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ENERGY

# Energy Market Report

6<sup>th</sup> June 2022

# Gas

Throughout May NBP Gas Day Ahead prices momentarily dropped to levels not seen since quarter 1 in 2021 continuing the strong supply picture seen in April. These sentiments were not mirrored in further dated contracts which maintained their high levels.

Over supply in the short term due to increased LNG send out, strong wind output - curbing gas for power demand – and reduced seasonal demand all played a part in the reduction. The need to fill European storage levels to 80% by November 1<sup>st</sup> combined with continued uncertainty surrounding future sources of gas across the continent are keeping front month and season prices elevated.

The short term outlook contains mixed signals - overall providing a fairly neutral to bearish view.

## Bearish signals



- LNG send out remains high.
- North West Europe storage position is good – assuming no major disruption to Russian gas flows, the November 1<sup>st</sup> 80% target will be reached.
- Softening of seasonal demand.

## Bullish signals



- Maintenance in Norway, UK, and French LNG terminals limiting supply.
- Remains a risk of smaller buyers, outside NWE, being cut off from Russian gas if they refuse to pay in Roubles.

## UK NBP GBP / Therm

— Day Ahead  
— Winter 22



# Electricity

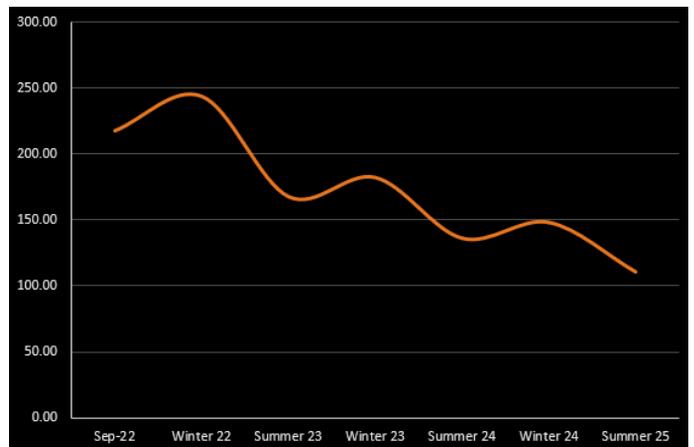


Day-Ahead contracts throughout May mirrored its gas counterpart with prices falling to levels not seen since Summer 21.

Prices reached lows of c.£70 MWh on 10<sup>th</sup> May with high wind-output and higher than normal temperatures supporting a strong short term supply position. As with gas, these sentiments were not reflected in further dated contracts which continued to maintain their high levels.

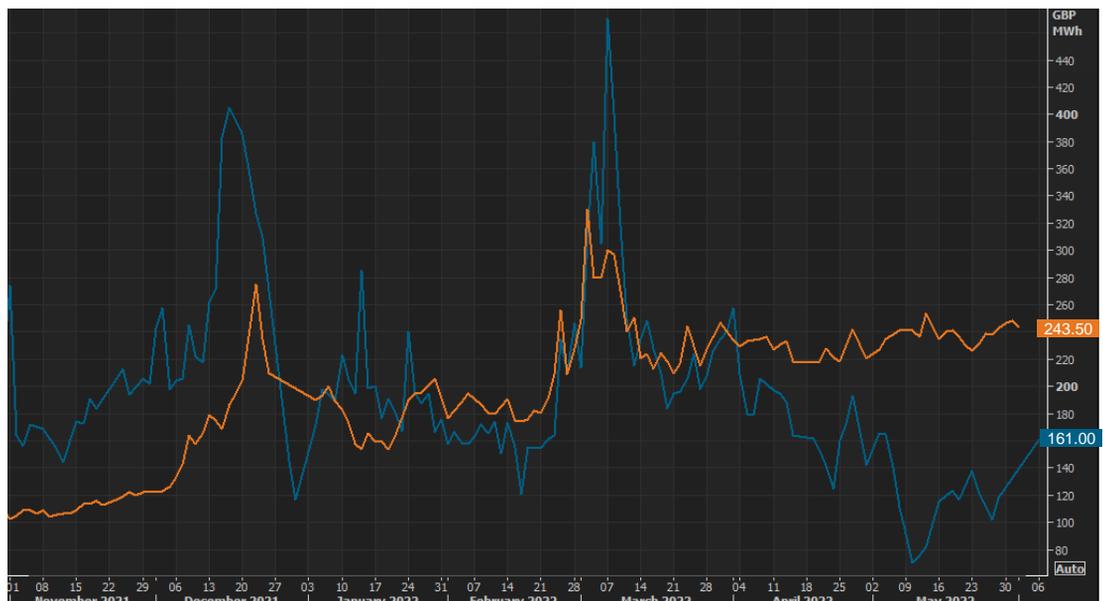
## Electricity Baseload Forward Curve (£/MWh)

The current energy crises, political uncertainty, and appetite to move away from Russian energy is creating huge pressures on the supply side in the short to medium term. The race to fill up gas storage across Europe ready for winter is keeping front months trading at high premiums. As we move beyond Winter 22, although prices are currently still high, they do come down year on year. This is potentially driven by the notion that, with time, alternative sources of gas can be found along with efforts to exchange some gas demand for electricity, which combined, reduce the strain. The second part of that only helps alleviate the pressure if the amount of gas used to create electricity falls concurrently.



## UK Baseload GBP / MWh

- Day Ahead
- Winter 22





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