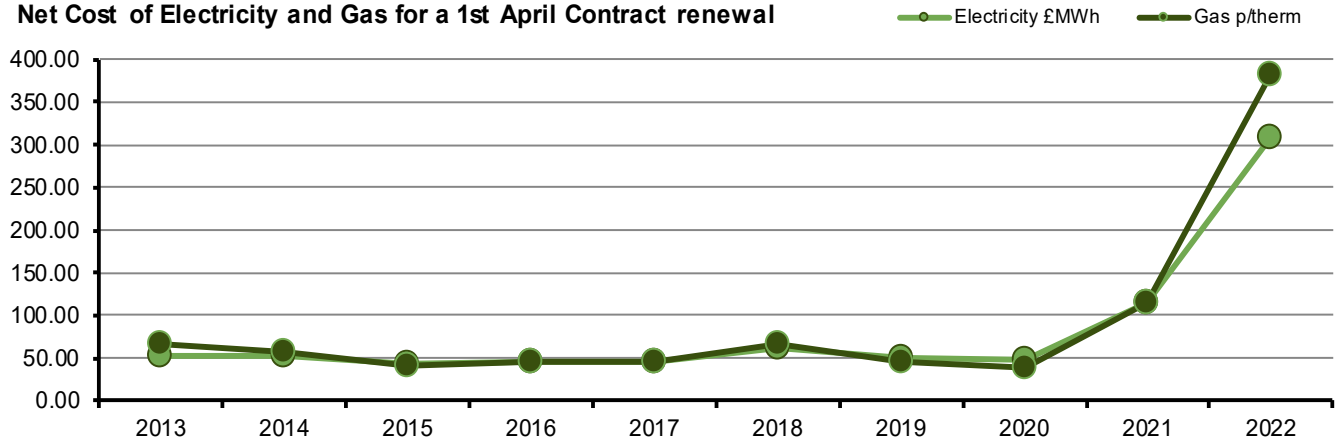


Report issued: 26th October 2022

Net Cost of Electricity and Gas for a 1st April Contract renewal



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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
52.30	51.38	42.10	46.68	45.50	61.48	50.80	46.75	115.20	308.50

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
66.33	56.84	40.48	45.39	45.64	65.90	46.33	38.46	114.78	381.72

Week commencing 17th October 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$91.98	380.73	£395.92	\$265.00
End	\$92.12	353.82	£352.72	\$256.00

Early last week saw a lot of market volatility with prices jumping and very large trading ranges across most contracts, this was primarily due to market uncertainty and fundamentals, such as: political instability, power supply uncertainty due to strikes in France and the European Commission's discussions of a gas price cap. However, the markets well and truly closed in a bearish manner as the UK and Europe experienced higher than average seasonal temperatures, wind generation remained healthy and LNG supplies continue to arrive in large volumes. These fundamentals combined to create demand destruction as well as a reduction in supply tightness resulting in falling prices. Furthermore, the risk premiums at the front of the curve for power and gas are continuing to get priced out which also contributes to weakening prices. Markets, after such a seismic shift, will naturally bounce around as they recalibrate themselves and levels of support/resistance become established again. Finally, Brent crude while overall up compared to the week before, did experience losses over the trading week as demand uncertainty emerged in China as they went back into Covid lockdown procedures.

Week commencing 10th October 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$96.34	402.14	£415.92	\$246.00
End	\$91.98	380.73	£395.92	\$265.00

Early last week saw a lot of market volatility with prices jumping and very large trading ranges across most contracts, this was primarily due to market uncertainty and fundamentals such as an 'incident' at a Norwegian gas terminal which caused the TTF market to react aggressively. However, the markets well and truly closed in a bearish manner as the UK and Europe experienced higher than average seasonal temperatures, wind generation remained healthy and LNG supplies were arriving in large volumes. These fundamentals combined to create demand destruction as well as a reduction in supply tightness resulting in falling prices. This is evidenced by UBL Nov22 which settled at the end of last week at £373/MWh compared to the week before when it had been trading in the £420/MWh range. Furthermore, the risk premiums at the front of the curve for power and gas are beginning to get priced out which also contributes to weakening prices. Finally, Brent crude while overall up compared to the week before, registering a weekly gain of 1.75%, actually fell dramatically from the week's high of \$98.6/barrel over the last two sessions.

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.

Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change.
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