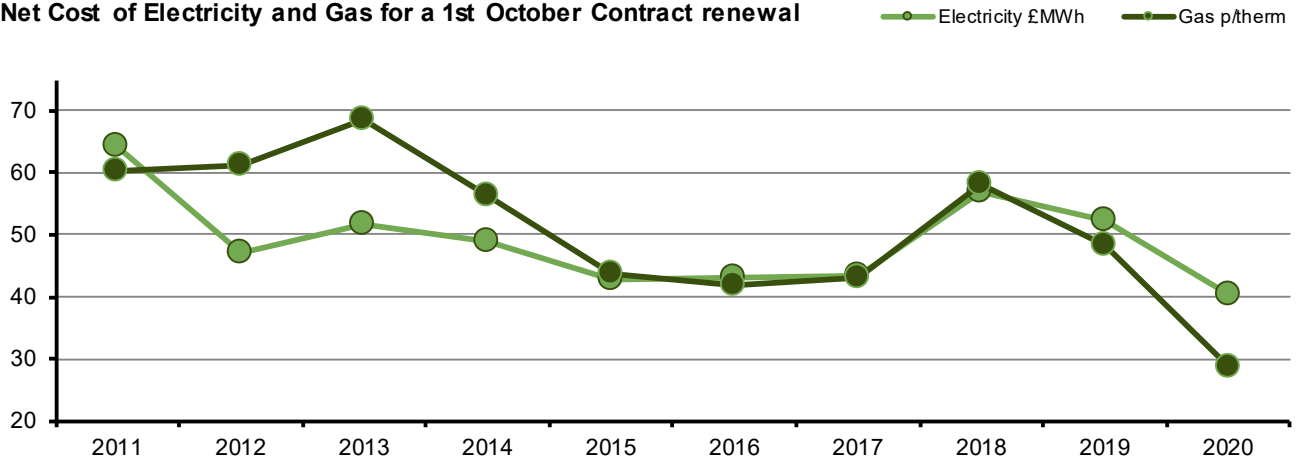


week on week marketview

Report issued: 12th August 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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cost (£MWh)	64.40	47.01	51.70	48.79	42.76	43.03	43.36	56.87	52.29	40.28

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cost (p/therm)	60.17	61.17	68.65	56.30	43.60	41.73	43.23	58.12	48.15	28.69

Week commencing 3rd August 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$43.11	27.51	£40.23	\$50.90	-16.8
End	\$44.56	31.79	£43.20	\$48.90	-15.1

Last week saw temperatures soar causing an uptick in air con demand which pulled national demand and near-term contracts higher. The week began with gas contracts taking the spotlight from recently bullish carbon as the front month contract rose close to 20% on the day, seemingly eyeing levels above 20p/therm. After initially gapping lower, the contract quickly pushed back above settlement before settling 3.02p/therm above the open. The contract remained strong throughout the week, although strength was more muted after Monday's huge rally. The contract eventually moved above the 20p/therm mark on Thursday and settled 6.65p/therm up on the week by Friday. Power was a similar story with the Sep 20 base load contract posting significant gains whilst upwards movements tempered further along the curve. Sep 20 base load rose £5.21/MWh on the week, helped by lower wind generation causing a pickup in gas burn generation, relatively low LNG flow and the effect of a heatwave across NWE could have on French nuclear output. Gains were more muted further along both gas and power curves with Summer 21 NBP and base load gaining 1.72p/therm and £2.18/MWh respectively. Carbon had a much less impactful week, failing to give any noticeable direction to gas and power with the Dec 20 contract drifting sideways. Dec 20 EUAs posted a small gain of €0.14/tonne on the week where the contract was largely driven by auction performance and other commodities within the energy complex providing some direction. Oil began the week trading up, helped by positive manufacturing data out of the US, a drop in US crude stockpiles, discussions around the next phase of the US economic stimulus plan and some Asian price recovery. With this said, many remain wary as COVID-19 cases in many countries continue to rise, which was evidenced in the latter half of the week with Brent easing off somewhat, as most countries are reacting quickly to implement regionalised, increased lockdown measures. Oct 20 Brent finished the week \$0.87/barrel up.

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 base load 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 base load 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/tonne 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 €0.08/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 in line 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 the 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.

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.