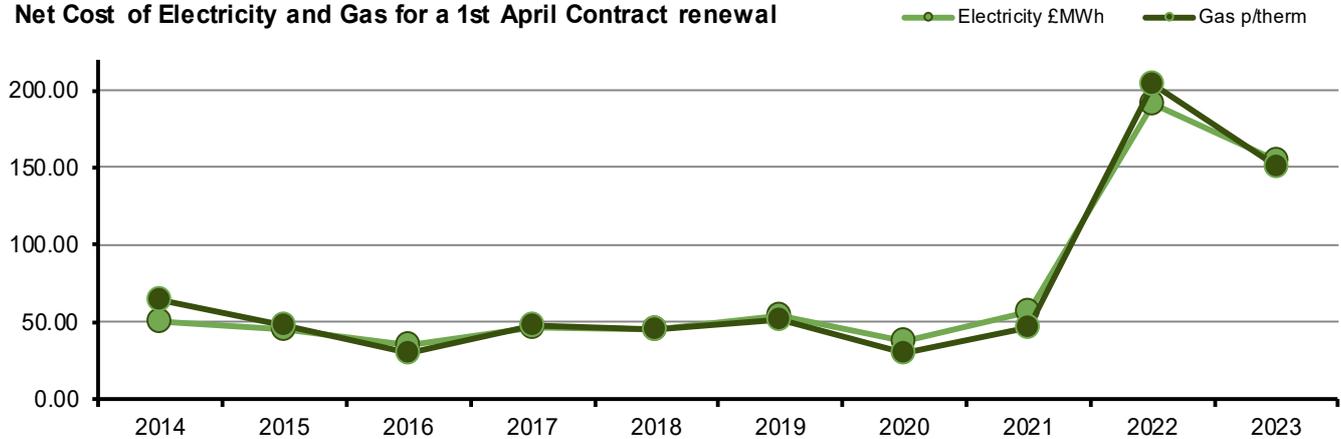


Report issued: 15th February 2023

### 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 6<sup>th</sup> February 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$83.34	166.33	£187.54	\$142.50
End	\$85.88	147.52	£152.88	\$134.50

Last week saw bearish sentiment dominate in power and gas markets despite some potentially bullish reforecasts in weather fundamentals. Wind generation was revised downwards to average 7GW over the course of week 7 which is 10% below seasonal average and represents a 20% downward swing from previous forecasts. This could serve to boost gas for power demand and support the prompt. However, Freeport had the first laden vessel leave its terminal since July over the weekend, which has arguably helped pressure front month gas contract resulting in it opening 3.5% down compared to Friday's settlement. Furthermore, although wind generation is down, the temperature has been revised up to slightly above seasonal norms and the 45 day outlook is now indicating mild incumbent temperatures. Both factors are likely to pressure the prompt and near curve to shed more value. This could help offset the 71mcm/day reduced capacity from unplanned outages on Norwegian gas fields and therefore help mitigate any major bullish surges on the HDA marketplace. Europe remains well stocked with gas as storage levels still fractionally above the 66% mark. Crude front month contract experienced a bullish week last week with a gradual day on day gain. The key motivator for this was increasing demand data and improved global economic outlooks, along with Russia declaring they will reduce output by 500,000 barrels a day commencing in March which could also result in a tightness of global supply.

#### Week commencing 23<sup>rd</sup> 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 30<sup>th</sup> January 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$86.65	151.64	£152.02	\$136.50
End	\$83.34	166.33	£187.54	\$142.50

Last week saw bullish moves in power and gas despite overall bearish fundamentals in weather and LNG supply. The key supporting factor for this move in power were the bullish moves in carbon contracts, as both UKAs and EUAs have added significant value over the course of the year so far. The key reason for this has seemed to be significant buying activity by hedge funds as they look to close short positions. Weather fundamentals for week 6 have inverted to be supporting of bullish sentiments as wind generation is forecast to average 8.8GW/day, which is 15% below seasonal, and temperatures have fallen from previous forecasts to being back in line with seasonal. These changes in weather fundamentals are expected to result in an increased British gas demand of 50mcm. Due to French strikes last week the UK assumed a net export position along the IFA interconnectors of 1.5GW, despite this activity along the other interconnectors enabled the UK to maintain an overall net import position of 0.7GW. Europe remains well stocked with gas as storage levels still fractionally above the 70% mark. Norwegian, gas nominations to the UK are expected to increase by 6.2mcm day on day this week. 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. Crude front month contract experienced a bearish week last week with a gradual day on day decline.

#### Week commencing 16<sup>th</sup> 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.

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.