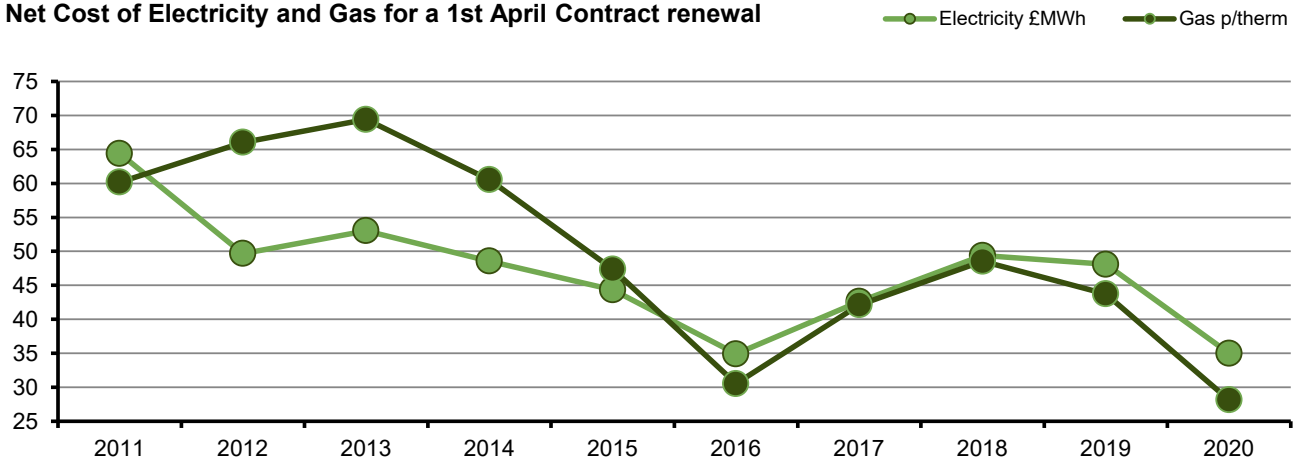


Report issued: 1st April 2020

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	49.67	53.02	48.56	44.33	34.90	42.62	49.38	48.08	35.00

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	66.03	69.40	60.53	47.38	30.53	42.11	48.54	43.72	28.12

Week commencing 23rd March 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$27.98	28.12	£35.00	\$47.85	-20.2
End	\$24.36	25.93	£32.98	\$49.50	-21.5

NBP seasonal contracts picked up on positive sentiment in oil markets at the start of the week, whilst day-ahead was trading at the March low. The near curve continued to be pressed throughout the week as oversupply in the Asian LNG spot market met weakening demand domestically and across Europe. By Friday, demand for gas from power generation had dropped by 36% due to broadening commercial shut-downs and increased renewable generation, which exacerbated losses to the point where contracts up to Summer '20 were trading below 20p/th. The UK wholesale power curve trended downward from the open last week, with front-month peaks suffering 6% losses as widespread business closures across the UK impacted demand. Some gains were subsequently made due to lower temperatures and positivity across the commodity complex in response to US stimulus news, but near-curve contracts fell back into negative territory on Wednesday as Asian LNG spot prices crashed, dragging NBP down. Low wind generation and temperatures continued to provide some support for prompt and near-curve contracts, offsetting demand reduction impact toward the end of the week.

Week commencing 16th March 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$33.09	30.10	£38.75	\$45.60	-18.0
End	\$27.98	28.12	£35.00	\$47.85	-20.2

Gas Prices were under pressure from the start of the week, with shutdowns across Europe for summer months becoming ever more likely and strong flows from Norway and Russia meeting weak domestic demand. Some support was seen from low wind energy generation. Mid-week brought cooler temperatures however, as well as sustained lower wind generation. Reduced Norwegian flows and lower LNG sendout combined to lend support to day-ahead contracts. Domestic demand strengthened toward the end of the week as more people moved to work from home. Outlook weakened into Friday, with overwhelmingly pessimistic sentiment around the global economy pushed summer and front month contracts downward. UK power, similar to other areas sectors of the energy complex, came under pressure from the start of last week as COVID-19 related pressure escalated. More European nations announced lockdowns and secondary consumption demand had begun to drop. The prompt was slightly bullish however through to midweek, in line with low wind generation, lower temperatures, and an undersupplied gas system. The seasonal contracts continued to sell off despite this, with prices in EUAs touching near two-year lows at the same time, as fears of an Italy/France style lockdown in the UK overshadowed the market.

Week commencing 9th March 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$45.60	29.60	£38.12	\$46.25	-15.9
End	\$33.09	30.10	£38.75	\$45.60	-18.0

The domestic gas market rallied from the prompt to Winter'20 as the GBP continued to shed value, increasing the cost of imported gas from continental Europe. The GBP retracted 2% vs. the EUR week-on-week as the BoE cut interest rates by 50bps to provide financial support to the economy as it tackles an escalating COVID-19 pandemic. Winds remained high throughout the week, particularly in the Irish Sea which slowed down LNG tanker discharge at the Milford Haven terminals, reducing LNG weekly send-out by 15% vs. the yearly average. The combination of poor market liquidity, LNG supply constraints and a weakening GBP all worked to lift much of the UK Power curve last week despite the COVID-19 pandemic looming heavy on future demand across the energy complex. Flows from both Norway and Russia remained constant and joined together with strong wind generation to prevent prices from rising further.

Week commencing 2nd March 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$50.24	27.69	£36.94	\$45.65	-15.7
End	\$45.60	29.60	£38.12	\$46.25	-15.9

Colder temperatures and continued problems with LNG flows gave initial support to prompt and near-curve gas contracts last week, however all premium was subsequently lost amid milder weather, the resumption of higher LNG flows and stronger wind generation. Overall the day-ahead closed down, whilst the near-curve also saw losses. Further dated contracts found support through much of the week despite a bearish macro picture, with bullishness stemming from a weak pound versus the euro. Liquidity remained very low last week with a distinct lack of sellers. The day-ahead Power contract managed to hold up above £40/MWh throughout much of last week due to low renewable generation, however all this premium was lost on Friday. UK wind output reached down to 1GW at times last week which compounded with colder weather and pushed up prices. Curve contracts followed along with NBP gas which found support through much of the week despite a bearish macro picture, with bullishness stemming from a weak pound versus the euro. A resilient carbon market also stopped prices falling on the far-curve.

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.