week on week

marketview

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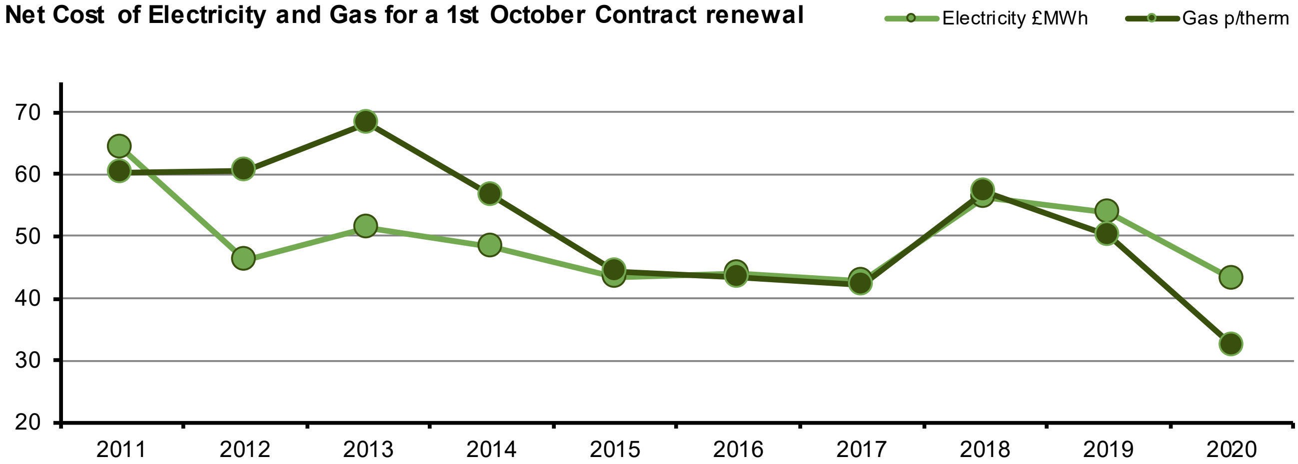
Net Cost of Electricity and Gas for a 1st October Contract renewal



Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
64.40	46.50	51.40	46.42	44.02	43.78	42.65	56.04	56.19	43.63

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	60.76	68.48	53.67	45.73	42.50	41.53	58.04	52.83	32.89

Week commencing 20th July 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$42.99	29.69	£41.73	$48.70	-16.3
End	$43.17	28.15	£39.95	$49.70	-17.0

Last week saw carbon take the spotlight once again as the Dec 20 contract traded in a two Euro range, giving direction to gas and power markets. Front month gas bucked the trend of the rest of the complex, gaining on the week as prompt markets were a little stronger on lower renewable output and expectations of fewer LNG deliveries into the UK. Curve gas was weaker tracking losses in carbon with Winter 20 and Summer 21 NBP dropping on the week. Also adding to bearish sentiment was growing COVID-19 cases across Europe and a lack of returning power and gas demand. Again, losses were reduced at the front end due to shorter term dynamics of lower renewable output as well as slightly stronger gas prices. Curve power clearly tracked carbon prices gaining where Dec 20 EUAs rebounded but ultimately dropping on the week inline with EUAs falling some 4.5%. Dec 20 EUAs opened the week with strong losses as the contract dropped almost €1.50/tonne during Monday's trading and whilst Tuesday and Wednesday were spent erasing these losses, bearish price action over the remainder of the week cemented a €1.23/tonne loss on the week. Again, correlation to equities and macro sentiment should not be underplayed with weaker equity markets leaning on price action later in the week. Brent markets see-sawed on the week with bullishness in the first half of the week offset by falling prices in the latter. Tuesday's trading saw the Sep 20 contract hit a week high of $44.83/barrel as the EU agreed their recovery fund as well as optimism around a vaccine spurred pricing higher. However, over the rest of the week, US-China tensions began to bite markets with each country forcing the closure of consulates and causing fears of a fully-fledged trade war breaking out. Also adding to downward price movement was a rise in US crude oil inventories and the continued growth in global COVID-19 cases.

Week commencing 13th July 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$42.81	30.21	£42.42	$48.00	-16.1
End	$42.99	29.69	£41.73	$48.70	-16.3

The energy complex dipped lower last week, largely led by carbon falling from the highs and still bearish fundamentals. Near-term gas and power contracts experienced more volatility on the week, often showing sharp moves either way caused by short term fundamentals. Warmer weather forecast towards the end of last week, LNG due through to the end of July, occasional strong renewable output and general length in the NTS helped near-term pricing lower whilst intermittent renewable output causing higher gas burn generation and demand commonly above seasonal norms helped create some days of gains and mute losses on the week overall. Losses were more pronounced further down the gas curve, with the commodity taking much direction from carbon. Carbon was the main talking point and driving force for the week once again with the Dec 20 contract plummeting despite strength early in the week as the contract jumped on Monday and Wednesday. This was boosted by commentary from Germany's environmental minister outlining that buyers may be pushing EU carbon prices higher at such a pace due to an expectancy that the 27-nation bloc will deliver a higher climate target for 2030. Oil finished the week flat to settlement, with the latter half of the week spent retracing gains as OPEC+ confirmed an easing of production cuts as fuel demand seems to be on the rise. Many in the market remain wary of easing record production cuts too early as several countries continue to show rises in coronavirus cases with increased lockdown measures taking place in some cases too.

Week commencing 6th July 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$42.51	29.78	£42.05	$49.75	-16.3
End	$42.81	30.21	£42.42	$48.00	-16.1

Last week saw gas and power pricing swing lower despite carbon pushing ever closer to the key €30 technical level. This was a contrasting story to the previous week where rampant carbon helped lift gas and power along the curve. Early in the week, strength in carbon helped prop up gas and power prices with both commodities largely edging higher up to Tuesday's settlement. It is likely that length in the NTS, helped by Norwegian flows picking up, and strong renewable output on Monday helped to limit gains led by carbon. After carbon failed to breach €30 on Tuesday, the contract began to sell-off, posting a loss through to the end of the week but managing to hold the €29 level after hitting lows of €27.75/tonne on Friday. Once again gas and power followed the trend set by carbon, cementing losses for both commodities on the week. Oil moved independently of the rest of the energy complex as the Sep 20 contract posted a modest gain on the week, rising just $0.43/barrel despite some bearish sentiment in the market. The US continues to post growing covid-19 cases however generally strong economic data, rising US oil demand and strength inequities has managed to occur. Despite this, many in the market are understandably nervous with the US implementing increased measures to negate the spread of the virus as worries of another full lockdown remain very real.

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.