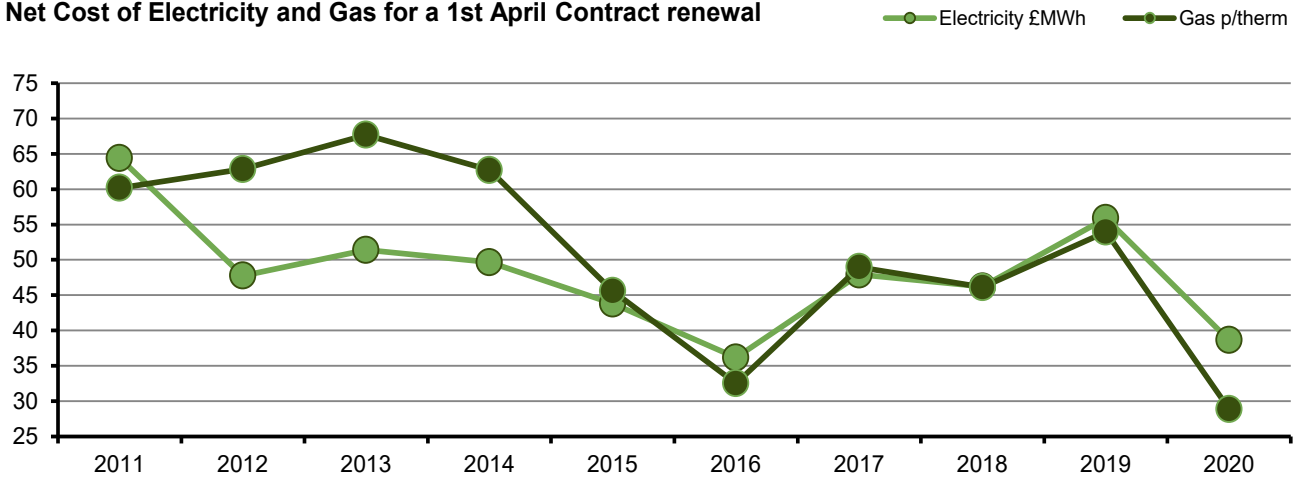


Report issued: 12th February 2020

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



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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
64.40	47.75	51.40	49.65	43.80	36.16	47.90	46.20	55.89	38.64

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	62.83	67.68	62.70	45.58	32.52	48.95	46.12	53.96	28.86

### Week commencing 3<sup>rd</sup> February 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$57.30	27.84	£37.31	\$46.55	-16.4
<b>End</b>	\$54.71	28.43	£37.50	\$48.15	-16.9

Mild temperatures, strong supply and high renewable generation expected over the coming weeks all added downward pressure to prompt and near-curve contracts last week, despite some Norwegian supply outages. With the coronavirus impacting LNG demand in China the market has been even more oversupplied, with the Asian LNG spot price collapsing below \$3/MMBtu. China National Offshore Oil Corp declared force majeure on some spot cargoes last week, whilst the country's demand issues are expected to continue. Curve contracts bucked their recent bearish trend with some technical buying adding support.

### Week commencing 27<sup>th</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$60.44	29.71	£38.79	\$48.50	-15.1
<b>End</b>	\$57.30	27.84	£37.31	\$46.55	-16.4

An initial rally at the beginning of the week could not sustain the bearish fundamentals within the continental gas market as prices eventually dropped across the curve. Mild temperature forecasts and strong wind generation across NW Europe saw demand drop heavily which combined with the steady flow of LNG and storage levels remaining high, saw the front month contract drop. This sentiment filtered through into the far-curve compounded by a weakened crude oil market. Low Russian gas flows via the Velke Kapusany facility did provide some support but it could not contain the overall direction. The Power market saw a noticeable downward shift last week from all fronts as warm temperatures forecast for much of February combined with strong LNG flows and renewable output to pressurise the UK prompt market. Concerns over the severity of the Coronavirus has also hit far curve contracts as worries over future economic output hit both the Crude and Carbon markets.

### Week commencing 20<sup>th</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$64.87	30.99	£40.32	\$48.30	-13.1
<b>End</b>	\$60.44	29.71	£38.79	\$48.50	-15.1

Gas prices across continental Europe continued to drop amid mild temperatures coupled with strong LNG flows. Far-term contracts saw the largest sell off with Winter'20 itself falling 2.45p/th off weakness in both the Crude and Carbon markets. Near-term contracts did see some support off low wind generation and high immediate demand yet the week-ahead contract still fell. Downward pressure across the energy complex weighed heavy on the UK Power market as both prompt and far-term contracts saw heavy sell-offs. Low renewable generation in both the UK and the continent could not prevent prices in the near-term from softening as milder temperature forecasts saw the front month drop. Weakening EUA demand and fears over the spread of the Coronavirus in China saw the largest drops occur in far-term contracts.

### Week commencing 13<sup>th</sup> January 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$65.50	33.56	£41.64	\$52.75	-13.7
<b>End</b>	\$64.87	30.99	£40.32	\$48.30	-13.1

Bearish fundamentals continued to drive the UK gas market last week, as contracts shed value due to the strong supply and mild temperatures. Although cold temperatures are expected to start this week, much milder weather is forecast across Continental Europe for the last week of January and into February. There seems to be little supporting prices with storage levels remaining very high and LNG still flowing freely. Lower wind generation and higher demand expected to start this week helped lift the day-ahead power contract near the end of the week. Curve contracts were mainly driven down by the heavily supplied gas market as the sell-off endured. Despite colder temperatures for this week, LNG and medium range storage (MRS) remain flexible to ramp up gas flows. Losses were curtailed however due to strength in the carbon market.

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.