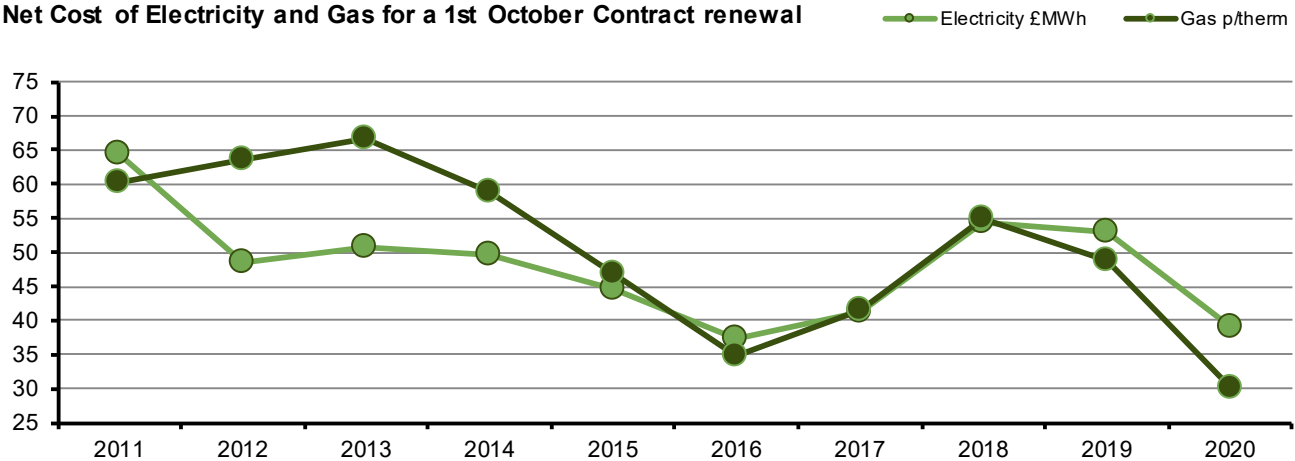


Report issued: 20th May 2020

### 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	48.60	50.65	49.61	44.60	37.30	41.20	54.35	52.85	38.95

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	63.69	66.62	58.92	46.87	34.75	41.40	54.96	48.75	29.93

### Week commencing 11<sup>th</sup> May 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$30.54	25.68	£37.12	\$39.60	-21.0
<b>End</b>	\$31.31	25.70	£37.08	\$38.15	-21.2

British NBP sold off on the prompt and near curve last week, whilst further-dated contracts made gains. Expectations of warmer weather, prolonged low demand due to coronavirus measures, and high imports all conspired to pressure the front-end. The far curve conversely escaped the worst of the negative sentiment, tracking gains in the oil markets to close higher for the week. UK wholesale power trading activity closely tracked the British NBP market once again last week. Downward pressure pervaded at the front end, as LNG flows look set to remain high despite a poor demand outlook. Higher Norwegian flows also pressured the prompt, although the Day Ahead contract ended the week in positive territory due to lower wind generation. Q4'20 contracts sold off earlier in the week due to the rescheduling of French nuclear outages, but drew support from the wider commodity complex to make back these losses and finish the week positive.

### Week commencing 4<sup>th</sup> May 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$26.40	25.65	£36.29	\$39.15	-21.6
<b>End</b>	\$30.54	25.68	£37.12	\$39.60	-21.0

NBP price movements were mixed over last week. Prompt prices were supported through lower LNG sendout and continued high exports to continental hubs, as cooler temperatures and lower renewable generation was anticipated after the long weekend. Meanwhile, near curve contracts out to Q3 sold off overall, as concerns of medium-term demand suppression prevailed. Further dated products climbed however, tracking optimism in oil markets as the market indicated that the worst of the supply and demand imbalance is behind us. GB wholesale power prices tracked a pattern similar to that seen in the NBP market last week. Positivity earlier in the week, stemming from early signs of demand recovery and positivity across the commodity complex, pushed curve contracts higher. However, downward pressure weighed on the near curve further into the week, reflecting fears of continued weak domestic demand. The far curve closed on a positive week however, buoyed by improved long-term sentiment as lockdown easings and surprisingly positive economic data were announced.

### Week commencing 27<sup>th</sup> April 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$21.12	24.47	£36.67	\$38.60	-22.7
<b>End</b>	\$26.40	25.65	£36.29	\$39.15	-21.6

British NBP prompt prices strengthened early last week as temperatures dropped off and South Hook LNG terminal underwent an unplanned outage. Curve contracts subsequently weakened through the trading week, as LNG cargoes to the UK look set to remain high, despite an increase in demand from France due to planned nuclear outages. Fears over storage capacity also pressured prices, with overall demand set to remain low for the foreseeable future. The front-end gained some support later in the week however, from announcements by natural gas producers that they would seek to reduce output. The UK power curve largely tracked movements in the NBP market last week, with the Week Ahead contract being the only one to close in positive territory. Weakness in carbon markets added downward pressure to power prices, whilst expectations of warm weather and sustained high LNG flow over the coming weeks also contributed. Bearish sentiment prevailed through to the end of the week, with no indication forthcoming of how and when the UK would unwind the nationwide lockdown.

### 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.

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.