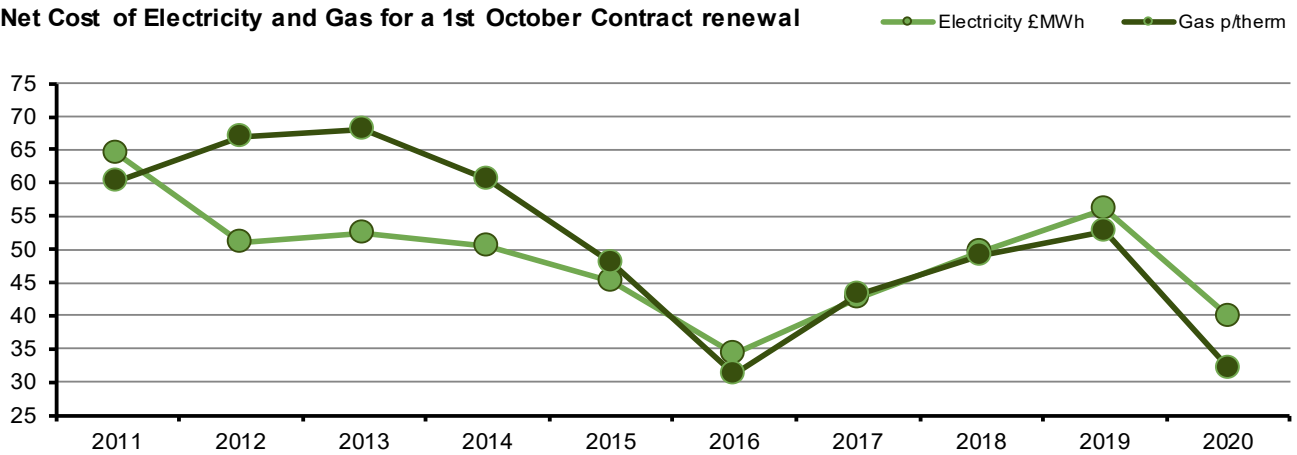


Report issued: 22nd April 2020

Net Cost of Electricity and Gas for a 1st October 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	51.05	52.41	50.43	45.10	34.21	42.68	49.60	56.15	39.80

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	66.87	68.10	60.45	47.91	31.23	43.27	49.11	52.62	31.99

Week commencing 13th April 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$28.07	26.58	£37.82	\$44.60	-20.1
End	\$35.28	27.06	£37.50	\$46.00	-18.2

The NBP market softened for much of last week as strong flows from domestic LNG and reduced demand off the on-going COVID-19 pandemic continued to apply pressure. Low wind generation provided partial support as output fell to a low as 11GW in NW Europe; 15% of its max output last month. The announcement of reduced nuclear output in France however saw further-dated contracts lift as CCGT plants are seen as the marginal unit for any reduction in French nuclear output. Prompt Power prices continued to be pressurised for much of last week despite UK wind generation never rising above 6GW as the partial shutdown of the domestic economy continues to reduce demand, notably in the high intensity manufacturing sectors. Increased gas demand from France however did see spark spreads widen, helping the Winter'20 contract to rise.

Week commencing 6th April 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$30.12	26.14	£35.36	\$45.20	-19.3
End	\$35.28	27.06	£37.50	\$46.00	-18.2

The British NBP curve had a strong start to the week, driven by gains in carbon as early indications emerged that continental Europe could be past the peak of the pandemic. Trading subsequently fluctuated between positive and negative territory through to Thursday, with positive sentiment across the wider commodity complex being offset by bearish demand fundamentals; particularly in the prompt. Warmer than normal temperatures and high LNG flows looked set to continue through April. However, whilst the prompt finished the week significantly down, near and far curve contracts closed stronger following OPEC+ cuts and further news of European lockdowns being rescinded. The UK power curve also made strong gains at the beginning of last week, buoyed by the rally in carbon markets, whilst Prompt prices also rose against a reduction in wind generation. The push higher continued through Tuesday, but prompt and near curve sold off on Wednesday as carbon and oil stagnated, tracking downward due to higher than normal temperatures and continued poor demand outlook. Nonetheless, with the wider commodity complex settling significantly up for the week despite a muted reaction to the OPEC+ meeting, the power curve retained gains throughout the curve.

Week commencing 30th March 2019

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$24.36	25.93	£32.98	\$49.50	-21.5
End	\$30.12	26.14	£35.36	\$45.20	-19.3

NBP front month traded lower at the beginning of last week, amongst a generally bearish commodity complex. Global oversupply, dwindling domestic demand, imminent higher temperatures and stronger renewable penetration all weighed upon the near curve. However, Thursday brought positive news for oil markets and strong buying activity in carbon, which drove gains across both Prompt and further dated products despite bearish fundamentals. The strength was short-lived at the front end however, with the front-end selling-off once again on Friday ahead of a warm and windy weekend, with reduced Norwegian flows insufficient to mitigate the losses. The UK power curve also suffered losses early in the week, with only the Day-ahead making modest gains amid an under-supplied system. The downtrend continued to pervade through to mid-week, as fundamental demand outlook remained to be poor, and temperatures were forecast to rise in tandem with increased renewable generation. UK power tracked the rest of the commodity complex upward on Thursday as positive sentiment caught on the oil markets. The rally did not last in the front-end however, with selling interest prevailing ahead of a warm weekend. Further dated contract conversely remained strong, in line with buying activity across oil and carbon.

Week commencing 23rd March 2019

	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

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.

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.