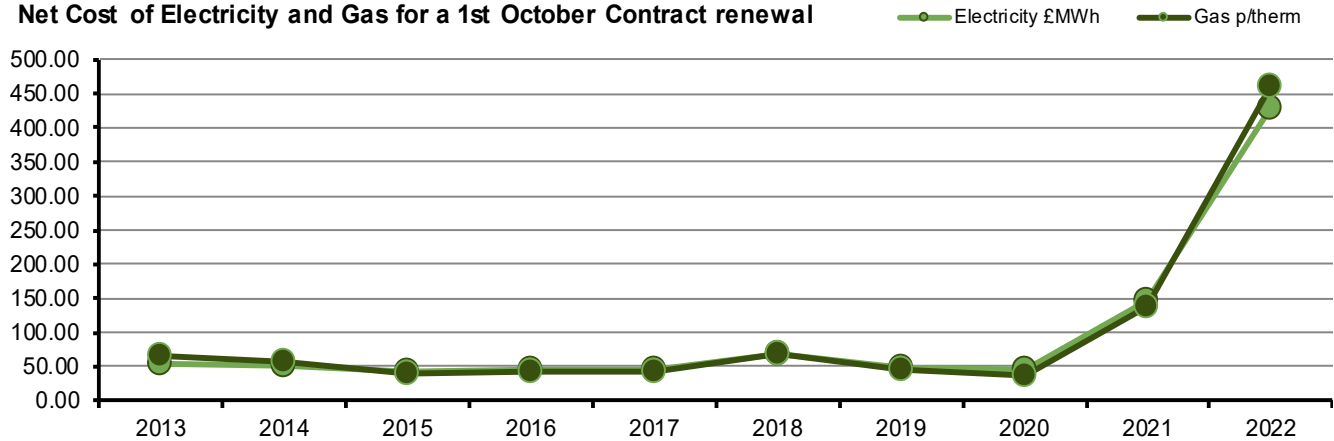


Report issued: 5th October 2022

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
53.08	49.95	42.03	44.71	44.20	69.65	49.55	46.43	145.57	429.20

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
66.50	55.68	41.05	41.20	41.90	69.66	46.04	36.24	137.54	461.40

Week commencing 26th September 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$86.11	461.40	£429.20	\$293.00
End	\$88.13	429.99	£416.93	\$308.00

The ever-changing energy markets saw another week of volatility last week, as four leaks were found on the two Nord stream pipelines (making future flows a likely impossibility) and governments rushed to protect their energy infrastructure amidst new concerns surrounding energy supply and security. Furthermore, the war in Ukraine looks poised to see escalation off the back of Putin's annexation of four of Ukraine's most eastern regions, which is being deemed by the international community as based on sham referendums, ultimately meaning that their annexations represent unlawful land seizures. Over the weekend the UK government's energy support scheme came into effect, however, for businesses the exact details of the 6-month long scheme remain unclear. The market, over the course of last week, displayed bipolar characteristics as it experienced sharp peaks and troughs during intraday trading. These movements were linked to any and every piece of fundamental news that emerged associated to energy, clearly showing that the market was jumpy. Gas experienced a significant rally to open the week but finished the week on a weak note with Oct 22 experiencing an overall 12% decline on the week. However, while UBL Winter 22 settled towards the end of the week, it maintained its early gains closing 23.22% up over the weeks trading.

Week commencing 19th September 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$95.52	449.66	£394.59	\$304.00
End	\$86.11	461.40	£429.20	\$293.00

Prices started the week lower than last weeks settlement, before gas and electricity rallying towards the end of the week. Gas Winter 22 rising from 466.51 p/therm at the start of the week and finishing on 479.20 p/therm on Friday. Electricity Winter 22 starting the week on 460.10 £/MWh and rallying up to 554.47 £/MWh by the end of the week. High bullish trading commenced throughout the week, with fears of the decline in value of the Pound against the Dollar potentially affecting value of LNG cargoes going forward. The Government announced the lifting of the ban on fracking towards the end of the week, which could see UK gas stocks drastically increase over the coming years, yet it has reignited debates surrounding environmental safety/ destruction. We also saw Europe continue its rhetoric of limited power/gas consumption over the winter period, a stance seemingly not being endorsed in the UK.

Week commencing 12th September 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$91.74	484.80	£410.01	\$324.00
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 on 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.

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.