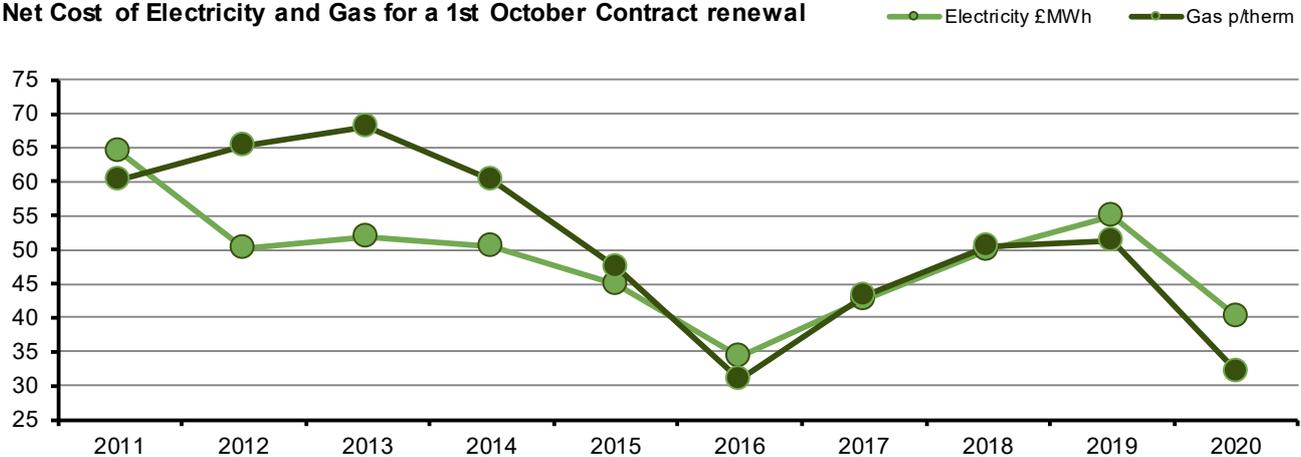


Report issued: 29th April 2020

### 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 | 50.18 | 51.85 | 50.45 | 44.75 | 34.20 | 42.58 | 49.78 | 55.00 | 40.05 |

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

| 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 60.17 | 65.30 | 68.14 | 60.14 | 47.24 | 30.91 | 43.11 | 50.36 | 51.15 | 32.07 |

### Week commencing 20<sup>th</sup> April 2020

|              | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| <b>Start</b> | \$28.07   | 26.58     | £37.82      | \$44.60   | -20.1        |
| <b>End</b>   | \$21.12   | 24.47     | £36.67      | \$38.60   | -22.7        |

British NBP fell last week, in keeping with bearish sentiment across the commodity complex. NBP prompt prices fell to the lowest level seen since 2006 at the start of the week, and low prices at the front end remained a theme for the rest of the week. As a nation with one of the highest LNG terminal capacities in Europe, the UK has been receiving high numbers of LNG cargoes, which helped maintain pressure on NBP prices. This resulted in a wide discount to European hubs and high export levels to the continent throughout last week. Cross-commodity bearish sentiment pressured the UK power curve downward at the beginning of last week. Carbon and NBP were both weak, with a glut of LNG in the UK and selling activity in the oil markets feeding through. Losses were passed through to the UK power market accordingly. Near and far curve contracts continued the downward momentum, although some support came from surging French power prices amid nuclear outage extensions. Prompt power contracts conversely made strong gains, as reduced renewable generation and lower temperatures raised the prospect of stronger demand and higher generation costs.

### Week commencing 6<sup>th</sup> April 2020

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

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 6<sup>th</sup> April 2020

|              | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| <b>Start</b> | \$30.12   | 26.14     | £35.36      | \$45.20   | -19.3        |
| <b>End</b>   | \$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 30<sup>th</sup> March 2020

|              | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| <b>Start</b> | \$24.36   | 25.93     | £32.98      | \$49.50   | -21.5        |
| <b>End</b>   | \$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.

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.