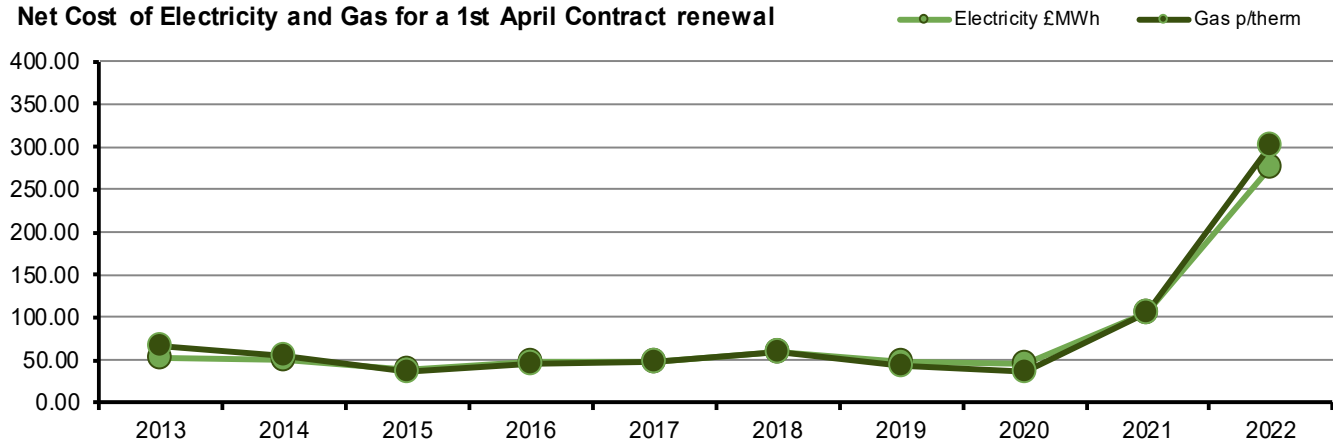


Report issued: 16th November 2022

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
52.06	50.69	39.68	47.60	47.40	58.50	48.75	46.05	105.15	276.50

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
66.28	55.80	37.15	46.34	48.80	60.42	43.49	37.45	105.49	301.88

Week commencing 7th November 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$97.62	304.50	£348.58	\$214.50
End	\$96.81	257.94	£286.58	\$179.45

Last week was dominated by bearish sentiment/momentum primarily as a result of weather fundamentals (high wind generation and warmer than seasonal average temperatures). Furthermore, LNG supplies continue to arrive in large volumes with an additional 6 laden vessels expected to berth on UK shores by the 19th of November which is up from 4 compared to last year's LNG supply. Although the week was primarily bearish there were several bullish rallies, as contracts hit technical market support levels and also EDF downwardly revised its projected French nuclear generation which could impact supply tightness in the UK at peak times over the rest of winter. This led at times to an interesting disconnect occurring during the week, for as Q123 NBP were trending down, its UBL counterpart stopped tracking it and rather switched to mirror French power prices. Centrica's announcement of the reopening of the Rough gas storage facility could help reduce fears surrounding the tightest of winter day supplies, potentially further easing risk premiums out of NBP contracts over the winter. Brent crude Jan23, while overall down 2.62% compared to the weeks before did experience rallies throughout the week due to the weakening dollar and improved US inflation sentiments. However, China's adamant stance with regards to zero covid and stringent lockdowns weighed on the contracts due to demand destruction.

Week commencing 31st October 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$96.07	331.49	£342.39	\$241.50
End	\$97.62	304.50	£348.58	\$214.50

Early last week saw markets come off hard, while still littered with volatility as prices were jumping around and very large trading ranges emerged across most contracts. The markets closed in a bearish manner on near end contracts and not much movement on far out contract. Temperatures were slightly lower than previous weeks before rising again going forward, wind generations remained healthy through the week and LNG supplies continued to arrive well although losing out on a couple of cargoes. Although the week ended bullishly, it's important to note that the markets were still on the whole for the week very bearish. UK Gas Dec22 settled on 311.42p/therm on close, up from 300.74p/therm at the start of the week. Europe's gas storage levels continue to be the main headline with fears of not enough gas to get through Winter. Finally, Brent crude finished up over the week, from 92.81\$/barrel early in the week to settle on 94.67\$/barrel on Friday.

Week commencing 24th October 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$92.12	353.82	£352.72	\$256.00
End	\$96.07	331.49	£342.39	\$241.50

Early last week saw markets come off hard, while still littered with volatility as prices were jumping around and very large trading ranges emerged across most contracts. However, the markets well and truly closed in a bullish manner as front month contracts in the UK and Europe neared delivery. This was despite the fact that the regions were experiencing higher than average seasonal temperatures, wind generation remained healthy and LNG supplies continue to arrive in large volumes. An interesting disconnect occurred during the week as Q123 NBP was trending down, its UBL counterpart stopped tracking it and rather switched to mirror French power prices. Although the week ended bullishly it's important to note that the markets were still on the whole for the week very bearish. NOV22 UBL was down 26% closing at £241.76/MWh. Centrica's announcement of the reopening of the Rough gas storage facility could help reduce fears surrounding the tightest of winter day supplies, potentially further easing risk premiums out of NBP contracts over the winter. Finally, Brent crude while overall up compared to the week before gaining 5.83%.

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.

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.