week on week

marketview

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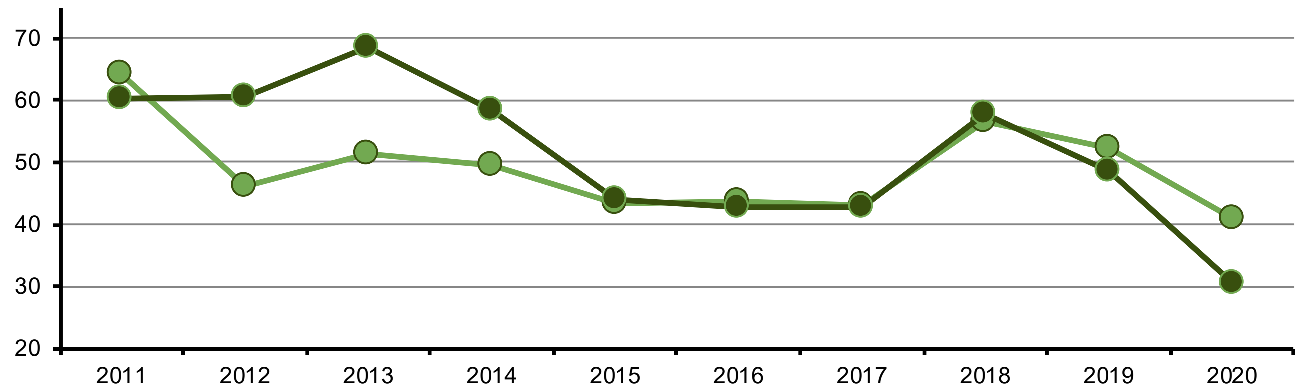
Net Cost of Electricity and Gas for a 1st October Contract renewal



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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
64.40	46.27	51.34	49.55	43.25	43.76	43.19	56.48	52.23	41.03

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	60.53	68.49	58.30	44.03	42.77	42.67	57.98	48.48	30.49

Week commencing 27th July 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$43.17	28.15	£39.95	$49.70	-17.0
End	$43.11	27.51	£40.23	$50.90	-16.8

Last week saw Aug 20 futures roll off, causing a move higher at the front for gas and power markets while further down the curve the commodities traded closer to sideways or even drifting lower on the week. Sep 20 gas gained 0.69p/therm on the week, helped by any rolling hedges and increased open interest. Prompt markets were also firmer on Friday due to low wind output over the weekend, lower LNG flow and reduced Norwegian supply. With Aug 20 expiring at a discount to the Henry Hub, appetite for trans-Atlantic LNG flow remains subdued, which could help to support gas prices into Q4. Further down the curve, seasonal gas contracts drifted lower with Winter 20 and Summer 21 dropping 0.09 p/therm and 0.59p/therm respectively as demand remains low despite an eased lockdown and with still strong NWE storage levels and some area of Europe and the UK seeing a tightening of virus containment measures fear of oversupply remains. UK power markets were hampered by gas trading down on the week and volatility in carbon. Sep 20 baseload gained £1.22/MWh as it became the front month contract and was supported by buying in Sep 20 NBP. Also proving some support to near-term pricing was soaring temperatures in the UK and France, which not only saw increased air con demand but also could limit French nuclear output as river waters become too hot to provide cooling. Winter 20 baseload managed to hold on to some gains, rising £0.14/MWh, whilst Summer 21 dropped £0.62/MWh. Looking at just the pricing table above could have you believe Dec 20 EUAs drifted lower on the week in a boring week of trading. However, carbon markets continue to grab attention across the sector with the Dec 20 contract trading in a near €2/tonne range on the week and daily price swings of more than €1/tonne. Monday saw the commodity drop €1.33/tone after a weak auction and fears around growing coronavirus cases bit equities. However, much of the rest of the week was spent trying to erase these gains and the contract ultimately ended the week down just €0.06/tonne from the open. Brent markets remained largely rangebound as the market digests news around poor economic data coming out of the US and Germany, growing coronavirus cases and re-emergence in some key global economies contrasting with a strong drop in US stockpiles.

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.

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