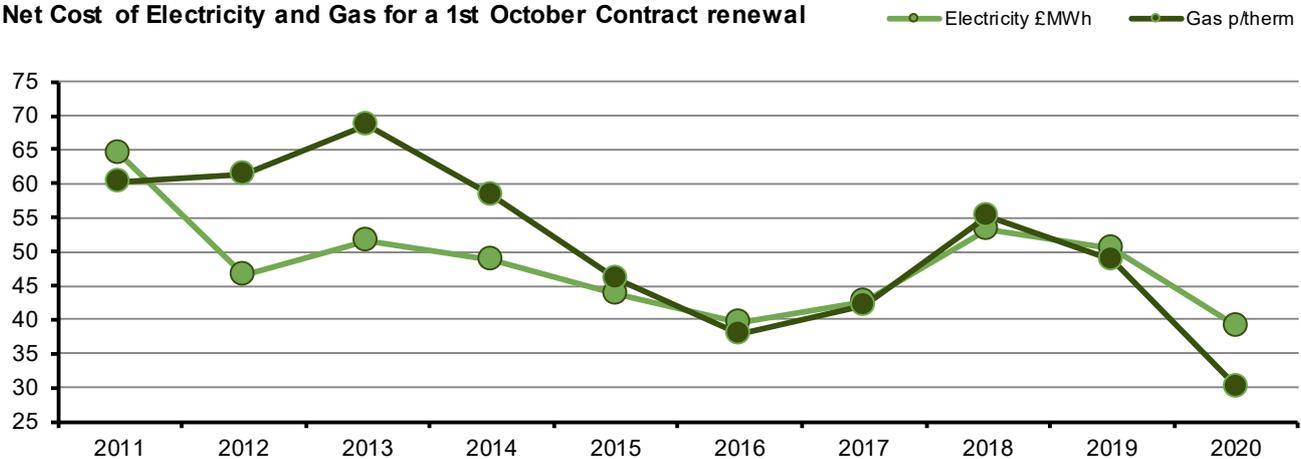


Report issued: 24th June 2020

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
64.4	46.46	51.69	48.77	43.82	39.46	42.58	53.23	50.43	39.12

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	61.48	68.65	58.29	46.01	37.78	41.95	55.17	48.91	29.96

Week commencing 15th June 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$38.66	26.55	£37.91	\$42.70	-18.8
End	\$42.60	28.10	£39.89	\$44.25	-17.9

Last week saw the energy complex push higher, helped by the slowdown of LNG deliveries, lower renewable generation and OPEC+ laggards pledging to better comply with oil production cuts, although an extension to these cuts is yet to be confirmed. Near curve contracts were supported for the week by renewable output struggling to reach above 30% on average, forcing CCGT to carry the fuel mix, providing close to 50% on average for the week. Jul 20 NBP rose on the week as a result whilst some of the high street opening at the start of the week amongst further lockdown measures easing would have boosted positive sentiments and caused an uptick in demand. Further dated contracts were similarly lifted higher over the course of the week, finding encouragement from resurgent carbon and oil. Oil rose back above the \$40 mark on the week, despite rising cases of coronavirus in the US and returning cases in China. Optimism that oil production cuts could be extended to August and countries, such as Iraq and Kazakhstan, agreeing to better comply with the OPEC+ production cuts of 9.7 million barrels per day. However, many remain concerned by the possibility of a second wave as WHO reported a record jump in confirmed cases globally at the end of the week, particularly in North and South America. Carbon posted a gain of over 10% last week.

Week commencing 1st June 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$34.79	23.43	£37.07	\$38.15	-20.8
End	\$42.01	26.71	£38.70	\$46.00	-18.2

Last week saw strong gains at the front of the gas and power curves, fading somewhat for further dated contracts. The cooler temperatures, lower LNG outflow, reduced supply from Norway, strong European outflow, short covering and some days of lack lustre renewable output supported the prompt and near curve futures. Fundamentals for Winter, and the prompt, still look comfortable with strong storage levels and still lots of LNG on the waters with up to 10 vessels expected on UK shores by mid-month. Power followed suit rallying hard on the front with seasonal contracts showing lesser gains. Brent markets also recorded weekly gains with Aug 20 climbing \$4.74/barrel on the week, supported by expectations of the OPEC+ meeting confirming deep supply cuts continuing through to July. Bearish pressure during the week was added by EIA reports showing strong gains in distillate stocks reminding traders that demand recovery may not be as V-shaped as hoped, as well as the OPEC+ meeting on Thursday being cancelled mid-week. However, news later broke that the meeting would take place on Saturday instead, reinforcing the market's belief in producer commitments.

Week commencing 8th June 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$38.66	26.55	£37.91	\$42.70	-18.8
End	\$42.01	26.71	£38.70	\$46.00	-18.2

Last week saw near curve gas break away from the rest of complex posting gains where elsewhere bears were firmly in the driving seat. Prompt pricing was supported by lower renewable output, continued export demand from the continent and expectations of LNG cancellations due to narrowing, and now negative, Atlantic spread. Seasonal contract took direction from the rest of the complex with Winter 20 and Summer 21 NBP dropping from the week's open to Friday's settlement. Power contracts moved somewhat similarly with the front holding up better than seasonal contracts. Power pricing was pressured on the week by sliding EUAs on slipping Brent pricing and worsening macro sentiment. Crude oil pricing tumbled last week with Aug 20 Brent dropping \$3.72/barrel from the week's open. There may be some hope in the market that the continuation of OPEC+ supply cuts could help with balancing gas several non-compliant nations confirm their commitment to the curbs, however with EIA data last week showing record high US crude inventories and lack lustre fuel demand, the hopes of a V-shaped recovery may have been optimistic at best.

Week commencing 25th May 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$34.51	23.73	£36.71	\$38.50	-20.9
End	\$34.79	23.43	£37.07	\$38.15	-20.8

The NBP market ended last week in negative territory across the board, as bearish demand fundamentals outweighed a curtailment of Russian flows into Europe. Further cancellations of US LNG cargoes were seen, but Qatari ships are set to continue heading to the UK in large numbers. European storage sites are now around 70% full, and steady LNG flows coupled with poor medium-term demand outlook conspired to pressure NBP prompt and curve contracts downward. The UK wholesale power near-curve sold off last week, in line with British NBP prices. Poor demand outlook continued to fuel bearish sentiment at the front-end, with the June and July contracts coming under the heaviest selling pressure as the UK eyes only a modest demand recovery over the next two months. Winter'20 found more support however, amid hopes that industrial and commercial activity will re-surge across Europe going into Q4.

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.