

Report issued: 6th September 2023

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



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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
50.80	42.54	42.46	45.58	63.38	48.58	46.58	99.15	697.95	111.73

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

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
58.30	44.02	39.30	44.82	65.84	44.77	36.43	98.51	778.50	127.53

### Week commencing 28<sup>th</sup> August 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$83.94	125.31	£113.13	\$118.75
<b>End</b>	\$88.15	127.53	£111.73	\$114.25

The nervousness in the Market continued as Unions gave Chevron warning that strikes would begin as early as September 7th at two critical LNG plants in Western Australia. The action affects 500 workers, and stoppages might last up to 11 hours per day. These two LNG plants are expected to deliver approximately 7% of global supply, largely to Asia. Seasonal maintenance continued to weigh on prices which saw Norwegian flows reduced by nearly 40%. An increase in temperatures was forecast to help reduce demand. Prices saw the week end in a similar position to the start with volatility seen in the interim.

### Week commencing 21<sup>st</sup> August 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$84.04	133.85	£116.42	\$114.50
<b>End</b>	\$83.94	125.31	£113.13	\$118.75

The week opened strong on Gas & Power as Australian LNG workers prepared for a possible walkout if salary negotiations did not result in an agreement by Wednesday. The likelihood of strikes beginning as early as September 2nd puts upwards pressure on prices. Markets remained sensitive mid week tracking the outcome of the talks between Union and Woodside before significant losses were seen, up to 15% drop in prices on some contracts. This came as there was a strong indication that an agreement would be reached although not definite. The fundamentals took hold by Friday with climbing prices as gas flows from Norway, particularly from the Troll and Aasta Hansteen fields, were at their lowest in two months due to restricted capacity.

### Week commencing 14<sup>th</sup> August 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$86.84	126.36	£112.08	\$115.00
<b>End</b>	\$84.04	133.85	£116.42	\$114.50

Markets were volatile throughout the week and saw a continuation of the previous weeks gains. The main driver being the concerns over possible Australian labour strikes at several LNG sites, the impact of this could result in a 10% global supply disruption. Talks are to continue the following week prolonging the supply uncertainty. Maintenance season continues however with no unplanned outages supply remained healthy and two LNG cargoes were received in UK.

### Week commencing 7<sup>th</sup> August 2023

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
<b>Start</b>	\$83.95	111.30	£104.98	\$104.75
<b>End</b>	\$86.10	115.52	£104.96	\$106.00

Last week saw market open up stable on the back of favorable fundamentals. This changed however on Wednesday morning as markets saw a huge jump of over 25% on spot and prompt. Initially a cut in flows from Norway was announced by Gassco for this week but the main driver came later that afternoon amid an announcement of Australian LNG supply disruptions due to union strikes. With Australia being the main LNG supplier to Japan and South Korea along with the market being relatively weak over the last few weeks due to expectations of oversupply into Winter this has now resulted in the oversupply possibly being under risk as Asian buyers look for alternative sources of LNG causing more competition for Europe. The market has somewhat retraced its gains seen last week as market participants have a little knee jerk reaction to the news.

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.