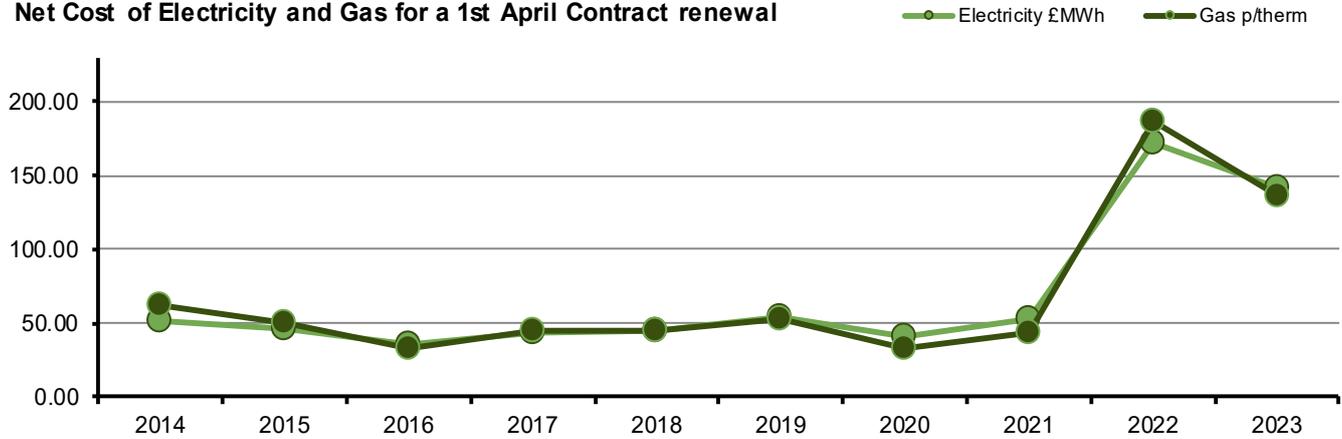


month on month marketview

Review of: 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
51.70	46.43	35.00	43.43	44.80	53.65	40.25	53.00	172.63	141.10

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
62.03	50.13	32.48	44.70	44.80	53.10	33.45	43.60	186.56	136.48

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

February in summary

Energy prices throughout February were far less volatile than previous months, with prices slowly dropping throughout the month. Wind generation were below seasonal normals for most of the month, which kept prices relatively steady throughout. Towards the end of the month, we saw the lowest prices we have seen since early 2022.

Market Volatility

February saw a far less volatile month than previous, with pricing slowly dropping throughout the month. Europe continued its search for a stable source of gas as Russia still has Nord Stream completely shut off. With a big maintenance month in Norwegian exports, we could see pricing rise in March. LNG continues to be a big player in current markets with UK and Europe trying to bring more cargoes in throughout the year.

Weather

February overall was milder and drier than average, with high pressure influencing the weather for much of the time. It was unsettled initially, and again for a time from mid-month, but the month was remarkable for its dryness, this being provisionally the UK's driest February since 1993. It was also a mild month, especially further north, despite colder spells from 5th to 9th and from 23rd onwards

Gas, Storage and LNG News ▼

To start February, we saw further drops as we saw in January, with the main reason been the full return of Freeport LNG terminal in USA. Although bullish weather forecast put a hold on further reductions in pricing. Wind and Renewable generation was much below seasonal normals which contributed in curbing pricing reductions.

Moving to mid-February, prices continued to slightly drop with a 3-4% reduction. Continued healthy LNG cargoes coming into UK and Europe offset the large reduction in wind and renewable generation. Towards the 3rd week in February we saw increases in wind generation, but a higher gas demand due to slightly below seasonal normal temperatures. Continued maintenance on French nuclear reactors were a big talking factor throughout February, with reactors going offline as much as they were coming back online.

Towards the end of the month, we saw another small drop in prices across the board with the news of further increase in LNG cargoes coming into UK and Europe. Temperatures continued to decrease throughout the remainder of February putting pressure on the gas for power demand. Wind generations also dropped 20% below seasonal normals, keeping pricing stable with further large reductions.

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.

Politics and Global Economics ▲

February saw another month where strikes were prevalent across mainly French nuclear and LNG terminals. UK and European storage took a big hit during February, with UK going from 64% to 50% full and EU going from 72% to 61%. Although they are still well above fullness compared to this time last year. The pursuit of a new stable gas supply into EU continued, with LNG currently propping up the demand. Although LNG cargoes can be unstable, meaning markets could turn at any point.

Oil ▲

Oil in February saw a very stable month with prices never leaving the 81 – 86\$/barrel range. Although there were the biggest increase of the month at 8% during the second week when Russia announced a production cut of 500,000 barrels per day. The Oil market is currently waiting for the potential recovery of the Chinese economy that could have massive impact on the Oil reserves and price.

Coal ▼

Coal continued its downward trend coming in February, with the fear of demand outweighing any other headline. Towards the end of the month, we saw coal prices get as low as 131.0\$/t, making the drop 45.5% since the turn of the year, which is also the lower price since around the same time last year. Coal is still trying to recover from the warm Winter where demand for electricity heating was curbed and as such coal-fired power demand became increasingly low. However it did mean that Europe was left with an ample level of Coal which is been used to help support the cold spells throughout the end of February.

Carbon ▲

Towards the start of the month, whilst Electricity and Gas markets fell, Carbon traded in a very narrow range. We saw another month where weather and wind generation held up the Carbon price throughout the month. Below seasonal temperatures continued until the end of month being the main driver behind the bullish Carbon pricing, ending on 85.24€/Tonne.

Looking Ahead

Looking forwards, we should see further volatility in the market as temperatures go well below seasonal normals and wind/renewable generation continues to be decreased. Although pricing dropped week on week throughout February, we could see pricing go back up to the 140p/therm on gas contracts. The market continues to be led by weather, renewable generation, LNG imports and maintenance.

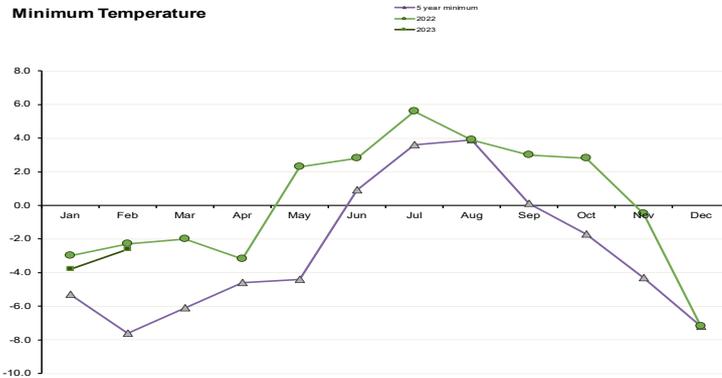
month on month marketview

Review of: February 2023

Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

February overall was milder and drier than average, with high pressure influencing the weather for much of the time. It was unsettled initially, and again for a time from mid-month, but the month was remarkable for its dryness, this being provisionally the UK's driest February since 1993. It was also a mild month, especially further north, despite colder spells from 5th to 9th and from 23rd onwards.

Average temp: 2023: Summary

2023 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2023	January	February	Year total
°C	0.0	0.9	-9.0
%	0%	16.9%	-0.8%

2022 v 2023 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2023	January	February	Year total
°C	-0.4	0.1	-9.3
%	-11%	2.0%	-0.9%

Min temp: 2023: Summary

2023 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2023	January	February	Year total
°C	1.5	5.0	2.2
%	-28.3%	-65.8%	-91.2%

2022 v 2023 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2023	January	February	Year total
°C	-0.8	-0.3	-0.7
%	15.1%	4.4%	-96.9%

Max temp: 2023: Summary

2023 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2023	January	February	Year total
°C	1.3	1.2	19.9
%	9.4%	7.5%	74.6%

2022 v 2023 Summary

(* Positive numbers = warmer, negative = colder than 2021)

2023	January	February	Year total
°C	-1.3	-1.2	-19.9
%	-11.1%	-8.5%	-93.1%

Utility Impact Summary

When you switch your heating on make sure:

-It is on a timer, don't leave it running when there is no-one in the building

-On a temperature set point, usually around 22 degrees is enough, heating to a higher temperature does not make it warm up faster, it will only use more energy try to reach an unachievable temperature.

As the evenings are now lighter, make sure to adjust any automatic lighting timers to ensure lights are not switching on needlessly.