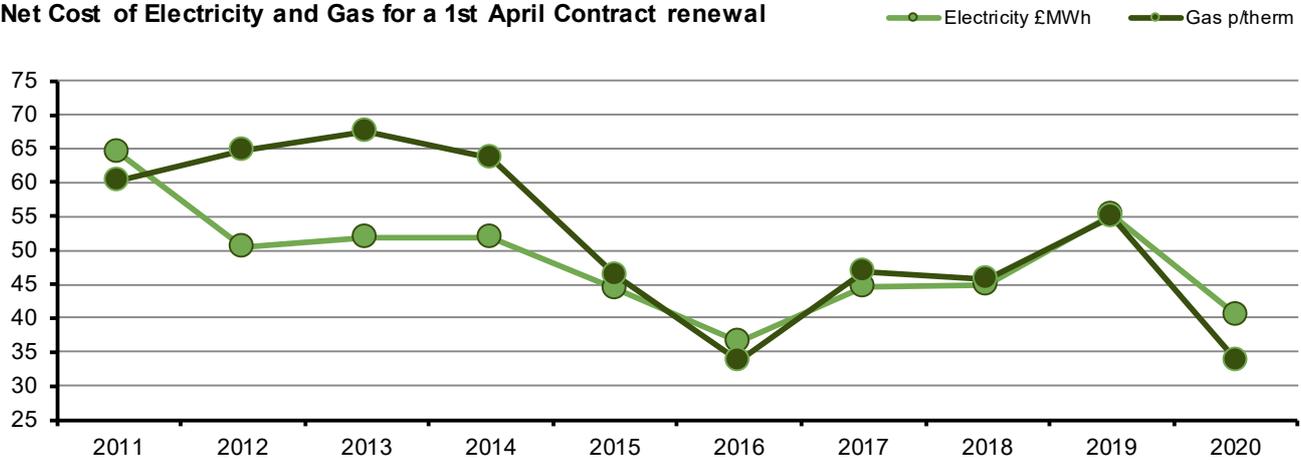


# month on month marketview

Review of: 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
64.4	52.00	53.63	51.70	46.43	34.95	43.43	44.80	53.65	40.25

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	67.43	69.00	62.03	50.13	32.24	44.70	44.80	53.10	33.45

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

## February in summary

A bearish start with strong fundamentals reversed by the issues on the LNG arrivals and the weak Pound. The month ended with volatility stemming from the Coronavirus effects.

## Market volatility

There was marked volatility towards the latter end of February across the energy complex with coronavirus news at the forefront.

## Weather

February opened with four days of changeable westerlies, then high pressure briefly moved across the country between the 5th and 7th bringing settled weather with sunshine and frosty nights to many central and southern counties. The rest of the month was windy and exceptionally wet, with rain frequently moving in from the west and south-west and giving large totals. Storm Ciara on the 9th and Storm Dennis on the 15th brought exceptional rainfall totals to much of the country, and it was also very wet on the 28th. In between the rain belts, there were brighter spells and blustery showers, and the showers were wintry at times, especially in the north, but any lying snow on low ground was short-lived.

The provisional UK mean temperature was 5.1 °C, which is 1.4 °C above the 1981-2010 long-term average.

## Gas, Storage and LNG News ▼

February began bearish with strong renewable generation, mild weather and continued high LNG imports, this was only partially off-set by a depreciating Sterling.

However the potentially colder weather and the problems with the LNG arrivals as stormy conditions stopped cargoes from docking pushed prices. The bullishness failed to filter through to further dated contracts despite a bearish macro picture, with bullishness stemming from a weak pound versus the euro. Liquidity remained very low with a distinct lack of sellers.

Latterly Crude prices followed the sharp downturn across global stocks as the financial implications of the COVID-19 outbreak took hold.

## Politics and global economics ▼

Brent crude prices fell to a one year low as fears over the effects on demand from the coronavirus continued to see risk priced into the market. The virus has now seen hundreds die and just over 31,000 diagnosed as of 7th February, with markets concerned over the economic consequence of the spread. The coronavirus outbreak is hitting the Chinese economy and manufacturers across the world as supply chains are disrupted, with around 51,000 companies globally having at least one supplier in the affected regions of China. Factories were closed beyond the Lunar New Year celebrations which was extended in an effort to contain the spread. Some upside to oil prices came from suggestions OPEC members and associated nations would act to stem the losses either by extending or increasing existing production cuts.

## Oil ▼

Crude prices followed the sharp downturn across global stocks as the financial implications of the COVID-19 outbreak took hold. The Dow Jones Industrial average, a key indicator to global economic activity dropped 12% overall, the largest one-week drop since the 2008-9 financial crash. The front month Brent contract eventually closed \$7.98/bbl down at \$50.52/bbl, a 14 month low.

## Coal

The expectation of tariffs on US goods from China on 15th February saw US coal shippers load and send shipments despite suspicions Chinese demand will remain low as the effects of coronavirus continue to be felt.

European coal futures suffered as perfect mix of weak demand from milder weather, strong renewables and general bearish sentiment from Coronavirus concerns provided weight.

## Carbon

A rise in wider fuels and mid to long term gas prices contributed to the upside despite fundamentals remaining bearish. European carbon allowances did soften as sell-offs from coronavirus fears combined with British selling interest to move price lower. The UK is set to leave EU ETS when it leaves the EU later this year. Concerns over demand for permits as a result of reduced economic activity continued to drive the market.

## Looking Ahead

Bearish sentiment continues to loom over European storages entering injection season with record high inventory levels. We are likely to see the impact of the coronavirus continue in Europe.

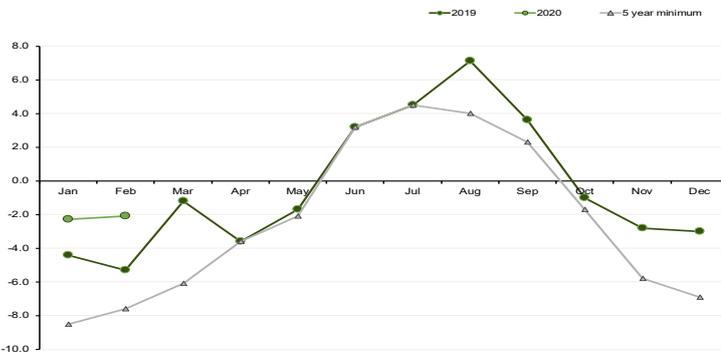
# month on month marketview

Review of: February 2020

## Average Temperature



## Minimum Temperature



## Maximum Temperature



## Average temp: 2020: Summary

### 2020 Summary v 5 Year Average

(\* Positive numbers = warmer, negative = colder than 5 year average)

2020	Jan	Feb	Year total
°C	1.7	0.3	-4.2
%	-39.9%	5.6%	-43.1%

### 2019 v 2020 Summary

(\* Positive numbers = warmer, negative = colder than 2019)

2020	Jan	Feb	Year total
°C	2.4	-1.5	-3.7
%	63.2%	-22.3%	-40.2%

## Min temp: 2020: Summary

### 2019 Summary v 5 Year Average

(\* Positive numbers = warmer, negative = colder than 5 year average)

2020	Jan	Feb	Year total
°C	6.2	5.5	6.2
%	-72.9	-72.4%	-72.9%

### 2019 v 2020 Summary

(\* Positive numbers = warmer, negative = colder than 2019)

2020	2.1	3.2	3.0
°C	-47.7%	-60.4%	-56.6%
%	50.0%	-47.7%	-47.7%

## Max temp: 2020: Summary

### 2020 Summary v 5 Year Average

(\* Positive numbers = warmer, negative = colder than 5 year average)

2020	Jan	Feb	Year total
°C	-2.1	-1.2	-9.9
%	-18.3%	-10.6%	-49.5%

### 2019 v 2020 Summary

(\* Positive numbers = warmer, negative = colder than 2019)

2020	Jan	Feb	Year total
°C	0.9	1.0	-9.9
%	10.6%	11%	-49.5%

## Met office UK summary

February opened with four days of changeable westerlies, then high pressure briefly moved across the country between the 5th and 7th bringing settled weather with sunshine and frosty nights to many central and southern counties. The rest of the month was windy and exceptionally wet, with rain frequently moving in from the west and south-west and giving large totals. Storm Ciara on the 9th and Storm Dennis on the 15th brought exceptional rainfall totals to much of the country, and it was also very wet on the 28th. In between the rain belts, there were brighter spells and blustery showers, and the showers were wintry at times, especially in the north, but any lying snow on low ground was short-lived.

## Utility impact summary

This February's average temperature across the UK of 5.1°C is only slightly warmer than the 5 year average but 1.5 degrees colder than last year. With the leap year giving us an additional day and the colder temperatures your utility bills are likely to have been higher than last year when comparing year on year figures.

The January 2020 minimum and maximum temperature extremes were slightly warmer than last year. The UK minimum temperature was -2.1°C and the maximum was 10.1°C.