



IndigoSwan

energy enthusiasts

Mini Energy Report

20th of July 2022



▶ *Written by Lee Hart, Head of Knowhow*

Energy Overview

Headlines:

- ✓ Gas and Electricity Wholesale prices are showing extreme volatility.
- ✓ EU Gas Storage levels are an improved 65% full.
- ✓ Prices are still being driven by concerns for Gas supplies into Europe.

Since our last Energy Report, Gas Wholesale prices are lower and Electricity prices are higher.

Costs for the remainder of 2022 are very high. Although 2023 and 2024 show better value, there is still a considerable premium, but does provide an opportunity to contract longer and reduce the shorter term % increases.

There is a great deal of uncertainty as to which way Wholesale prices will go. With Nord Stream 1 being offline over the last week, Gas supplies into the EU have been reduced. The maintenance is due to end later this week, although there are concerns that Russia will delay and drive costs higher. The EU's Gas Storage levels have improved to 65% full, from 62% last week, against a target of 80% by November. With the understanding that Gas could be cut off at any time, member states are looking at the option of reducing the use by industries, to prioritise resources on heating.

The high temperatures have increased Electricity demand for use in cooling. The heat also makes the system less efficient, meaning at peak times, additional expensive resources are considered to meet requirements. So far in July a very high 45% of generation has come from Gas due to a low 16% Wind contribution.

Gas and Electricity prices remain extremely volatile, with exaggerated upward reactions to smaller events. Price direction is largely in the hands of decision makers in the EU and Russia, which means there is a great deal of uncertainty which way prices will go. Therefore, we would advise looking at your options for contracts ending in 2022 and having conversations with your contact at Indigo Swan about your specific requirements.

