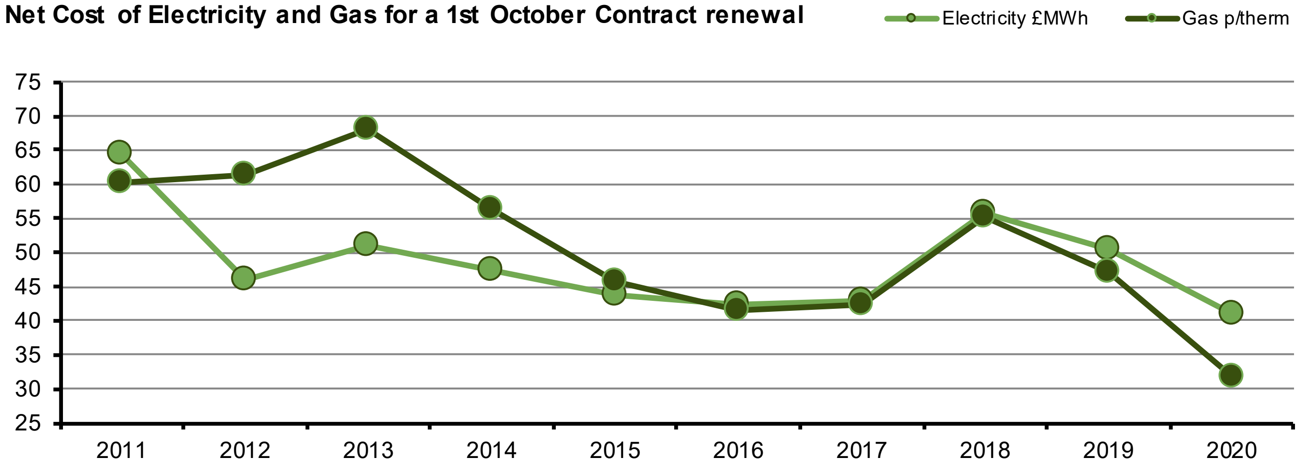
week on week

marketview

Report issued: 8th July 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	46.03	51.05	47.26	43.63	42.22	43.03	55.68	50.48	41.04

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	61.47	68.18	56.39	45.70	41.64	42.45	55.22	46.99	31.60

Week commencing 29th June 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$40.60	27.91	£40.03	$47.75	-18.0
End	$42.51	29.78	£42.05	$49.75	-16.3

Last week's main point of focus was carbon exploding upwards, dragging power and gas curves with it. Dec 20 EUAs began the week trading down in the mid €24.50s and rallied hard in Monday's trading to settle €2.08/tonne higher on the day, breaking through several key technical levels. This had analysts divided over carbon sentiment with technical analysts moving price targets up above €27 and then later in the week to above €28 and discussions of the contract eying €30 in the coming weeks. Analysts looking at fundamentals, however, described the contract as overbought on demand destruction, high coal-to-gas fuel switching and loosening power markets as EDF revised output targets higher. The rest of the week was spent drifting lower for front month power and gas as weaker prompt markets bit on ramping up renewable output and dropping demand. Seasonal gas also moved higher on the week, supported by carbon. Seasonal power tracked gas and carbon, although expectations of less tight continental power markets, as EDF's nuclear output target was revised higher, helped to cap gains on the winter contract. Brent markets were ultimately stronger on the week with Sep 20 Brent gaining $2.30/barrel. Markets were supported by sentiment that markets were getting tighter after surprise drawdowns in US crude stockpiles signalled some return in demand and supply cuts began to bite. However, gains were capped by rising COVID-19 cases, which saw some US states bring back forms of lockdown.

Week commencing 22nd June 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$42.60	28.10	£39.89	$44.25	-17.9
End	$40.60	27.91	£40.03	$47.75	-18.0

Last week's price action across the complex largely lifted over the first half of the week before a softer end to the week helped prices to look relatively sideways to the week's open. UK power and gas largely tracked movements in benchmark carbon and oil pricing. Tuesday saw strong gains in both curves helped by Dec 20 EUAs punching €0.88/tonne higher and settling well above the €25/tonne mark. However, as carbon pricing drifted lower over the rest of the week, gas and power pricing followed. On the prompt end of the market, gas demand fluctuated on the week on volatile renewable output along with still strong continental export and LNG flow . The UK power curve felt greater support from carbon than downwards pressure from gas. Brent markets continued to trade in the recent range as traders weighed up conflicting news around some returning road fuel demand as lockdowns ease and travel picks up with bearish factors including new record high US crude inventories and spiking COVID-19 cases across major economies.

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 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.