week on week

marketview

Report issued: 7th December 2022

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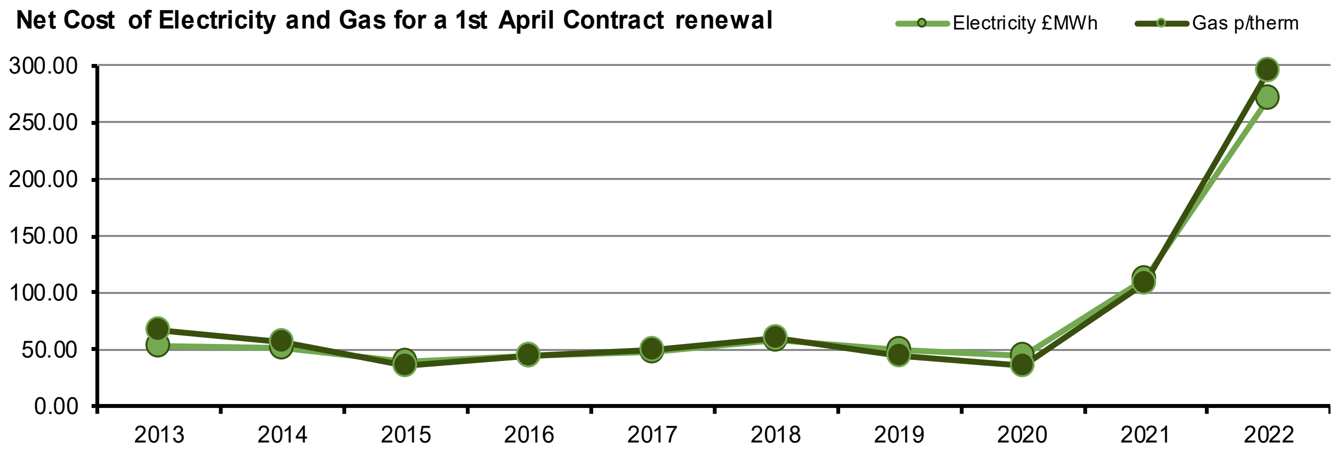

Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
52.39	50.86	38.94	45.20	47.90	58.35	49.18	44.80	111.43	271.10

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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
67.17	56.07	36.42	44.10	49.38	59.30	44.26	35.13	109.30	295.77

Week commencing 28th November 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$85.02	317.10	£319.25	$241.00
End	$87.25	340.88	£362.06	$272.50

Last week saw the market begin very bullishly because of significant emerging weather fundamentals, namely: cold temperatures and low wind generation. This resulted in some highly volatile price action along the curve, particularly in front month contracts, with Jan 23 NBP experiencing a 71p trading range last Wednesday. As the market became more comfortable with the risk that the cold patch represented to supply and storage levels, the extortionate risk premiums began to be priced out of the curve. However, DA and prompt contracts remain supported due to the increased gas for power and gas for heating demand, coupled with the fact that electricity prices in the UK need to remain relatively competitive with French peak prices, even in the face of continued nuclear uncertainty. The bullish uptick in British gas prices last week resulted in an additional 2 laden LNG vessels becoming bound for British shores, bringing the total up to 18 by the 19th of December. The cold weather is set to continue throughout weeks 49 and 50, and the power market has seen its first medium-high triad warning of the winter today to open the week. Carbon markets remained strong throughout the week gaining €5.80/tonne and £3.23/tonne for EUA's and UKA's respectively. Oil markets however, remained bearish as increasing covid-19 cases in China weaken demand outlooks.

Week commencing 21st November 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$96.81	257.94	£286.58	$179.45
End	$85.02	317.10	£319.25	$241.00

Last week saw the market begin bearish before rallying towards the end of the week. LNG supply showed its grip on the market again last week and we saw China sign a long-term LNG deal with Qatar worth approximately $60 billion over the next 27 years. European gas prices are likely to remain at a premium in the short to mid-term as markets continue to try to attract delivery, replacing the loss of Russian gas supply in the long-term. Power markets saw a capacity market notice on Wednesday as they expected reserve capacity to be tight. This was later cancelled as the grid ended up being long during peak periods. The market rallied late on Friday, due in part to traders covering off short positions going into the weekend and increasingly weak wind forecasts for the week ahead. Assessing the week, both power and gas markets settled bullish and gained 5-10% across their pricing curves. LNG supply outlook remains healthy with 23 ships expected to dock in Britain and Belgium by the 19th December.

Week commencing 14th November 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$96.81	257.94	£286.58	$179.45
End	$87.12	292.95	£291.77	$217.50

Last week opened with bullish momentum off the back of a forecasted cold snap, which led markets to begin to price risk back into prompt and winter contracts. This was due to uncertainty surrounding how a return to seasonal/below seasonal average temperatures would impact gas for heating and gas for power demand. There was concern that a sudden uptick in demand would result in the grid being left short with demand outstripping supply. However, the depths and length of the cold snap began to be revised upwards and UK shores remained awash with LNG imports, both factors therefore helped instigate bearish reversals across the sessions on Wednesday and Thursday. These fundamentals combined with the fact that European gas demand is 23% lower than the three year average for this time of year has seen gas contracts pressured across the continent. The markets saw a slight bullish resurgence to close the week on Friday, which could be attributed to the fact that RTE further revised French nuclear availability down another 5GW to start Q123. Brent crude Jan23, overall down 2.41% compared to the weeks However, China's adamant stance with regards to zero covid and stringent lockdowns weighed on the contracts due to demand destruction, with the cessation of these lockdowns uncertain.

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 birth 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.

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