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NEW STREAM RENEWABLES

24/08/2022

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European Gas Prices Pull Back from Highs

"It's a bit of a perfect storm when you look at the demand side, which is extremely high for summer.

This period of hot and dry weather has led to high air-conditioning use and low hydro and nuclear output as European river levels are so low."

Francesca Reay | Energy Market Analyst at New Stream

- Benchmark futures retreat after spiking prices on Monday.
- Soaring costs heap pressure on politicians to resolve the crisis.
- NBP and TTF gas prices moved lower amid further signs that soaring energy costs are crippling economic output.
- Germany is highly dependent on Russian gas to power industry and household heaters and, as a result, is particularly exposed to the crisis.



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Russian Gas Flow Update

- Gazprom PJSC said it would halt flows on the Nord Stream pipeline to Germany for three days of maintenance starting August 31st.
- Tight gas supply across all markets.
- Lack of clarity on Gazprom flows going forward.

Natural Gas Prices in the US Drop as LNG Export Terminal Delays Restart

- The Freeport liquefied natural gas terminal in Texas will begin initial production in early to mid-November
- US Nymex Gas Futures down as much as 7%
- The announcement means more gas will become available for storage
- Delay may reduce the link between US and European prices.

- The US sent 75% of its LNG to Europe in the first four months of this year.
- NBP and TTF gas pricing has been around eight times the price of US Nymex gas.
 - This has created a significant arbitrage opportunity for American suppliers who have maximised exports.

"Before Tuesday's Freeport announcement, US gas had traded up on the back of the pricing we have seen at TTF and at the NBP.

We heard the terminal would restart as soon as October, which would help us here in Europe. But it looks like it is more likely November.

This will weigh heavy on US natural gas prices as they go into winter with full storage. It couldn't be any more different in Europe.

The glimmer of hope on the supply side is that we will see a huge number of LNG cargo from US markets in Q4."

Charles Ward | Head of Renewables at New Stream



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UK Power and PPAs:

- Contracting credible and commercially robust PPAs is more challenging than ever.
- Gas is still the main driver of PPAs and UK power.
- Price volatility returns at the front end of the curve.
- Generators are looking at current market strength as a PPA fixing opportunity on a relative value basis.
- Lower LNG and pipeline flows have moved UK pricing higher.
- On the spot market, higher wind generation has decreased with spot power pricing firming on the back of that.

"What we are seeing across global energy markets, particularly on the gas side, is clearly impacting UK power and PPAs.

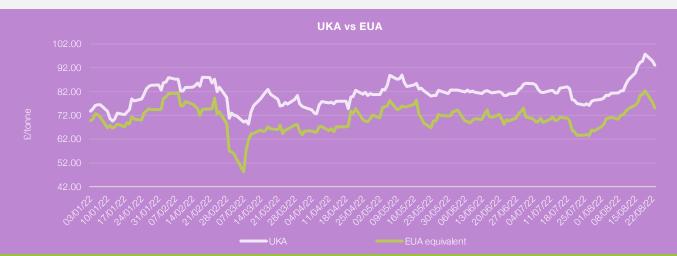
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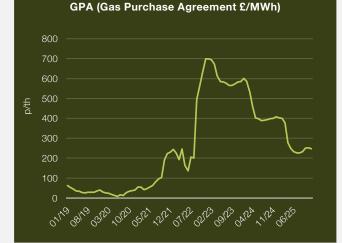
Contracting PPAs continues to be challenging with some big price spreads between PPA offtakers, and market timing is again important.

We also see some PPA counterparties taking a very conservative stance on new business and credit requirements. This stance has moved some generators out of the wait-and-see camp as they have been keen to contract PPAs while they can."

Jamie Banks | PPA Manager at New Stream







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