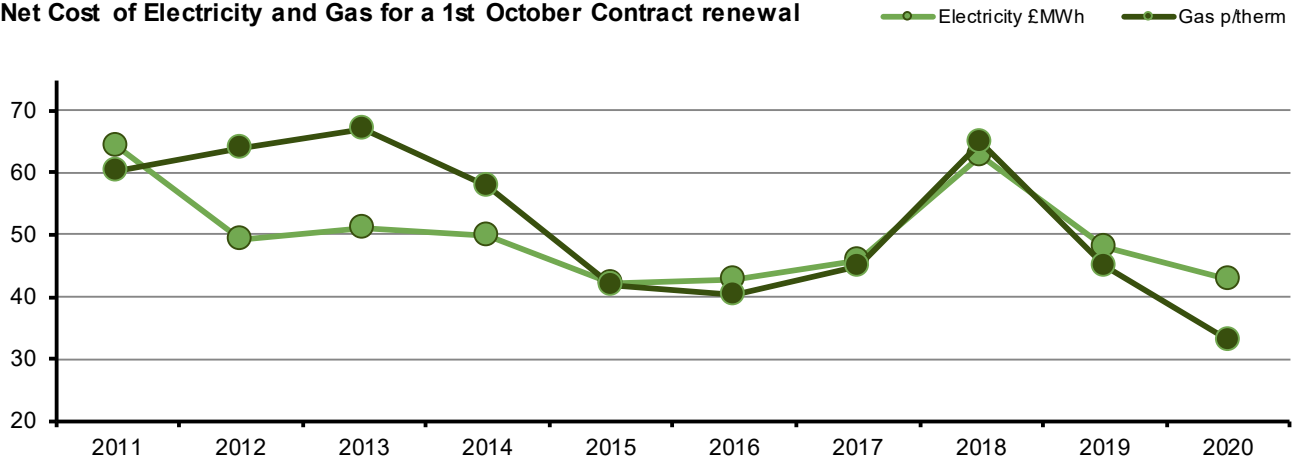


Report issued: 2nd September 2020

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
64.40	49.18	51.04	49.85	42.18	42.85	45.76	62.68	48.10	42.80

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	64.01	66.95	57.82	41.93	40.25	44.95	64.95	44.90	33.05

Week commencing 24th August 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$44.27	32.29	£42.64	\$44.00	-15.6
End	\$45.02	35.87	£46.64	\$47.95	-13.7

Contracts began the week pushing higher with low wind generation, planned Norwegian maintenance and strong carbon prices helping to lift prices along the curve although much of the gains occurred at in prompt and near-term contracts. Additionally, gas prices continued to take direction from Henry Hub with lower supply seen in the U.S. due to tropical storms. The first half of the week saw Sep 20 NBP moved from strength to strength as the contract neared expiry on by Thursday, posting gains of 7% and 5% on Monday and Tuesday. With wind output returning to near norm levels on Wednesday, gains were capped with the contract posting a smaller jump of just under 2%. Price increases were less significant down the curve with Winter 20 and Summer 21 moving closer to 1-2% higher into mid-week. Power prices largely tracked gas with more exaggerated gains towards the front end of the curve however power prices have now lifted above levels seen at the start of the year, pre COVID-19. Carbon also returned to strength, coming within touching distance of €30 once more. Dec20 EUAs lifted on Monday, hitting 5-week highs as the contract jumped above €27/tonne. This move was linked to a bullish article in the Financial Times speculating carbon prices could go as high as €40/tonne by 2022. Tuesday saw further bullishness with analysts pointing to support from gas. Moves upwards calmed by the latter half of the week, with Thursday and Friday seeing slight within day losses. Oil was sideways on the week despite volatility on certain days. Early strength in the Nov 20 Brent contract was attributed to U.S. storms limiting supply due to shutdowns whilst weakness on the latter half of the week was linked to storms causing less damage than originally expected. Nov 20 Brent eventually finished the week up by \$0.38/barrel.

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 sapping 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.

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.