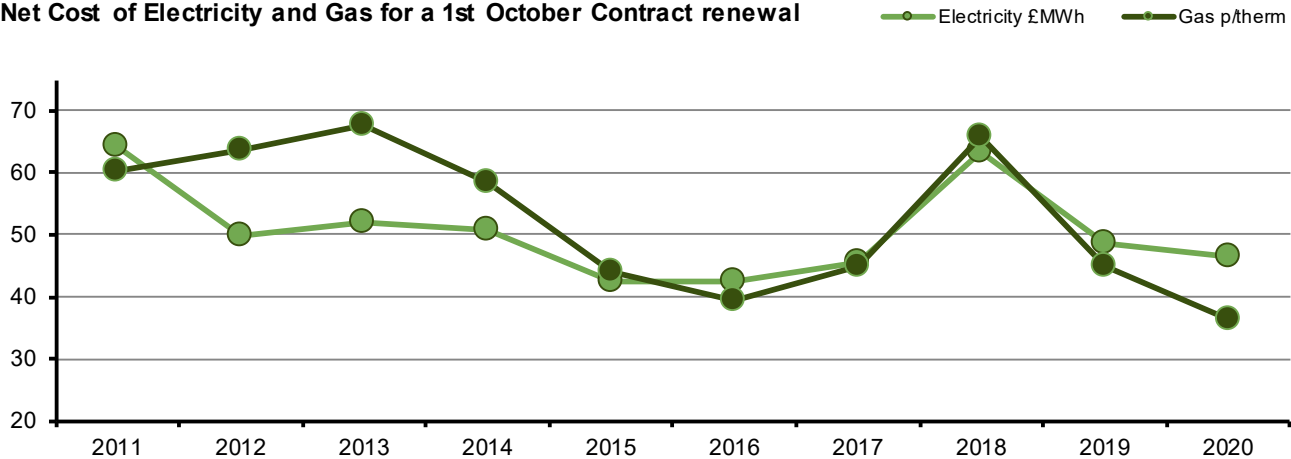


Report issued: 9th September 2020

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	49.96	52.10	50.80	42.54	42.46	45.58	63.38	48.58	46.58

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	63.67	67.71	58.30	44.02	39.30	44.82	65.84	44.77	36.43

Week commencing 31st August 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$45.02	35.87	£46.64	\$47.95	-13.7
End	\$43.02	36.12	£46.63	\$50.20	-14.1

An unexpected Norwegian terminal outage combined with low renewable output in continental Europe forcing up NBP prices in the prompt market. This caused the Oct20 contract to eventually close up, a 5.8% week-on-week uplift. Reports of further outage extensions to French nuclear plants increased continental demand to the Q420 contract, lifting the NBP by Friday. Last week saw prices across the UK Power curve experience losses in all contracts bar the front month as the baseload market decoupled from the rise across NBP and continental gas. The front season dropped as an anticipated increase in LNG imports compounded with a falling carbon market to force down prices. Far season contracts saw the highest losses in line with a softening crude market.

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.

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.