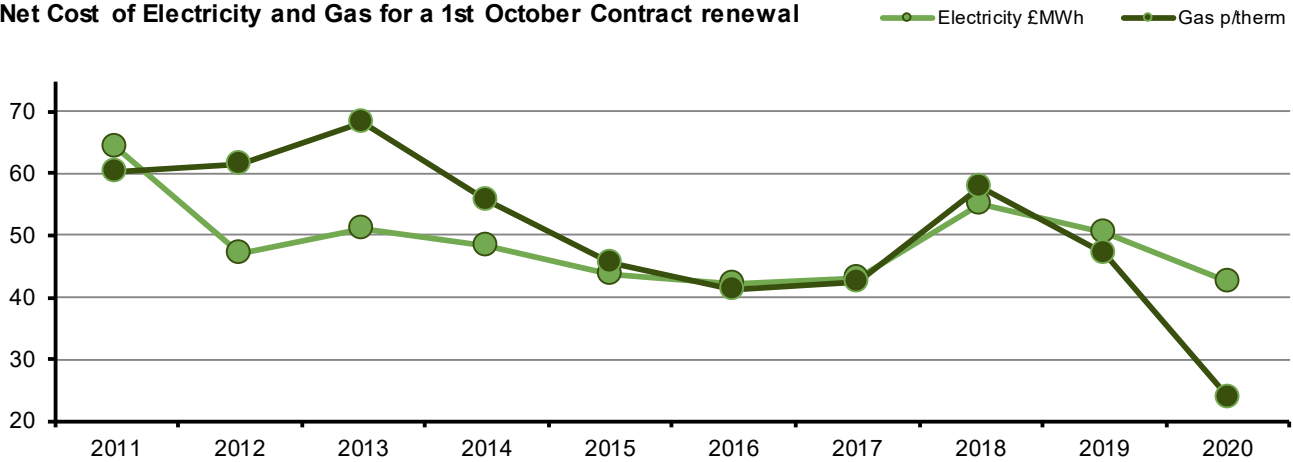


month on month marketview

Review of: 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	47.06	51.05	48.34	43.65	42.28	43.03	55.11	50.48	42.54

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	61.64	68.18	55.79	45.62	41.28	42.45	57.73	46.99	23.7

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

June in summary

COVID-19 impact was still a main driver in June with increasing demand, lower renewable generation and strong Carbon. A tightening of LNG supply also bolstered prices.

Market volatility

Volatility continued to come from the response to the COVID-19 pandemic together with the sharp rise in Carbon prices.

Weather

The very sunny and warm weather of late May continued into the start of June, but a cool northerly type became established from the 3rd to 7th, bringing showers and some longer spells of rain. After a brief settled interlude, it turned wet almost everywhere by the 10th. Around mid-month there was a spell of warm, humid, showery weather with thunderstorms especially in central, western and southern areas, and persistent low cloud along the north-east coast. There was a hot sunny spell especially over England from the 23rd to 25th, which triggered a thundery breakdown in places. The last few days were cloudy and windy with showers and longer spells of rain, with especially persistent and heavy rain in parts of Cumbria.

Gas, Storage and LNG News ▲

British NBP prices climbed for the most part of June. An uptick in power sector demand amid lower renewable generation and a tightening of LNG supply supported prompt and front-curve contracts. Prices along the curve were bolstered further by strong carbon, which tracked bullish moves across global commodity and financial markets.

British NBP contracts unanimously shed value in the last week. Despite tightening supply margins ahead of US LNG cargo cancellations in over the coming months, storage levels remain unseasonably high and the north-west European market continues to be oversupplied. Concerns that demand recovery could be threatened by a second wave of coronavirus, as well as lower nominated exports to the continent next month, also added to the bearish pressure.

Politics and global economics ▼

Some of the high street opening amongst further lockdown measures easing boosted positive sentiments and caused an uptick in demand. 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 helped stabilise oil prices. 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 month, particularly in North and South America.

Oil ▲

Positivity throughout the beginning of June was fuelled by expectations that OPEC+ would bring the date of their June meeting forward, and seek to agree production restriction extensions. Oil prices continued to rally from an uptick in demand and strong US retail data offset by deepening concerns over re-emerging coronavirus hotspots across China and the US.

Brent crude prices fell in the final week. A large build in US crude inventories surprised the market, pushing storage levels to new record highs, whilst spikes in coronavirus cases around the world sparked renewed concerns over demand recovery. Furthermore, US oil production was increased significantly due to the higher-price environment, adding bearish pressure to an already oversupplied market.

Coal ▼

Coal prices remained under heavy pressure amid oversupply concerns as production in Indonesia and Australia remained strong in the face of weaker demand from China and India. The coal price is set to continue its downtrend until the end of the year pressured by the rise of renewable energy sources, especially wind and solar power.

Carbon ▲

European carbon was bullish for the month of June, when speculative buying seemed to provide the impetus for a rally that bucked overwhelmingly bearish fundamentals.

Looking Ahead

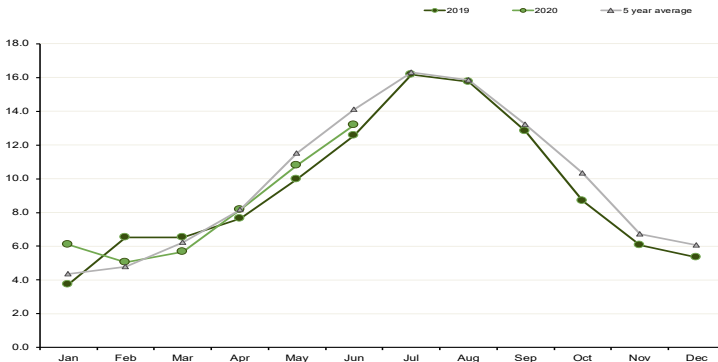
The upward trend in Carbon prices could dominate price movement moving into July, fears of a second wave of COVID-19 continue.

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.

month on month marketview

Review of: June 2020

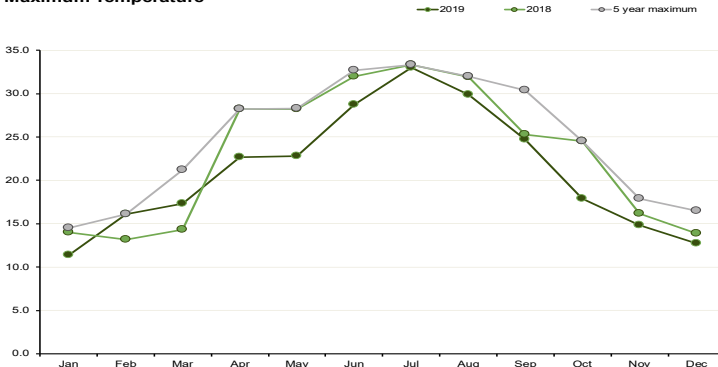
Average Temperature



Minimum Temperature



Maximum Temperature



Average temp: 2020: Summary

2020 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2020	May	Jun	Year total
°C	-0.7	-0.9	-1.6
%	-6.3%	-6.5%	-16.8%

2019 v 2020 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2020	May	Jun	Year total
°C	0.8	0.6	-1.2
%	8.2%	5%	-12.4%

Min temp: 2020: Summary

2019 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2020	May	Jun	Year total
°C	-2.3	-2.3	4.1
%	109.5%	-71.9%	-48.2%

2019 v 2020 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2020	May	Jun	Year total
°C	-2.7	-2.3	0.9
%	158.8%	-71.9%	-17.0%

Max temp: 2020: Summary

2020 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2020	May	Jun	Year total
°C	-1.7	-0.9	-1.1
%	-6%	-2.8%	-4.5%

2019 v 2020 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2020	May	Jun	Year total
°C	3.8	3.1	-1.2
%	16.7%	10.8%	-3.6%

Met office UK summary

The very sunny and warm weather of late May continued into the start of June, but a cool northerly type became established from the 3rd to 7th, bringing showers and some longer spells of rain. After a brief settled interlude, it turned wet almost everywhere by the 10th. Around mid-month there was a spell of warm, humid, showery weather with thunderstorms especially in central, western and southern areas, and persistent low cloud along the north-east coast. There was a hot sunny spell especially over England from the 23rd to 25th, which triggered a thundery breakdown in places. The last few days were cloudy and windy with showers and longer spells of rain, with especially persistent and heavy rain in parts of Cumbria.

The provisional UK mean temperature was 14.0 °C, which is 1.0 °C above the 1981-2010 long-term average. Rainfall was 144% of average, sunshine was 97% of average.

Utility impact summary

The average UK temperature this June was 0.6 degrees warmer than last year. Minimum and maximum extremes varied a little more at 2.3 degrees lower and 3.1 degrees higher than last year respectively.

It has generally been a warm month with thundery outbursts. Based purely on weather trends energy usage is likely to be around the same as last year, however with the global coronavirus pandemic the reality is that many workplaces have been operating at a much lower level or closed altogether. If energy shut down was considered when vacating premises for lockdown then energy bills should be significantly lower than in previous years.