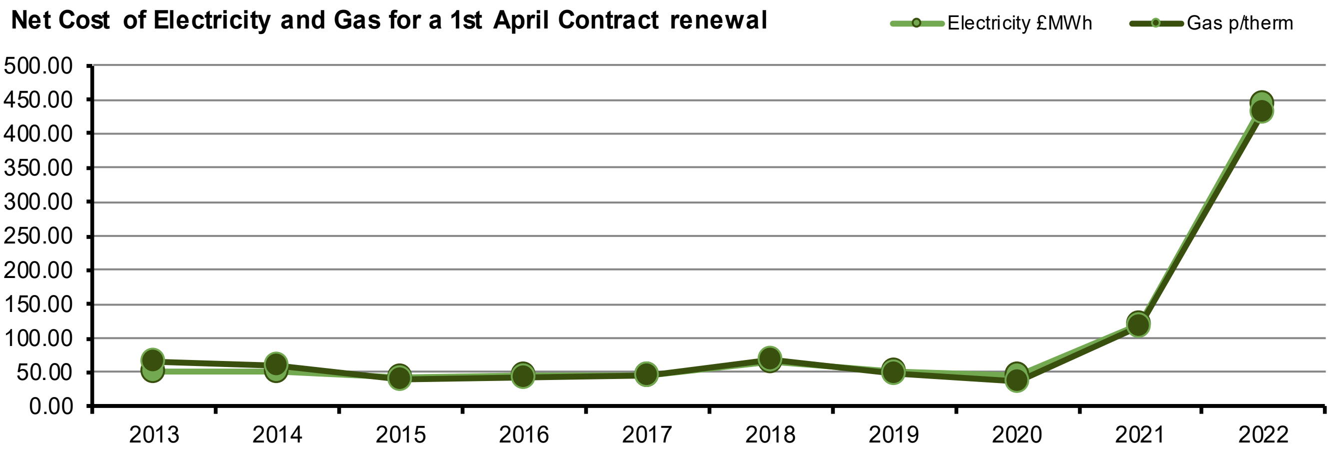
week on week

marketview

Report issued: 12th October 2022



Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
51.93	51.73	42.10	46.68	45.13	64.85	49.95	45.88	121.55	442.60

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
65.96	58.42	40.67	41.36	45.64	69.30	47.47	36.69	118.16	432.97

Week commencing 3rd October 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$88.13	429.99	£416.93	$308.00
End	$96.34	402.14	£415.92	$246.00

Brent crude was the one commodity that defied the weak close to the week, which off the back of OPEC+'s production cut announcement saw its Dec 22 contract rally 8.74% closing in on $100/barrel again. OPEC+ is set to slash production by 2 million barrels a day, leading to fears in the west that this will result in even tighter oil supplies over the winter period. The only real winner of this production cut announcement is Russia, who because they are already producing less barrels than target, will not have to reign in their production but will benefit from the increased oil prices. The EC announced towards the end of last week that they were closing in on a consensus agreement regarding a gas price cap to help countries tackle the winter energy crisis. However, EFET criticised the premise, asserting that a price cap would merely result in supplies, particularly of LNG, being diverted to Asian markets where a price premium would end up being paid. Furthermore, EFET stated that "the price cap the gap between supply and demand and will lead to more rationing". The French nuclear fleet remains only 50% operational, due to a combination of planned and unplanned maintenance works. This has been putting pressure on supply levels across Europe, yet the mild temperatures and unusually high wind generation have weighed on the curve. Within power markets, gas supply concerns will remain the dominant driving force behind curve direction, which will help to keep the risk premium high in the prompt markets.

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 finisihing on 479.20 p/therm on Friday. Electricity Winter 22 starting the week on 460.10 £/MWh and rallying up to 554.47 3/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 enviromental 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 spikey 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.

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