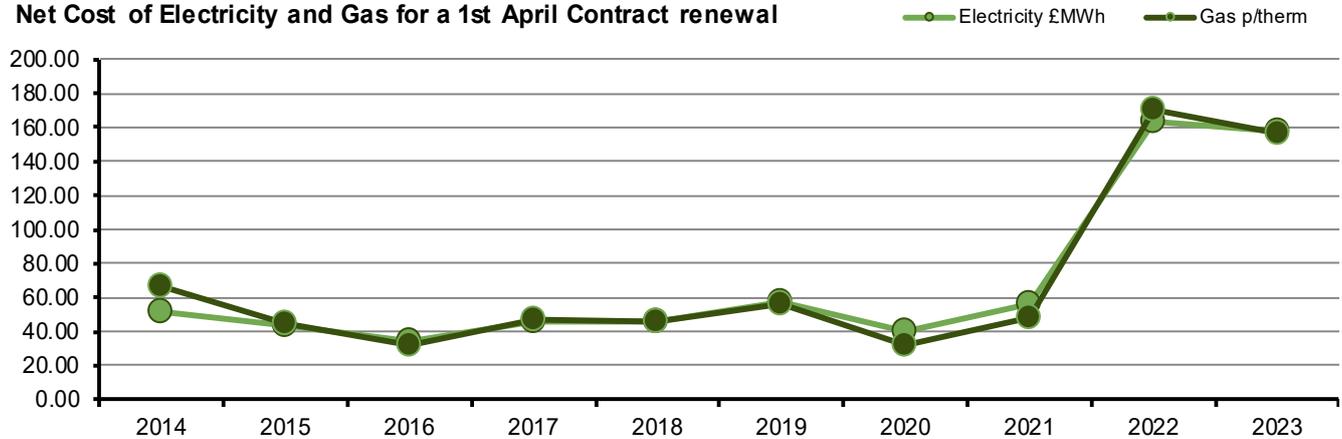


Report issued: 1st February 2023

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



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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
51.62	43.52	34.83	46.29	46.05	57.60	40.10	56.33	163.66	157.35

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
66.14	44.73	31.42	47.17	46.08	56.00	32.13	48.04	170.34	156.99

Week commencing 23rd January 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$86.16	181.61	£174.68	\$179.00
End	\$86.65	151.64	£152.02	\$136.50

The beginning of last week saw Freeport LNG terminal seek permission to start injecting natural gas into its cooling pipes, signalling the imminent return to operational capacity, this saw front month gas markets shed value aggressively due to the prospect of increased supply. Over the course of the week curve gas contracts came off by over 10% and UK power contracts followed this bearish trend too. Weather fundamentals remain important with temperatures over the course of week 5 rising to be above seasonal and wind generation improving from the daily low of 2.5GW seen last week, both of which are resulting in British gas demand falling by up to 11mcm a day towards the end last week. Europe remains well stocked with gas as storage levels in the mid to high 70% range. Last week saw National Grid take active measures to prevent the UK running short, with the DFS (Demand Flexibility Service) being notified and also three winter contingency coal units being told to warm up, but ultimately neither back stop was required. UKAs and EUAs both experienced very bullish weeks up 7.57% and 4.88% respectively, this resulted in both the British power and gas curves being supported during Friday's session with a slight retracement of the overall bearish price action across the week. After a bullish start to last week Crude contracts closed on Friday after a significantly bearish day.

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 be 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 mild temperatures helped to reduce gas demand across Europe. Weather forecasts continue to be 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.

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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