

Report issued: 18th December 2024

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



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

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
39.54	44.58	46.18	58.68	46.40	47.85	124.40	316.70	92.60	84.50

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

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
37.27	44.21	46.72	59.44	39.53	37.68	121.70	341.86	103.56	107.07

Week commencing 9th December 2024

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$71.91	109.68	£87.29	\$112.30
End	\$73.97	99.65	£81.18	\$109.75

With EU inventory levels at 82%, LNG import levels were at their highest since January easing the recent strain and driving down prices. News of decreased output from Norway's Dvalin gas field as a result of corrective maintenance partially offset this market bearishness. Markets saw a small rebound from the lows earlier that week as Traders shifted their focus to Russian flows to Europe, with only a week remaining on the Russia-Ukraine transit pact and no contact from either side regarding a deal.

Week commencing 2nd December 2024

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$73.35	113.73	£89.69	\$119.60
End	\$71.91	109.68	£87.29	\$112.30

The week was generally bearish with near curve prices moving below a key level of support. Temperature forecasts shifted slightly milder and LNG continued to boost supplies, where it was forecast that the UK could see as many as 12 cargos by the end of December. Wind generation also was set to increase, with gas for power demand dropping away, on above seasonal normal wind speeds for the rest of that week. Further downward support came from reports of President Putin (Russia) changing their gas payment policies, enabling international purchasers to pay for supply through a third party, despite U.S. sanctions. This adds downward pressure to prices by reducing some traders' fears of a possible cutoff of Russian deliveries into Europe before the Russia-Ukraine transit deal expires.

Week commencing 25th November 2024

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$75.05	112.61	£90.35	\$124.05
End	\$73.35	113.73	£89.69	\$119.60

Another week of weather driven movement, UK gas prices turned bullish on week opening with an increased demand on colder and calmer weather conditions. Weather fundamentals continued to impact the Market throughout the week and saw bearish movement as forecasts turned milder resulting in weaker demand. LNG sendout remained strong, with ten LNG cargoes expected in the next three weeks with plenty more expected to arrive at Northwest Europe terminals supporting the ability to be able to send out at high volumes as we traverse the winter period.

Week commencing 18th November 2024

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)
Start	\$72.33	110.30	£89.67	\$125.25
End	\$75.05	112.61	£90.35	\$124.05

Prices continued to hold onto gains, driven by colder weather and geopolitical escalations. Freezing temperatures persisted in the UK with around 6 degrees below seasonal normal and demand up strongly as a result. This week saw Ukraine launch their first long range missile attack on Russian territory after the US lifted a long-standing ban. As a result, Russia approved a change to their nuclear doctrine, lowering the requirements for the use of nuclear weapons. More headline news from this conflict threatened to add further risk premium to the market ahead of getting deeper into winter.

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.