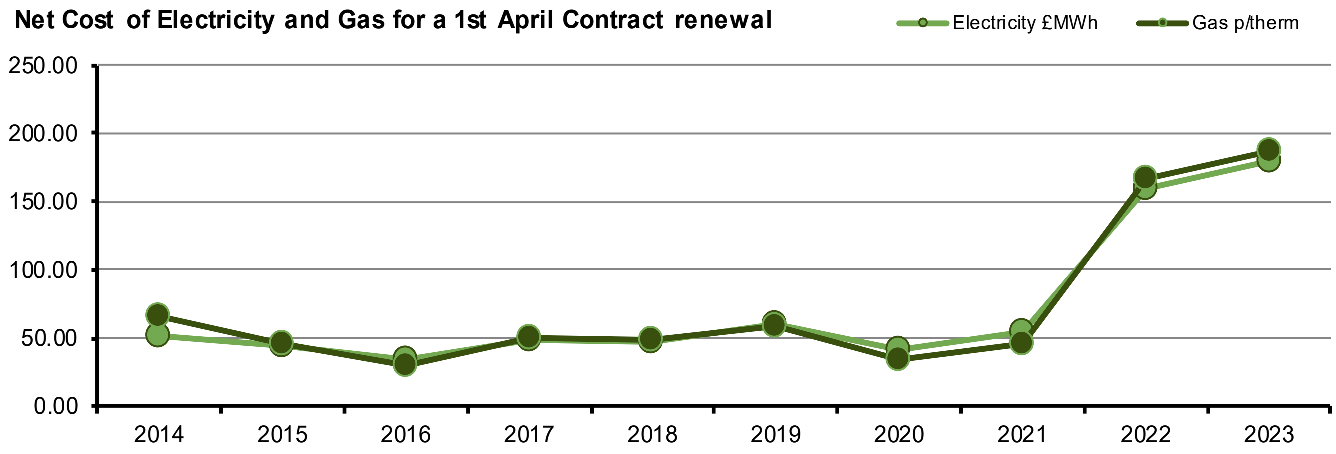
week on week

marketview

Report issued: 25th January 2023



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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
51.55	43.98	34.43	48.15	47.44	60.52	41.75	54.04	160.03	180.15

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
66.07	45.37	30.57	49.48	48.06	59.43	33.52	45.46	166.98	187.21

Week commencing 16th January 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$85.28	171.95	£171.68	$153.50
End	$86.16	181.61	£174.68	$179.00

Last week saw the market begin to be laced with short term bullish sentiment as low wind generation and cold temperatures helped to support gas demand across Europe. Weather forecasts and LNG signals continue to the driving force for movements in markets. Europe remains well stocked with gas as storage levels remain at around the 80% mark. Below seasonal wind generation in the UK has helped to support prompt and forward curves down with Feb-23 NBP and UBL gaining 10.74% and 4.03% over the course of Friday's session. Summer contracts were also supported at the end of last week, gaining 10.12% in gas and 6.95% in power respectively. This is being eased slightly due to the fact that the UK is retaining its net import position across power interconnectors, particularly from France have due to the fact that as their nuclear generation ramps up, following the well-documented maintenance issues experienced pre-Christmas, peak prices will in turn drop. UKAs and EUAs spreads grew last week as EUAs added 1.41% to their cost per tonne whilst UKAs dropped 1.25% per tonne in value.

Week commencing 9th January 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$80.04	188.69	£189.02	$170.25
End	$85.28	171.95	£171.68	$153.50

Last week saw the market dominated by bearish sentiment as wind generation and wild temperatures helped to reduce gas demand across Europe. Weather forecasts continue to the driving force for movements in markets. Europe remains well stocked with gas as storage levels remain at around the 83% mark. Attention has now turned to the summer injection period with the market attempting to price in the need to attract LNG flows whilst assessing where European gas levels will be by the end of winter. Record wind generation in the UK has helped to push prompt and forward curves down with Feb-23 NBP and UBL falling 7.46p/therm and £17.40/MWh. Summer contracts were also weak, losing 15.33p/therm and £17.88/MWh respectively. Wind regularly generated above 15GW over the week with generation records broken on multiple days. Imports from France have also grown in recent weeks as their nuclear generation ramps up following the well-documented maintenance issues experienced pre-Christmas.

Week commencing 2nd January 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$84.27	200.98	£212.19	$191.00
End	$80.04	188.69	£189.02	$170.25

Last week saw a major sell off particularly in front month contracts but also along the curve as a result of bearish weather fundamentals and plentiful supplies of LNG arriving on UK shores. Furthermore, aggregated gas storage for Europe remains above 83% full, meaning that reduced risk premiums are being priced in due to perceived security of supply. DA and other prompt contracts remain pressured in both power and gas however, the end of the week saw an uptick in front month prices (for power and gas) due to temperatures in the UK beginning to dip back in line with seasonal norms and some forecasts are suggesting they will drop below during week 3. LNG deliveries to the UK remain high, which has helped to sure up supply security, yet the high winds have negatively impacted LNG deliveries at Milford Haven with some vessels having to divert which has resulted in some shortages in grid. Gas demand in the UK over the course of last week was coming off my roughly 4% day on day due to reduced gas for heating and gas for power demand, but as temperatures begin to settle back towards seasonal and potentially below the UK is likely to see a reversal of the recent demand destruction. Wind generation averaged 15.56GW a day last week which is more than 20% above seasonal norms.

Week commencing 26th December 2022

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	$82.45	218.63	£227.48	$189.00
End	$84.27	200.98	£212.19	$191.00

Last week prices continued to trade bearishly due to rapid shift in weather to warmer than normal temperatures. Throughout the week we saw injections into both UK and NWE gas storages getting them back up above 80% by the end of the week, all coming from low demand. EU ministers agreed on a 180/MWh price ceiling for TTF front-month, front-quarter and front-four prices, which didn't affect the market greatly, which responded well to fundamentals. The market did closely follow the news regarding an explosion on Dec-20 on the Russian Velke Kapusany pipeline, however it had no impact on flows via Ukraine and any potential bullish sentiment was dismissed. The market is due to continue the downward pattern if the current temperatures remain throughout the end of the year. However the market is still receptive to big headlines that could affect any production around Norway and other areas of Europe.

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