week on week

marketview

Report issued: 26th August 2020

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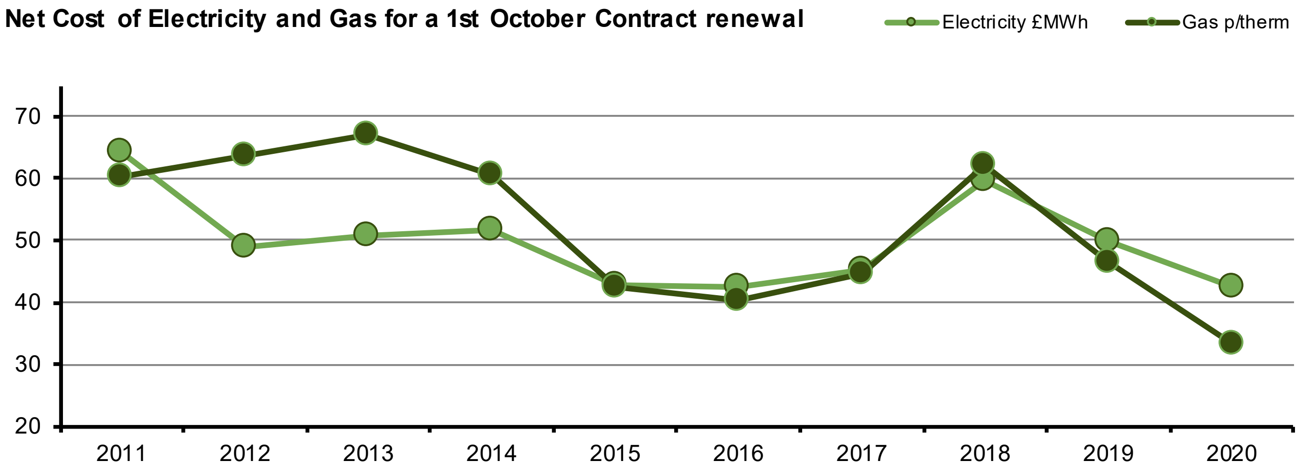

Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
64.4	48.86	50.91	51.75	42.8	42.4	45.13	59.8	49.8	42.32

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	63.61	67.19	60.56	42.47	40.4	44.75	62.26	46.39	33.22

Week commencing 17th August 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$44.86	32.61	£42.29	$48.40	-15.4
End	$44.27	32.29	£42.64	$44.00	-15.6

Early upwards price movements last week were more than offset along the gas and power curves as wind output rocketed and LNG arrivals helped counteract Norwegian planned and unplanned outages whilst markets remained generally choppy as the holiday season continues. Most price action was felt at the front end of gas and power curves as short-term fundamentals drove prices higher through to Wednesday, despite certain days providing within-day losses. Gas burn generation was forced to support the majority of the generation stack, averaging around 50% most days up to midweek. Additionally, unplanned Norwegian outages heaped pressure onto near-term pricing as Norwegian capacity was already lower due to planned outages too. Analysts noted some rallies may have been exaggerated with an expected surge in wind generation and LNG on the way which eventually saw prices slide lower through to the end of the week. Liquidity was relatively poor further along the curve as losses eased for gas whilst power posted slight gains. Carbon mimicked the broad price moves of gas and power with the commodity seeing prices increase early on in the week, whilst the latter half saw pricing retrace and finish lower on the week. Oil finished the week lower as Thursday and Friday in particular saw volatile trading with wide ranges and contract weakness. Oct20 Brent dropped by $0.51/barrel on the week as unexpectedly high US unemployment figures and OPEC+ comments regarding a slow recovery helped bears move to the forefront.

Week commencing 10th August 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$44.56	31.79	£43.20	$48.90	-15.1
End	$44.86	32.61	£42.29	$48.40	-15.4

Weakness in the NBP gas market was seen through much of last week, however a sharp rally on Friday erased previous losses and caused gas contracts to close up. Initial bearishness fed from lower expected temperatures and wetter weather in the coming weeks, decreasing gas generation demand. However, surging prices in the U.S. on Friday led European hubs higher as they need to keep a premium over Henry Hub to attract LNG cargoes over the coming months. Hot weather forecast over western and southern parts of the U.S. seemed to stoke the rally, as cooling demand is set to remain high, whilst exports are also set to rise amid firmer Asian LNG demand. Mixed movements were seen across the UK power curve last week, with nearer-dated contracts mostly bullish amid a late surge in European gas hubs, whilst bearish carbon weighed heavily on further dated contracts. Near-curve contracts came under pressure earlier in the week as forecasts of colder and wetter weather removed risk premium of reduced nuclear availability and hydropower reserves, however surging U.S. gas prices caused a rally in European hubs on Friday.

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 baseload contract posting significant gains whilst upwards movements tempered further along the curve. Sep 20 baseload 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 baseload 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 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.