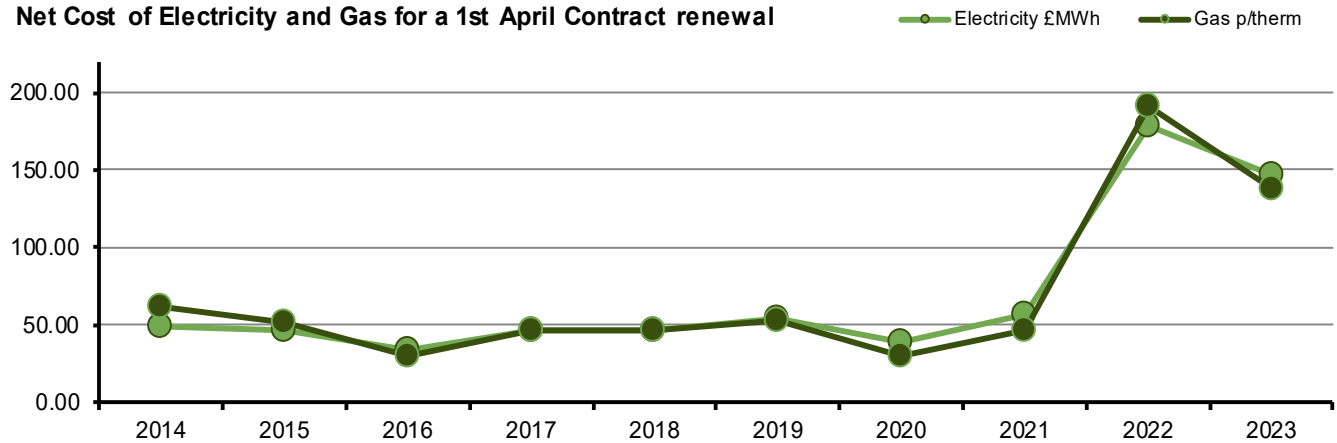


Report issued: 22nd February 2023

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
49.16	47.08	34.44	46.05	46.37	54.17	38.70	56.75	177.96	146.81

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
61.97	51.52	30.37	47.13	46.14	52.53	30.20	46.29	190.59	138.54

Week commencing 13th February 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$85.88	147.52	£152.88	\$134.50
End	\$83.03	135.36	£145.00	\$138.50

Last week saw temperatures predicted to be just below seasonal norms until the end of March, potentially increasing heating demand slightly, thus supporting prompt contracts, and perhaps spilling over into the front month. Wind generation is forecast to be around 15% below seasonal averages, which may also support prompt contracts. There continues to be healthy LNG supply for the near future, with 11 vessels expected by 3rd March pressuring near curve contracts. A drop in Chinese LNG demand by 15 million tonnes in 2022 as well as reduction in imports by South Asian buyers due to high prices helped Europe acquire supply. However, China's almost inevitable increase in demand due to COVID-19 shutdown softening, bodes the question of how much will arrive in Europe over the course of this year and how it will affect UK energy prices. Carbon's benchmark contract EUA fell by 1.3% on Friday settling at €96.25 but has traded this morning at a high of €98.25.

Week commencing 6th 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 30th 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 be 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 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.

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.