



MARKET INSIGHT

9 August 2022



NORTHERN
GAS AND POWER
THE SMARTER ENERGY CHOICE

Morning Briefing

Day ahead (DA)

- Day ahead gas prices are up this morning compared to yesterday's settlement due to lower LNG nominations and an increase on exports via the IUK pipeline.
- The gas system is currently 15 mcm short according to National Grid data.
- Nord Stream flows remain at 20% capacity.
- Higher DA gas prices are pushing the DA power price and it is trading higher this morning by 2.5p/kWh compared to yesterday's close price.
- Wind generation is forecast at 2.4GW, providing the grid 8%. We are currently exporting 0.5 GW to France, Belgium and the Netherlands.

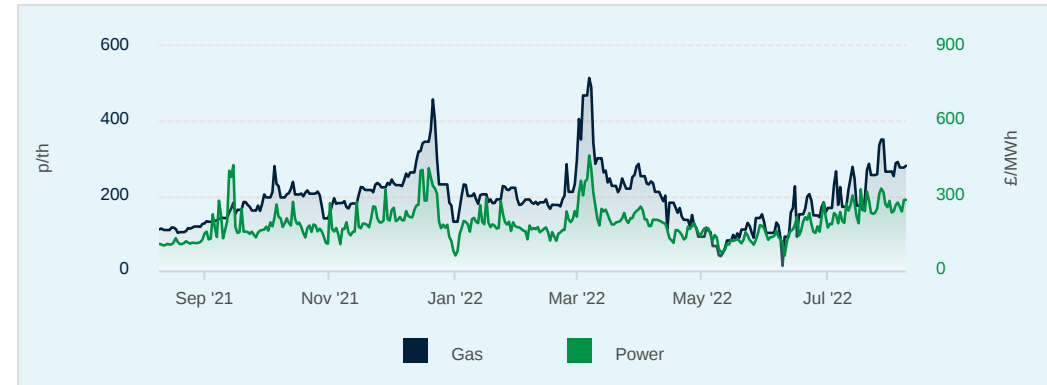
Month ahead (Sep 22)

- September 2022 gas contracts are trading below settlement and are valued at 341p/th (11.64p/kWh).
- Tighter supplies across Europe, are undermining the region's ability to replenish storage sites, ahead of the upcoming winter.
- Lower LNG sendout, a weaker price incentive in the UK for LNG cargoes compared to Europe and Asia, European storage concerns ahead of the winter and reduced NS1 flows have created supply concerns and kept UK gas prices firm.

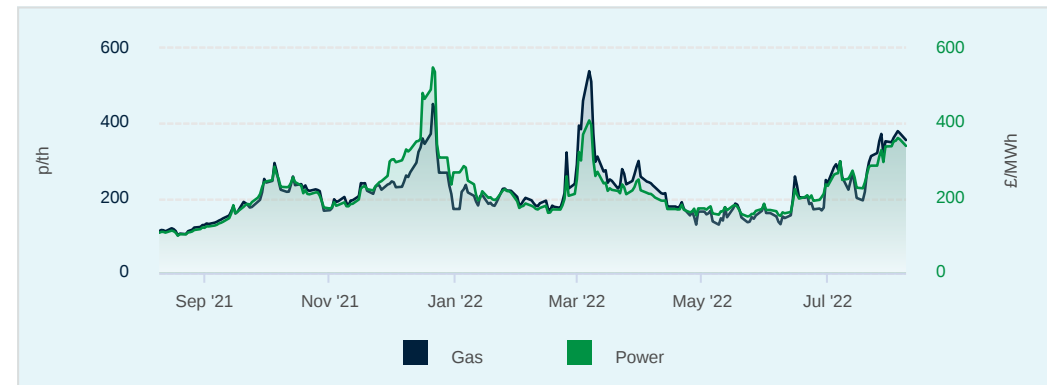
EU carbon prices are trading higher day-on-day at EUR 84.6/t, in line with a higher cooling demand for power due to the hot weather across the continent and a lower nuclear output.

Brent crude prices are trading lower day-on-day and are valued at \$96 per barrel. Oil prices have weakened in recent weeks, with the market remaining wary of a recession in the West. Moreover, OPEC+ agreed to raise its oil output target by 100,000 barrels per day (bpd) in September.

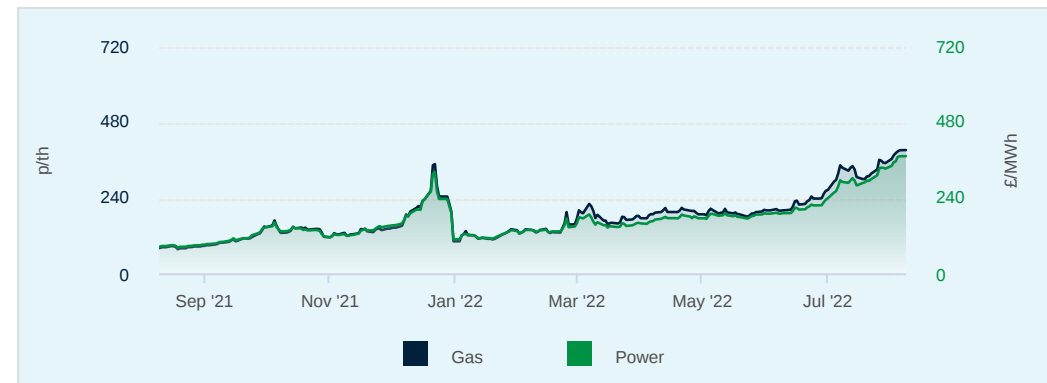
Day Ahead



Month Ahead



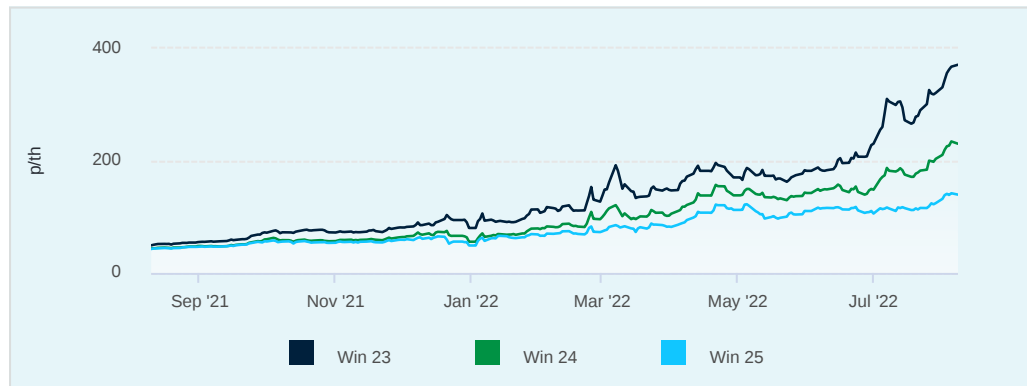
Year Ahead



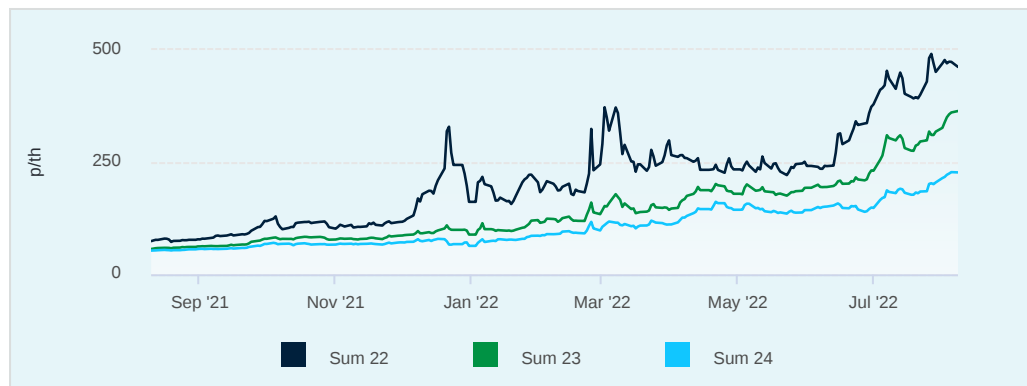
Gas Prices

Gas	5 th Aug (p/th)	8 th Aug (p/th)	Day-On-Day %	Week-On-Week %
Day-Ahead	275.00	280.00	5.00%	1.82%
Sep-22	373.63	355.14	-18.49%	-4.95%
Oct-22	421.60	405.28	-16.32%	-3.87%
Nov-22	477.71	464.29	-13.42%	-2.81%
Q4-22	467.23	453.45	-13.79%	-2.95%
Q1-23	480.11	471.44	-8.67%	-1.81%
Q2-23	383.00	386.58	3.58%	0.93%
Win 22	473.60	462.35	-11.26%	-2.38%
Sum 23	367.78	371.29	3.51%	0.96%
Win 23	360.69	363.96	3.27%	0.91%
Sum 24	234.44	230.32	-4.12%	-1.76%
Win 24	227.66	227.07	-0.59%	-0.26%
Sum 25	142.03	139.50	-2.52%	-1.78%
Win 25	139.78	137.03	-2.75%	-1.97%
Sum 26	119.43	116.68	-2.75%	-2.30%

UK Gas - Winter Season



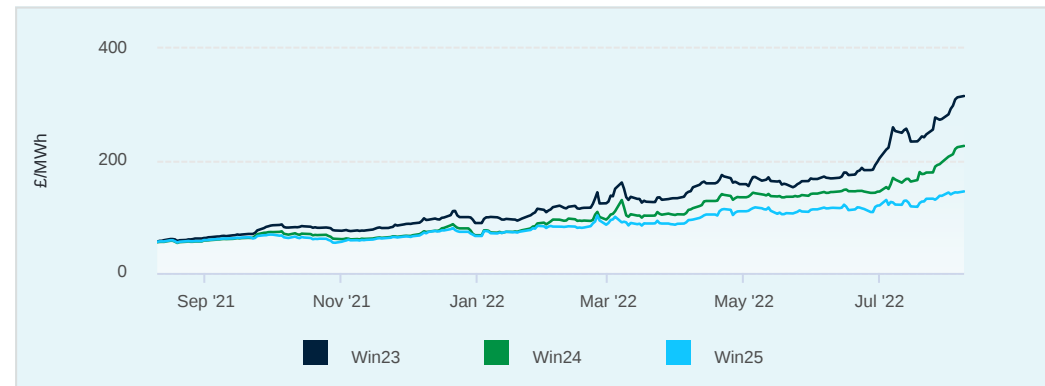
UK Gas - Summer Season



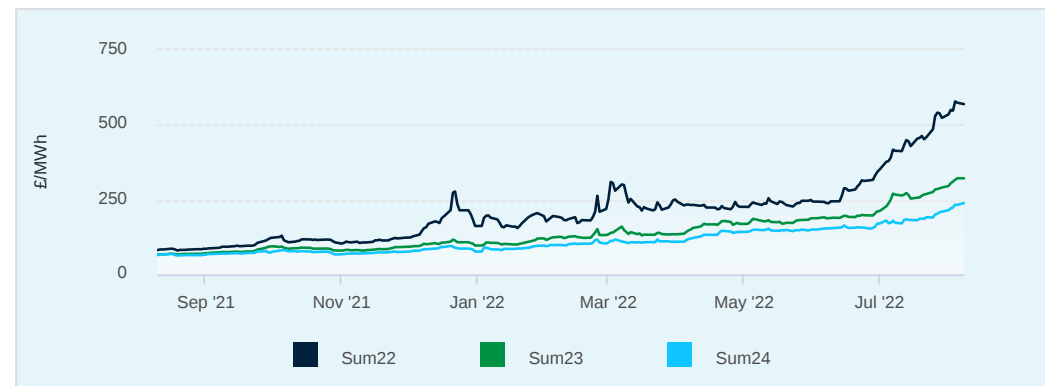
Power Prices

Power	5 th Aug (£/MWh)	8 th Aug (£/MWh)	Day-On-Day %	Week-On-Week %
Day-Ahead	255.08	283.00	27.92%	10.95%
Sep-22	357.10	339.47	-17.63%	-4.94%
Oct-22	418.10	399.63	-18.47%	-4.42%
Nov-22	674.81	672.62	-2.19%	-0.32%
Q4-22	589.51	580.26	-9.26%	-1.57%
Q1-23	557.45	557.42	-0.03%	-0.01%
Q2-23	313.20	314.20	1.00%	0.32%
Win 22	573.66	568.96	-4.69%	-0.82%
Sum 23	313.13	315.50	2.37%	0.76%
Win 23	321.11	320.91	-0.19%	-0.06%
Sum 24	224.18	226.50	2.32%	1.03%
Win 24	231.79	238.11	6.32%	2.73%
Sum 25	143.22	145.27	2.05%	1.43%
Win 25	157.48	156.39	-1.09%	-0.69%
Sum 26	122.74	124.79	2.05%	1.67%

UK Power - Winter Season



UK Power - Summer Season



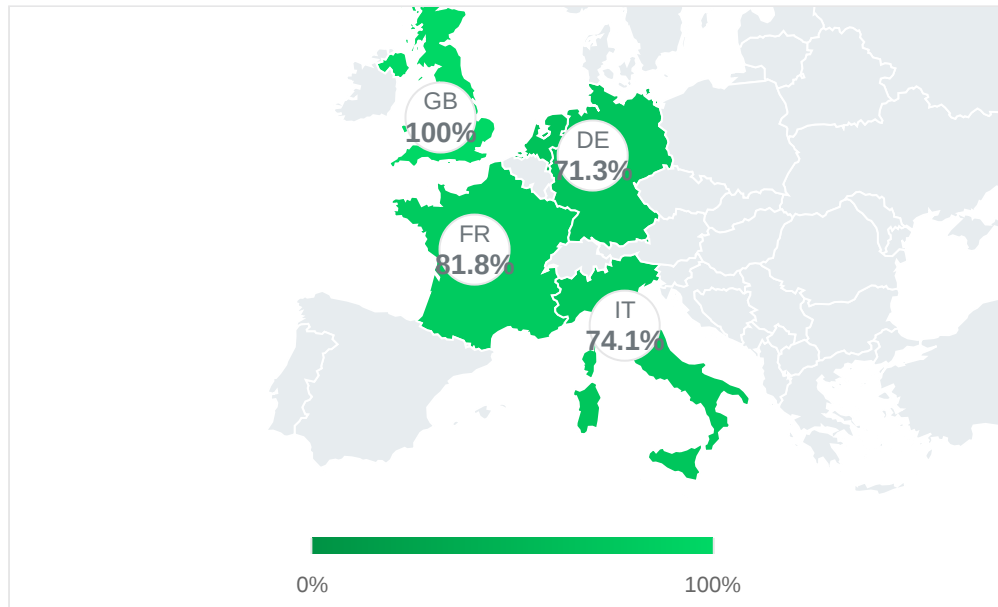
UK Gas

National Grid data shows a short system by 15mcm.

LNG nominations today are down to 26mcm compared to 31mcm yesterday. The Dragon LNG facility in Wales is shutdown today and tomorrow for maintenance. Five LNG cargoes are due to take berth in the UK during August. Four of them coming from Qatar and a relatively small cargo coming from Peru.

UK storage sites are currently 100%.

European Gas Storage Levels



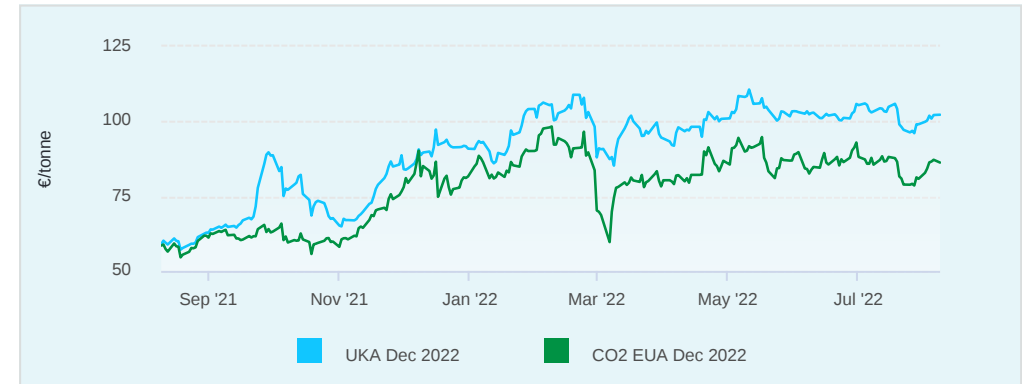
UK Power

The UK power market further out on the curve is trading with limited liquidity today. The UK power market has been driven by concerns surrounding the reduction in Russian gas volumes to Europe via the NS1 pipeline. The expectations of tighter supply this winter continues to keep the Win 22 power contract above the £570/MWh mark.

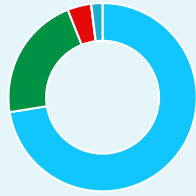
The UK continues to export electricity to France, via the IFA interconnectors. The French power price provides the UK power market with an incentive to export. French power prices continue to remain elevated with November prices over €1,000/MWh (100c/kWh) due to a large number of nuclear power plants being offline. EDF has revised its 2022 expectations of nuclear power production downwards to 90 TWh against a historical average of 310TWh.

Carbon

The EUA Dec-22 contract trades higher day-on-day and is valued at EUR 84.6/t. EU carbon prices have found some support from EUA supply tightening, due to a reduction in auction volumes in August. Moreover, low wind and hot weather boosted fossil generation and lent some support to EUA's. Hot temperatures are affecting nuclear output amid strong cooling demand.



Electricity Generation Mix

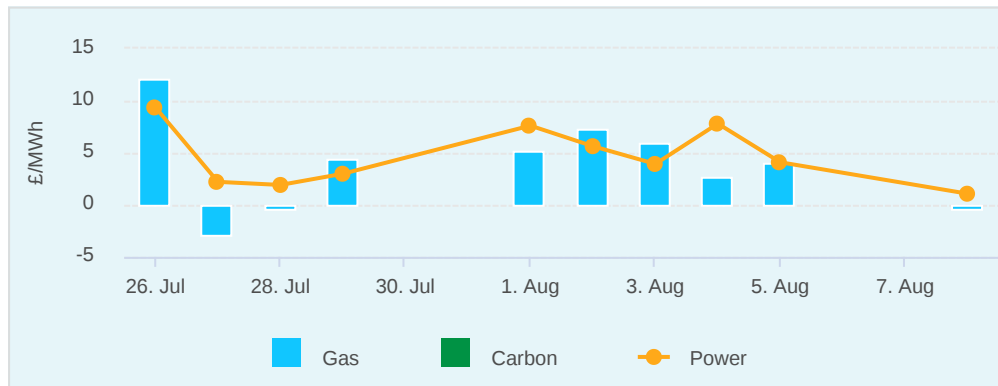


● CCGT ● Nuclear ● Renewables
● Interconnectors ● Coal ● Other

Total generation - 23.31 GW

The UK supply as a percentage of total generation

Power, Gas & Carbon Correlation

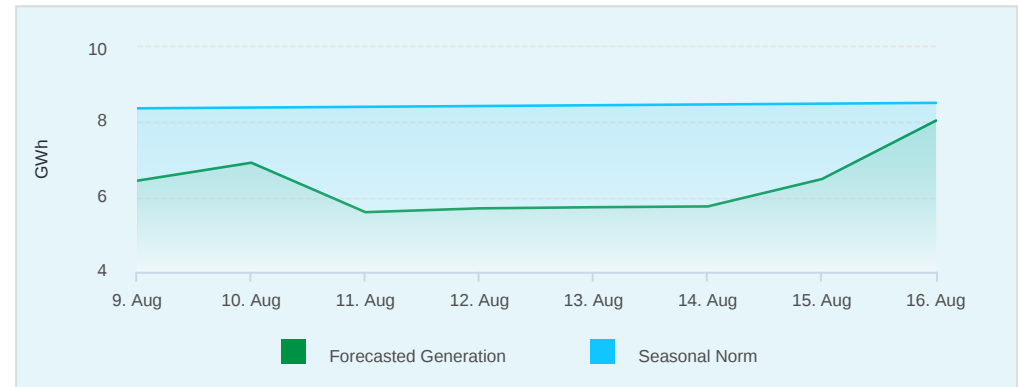


Power Oct-21 Drivers

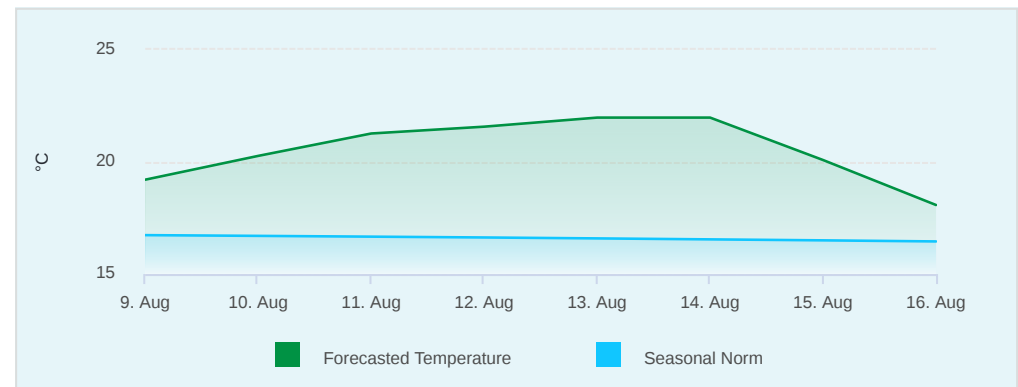
The above graph displays how the price of power has moved in relation to the cost of producing that energy. The lower the cost of gas and carbon, the lower the price of power.

Forecasts

Wind and Solar Generation



Temperature



News



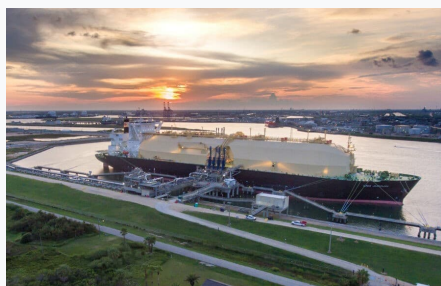
EU gas plan can stabilise or lower gas...

The European Union's gas emergency plan, which came into effect on Tuesday can stabilise or even lower gas prices, the head of Germany's network regulator said. "If all countries in Europe save gas, this can stabilise the price so [Read more](#)



French power market, low wind drive up UK...

The French power market is a major driving force behind UK prices. The United Kingdom continues to export electricity across the Channel, via IFA interconnectors with France - even as many nuclear plants go offline [Read more](#)



European gas prices set to fall with US LNG pla...

The second-largest U.S. liquefied natural gas (LNG) exporter on Wednesday said it reached an agreement with a federal regulator that will allow it to resume some operations at its Quintana, Texas, plant in October, Reuters reported. [Read more](#)



Rising energy costs driving UK companies...

Rising energy and fuel bills are driving growing numbers of UK companies into insolvency, as firms struggle to cope with higher costs, supply and staff shortages, and the withdrawal of Covid support packages from the government. [Read more](#)



Big oil's profits hit £50b as UK faces even high...

UK gas contracts traded higher yesterday due to lack of Europe-based supply due, the ongoing problems with Siemens Energy turbines, and lower NS1 flows from certain power plants in Germany. [Read more](#)



Global coal consumption to rebou...

Coal prices are soaring and global coal consumption is expected to return to record levels reached almost 10 years ago as the global energy supply crunch continues, CNBC reports. [Read more](#)



UK not immune to energy shortages this winter, per...

The UK is not immune to energy sources this winter amid rising competition for fuel as a result of Russian gas being cut off to Europe, warns a energy market analysts. [Read more](#)



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