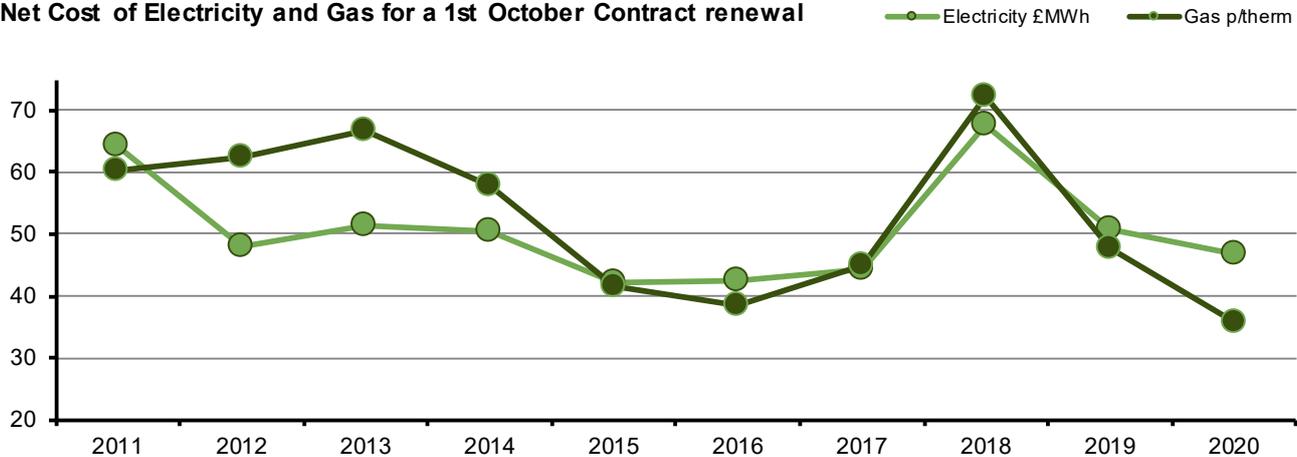


Report issued: 30th September 2020

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	48.02	51.36	50.39	42.03	42.60	44.21	67.74	50.78	46.71

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	62.51	66.69	57.73	41.43	38.33	44.92	72.39	47.60	35.65

Week commencing 21st September 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$43.39	35.65	£46.71	\$51.30	-13.4
End	\$41.89	36.24	£46.43	\$53.85	-13.9

The week began with sellers hitting the carbon market, sweeping weakness into gas and power contracts whilst worries of a second lockdown further compounded losses in the contracts. Dec 20 EUAs dropped €1.35/tonne on the day, drifting ever closer to the mid €20's despite continued bullish news that many believe carbon prices could rocket towards €50/tonne in the medium to long term due to the 2030 climate target. Weakness filtered into gas and power markets. Adding to this, the UK government pointed towards 50,000 new coronavirus cases per day in the near future if the virus isn't controlled, which heaped further bearish sentiment across the market. On the other hand, losses at the front of the gas and power curves were controlled by cooler temperatures arriving and forecast for the coming weeks. Tuesday saw changing sentiment with gas, power and carbon ticking up, helped by increased demand due to cooler weather whilst reduced Norwegian supply added to bullish fundamentals at the front of the curve. Gas and power contracts on Wednesday and Thursday were characterised by volatility with wide trading ranges and large gaps at the open although within day movements were quite negligible. Oil was virtually flat on the week after a blockbuster day on Monday where the Nov 20 Brent contract lost \$1.57 and traded in a \$2 range.

Week commencing 7th September 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$43.02	36.12	£46.63	\$50.20	-14.1
End	\$40.09	34.67	£45.75	\$51.15	-14.6

Strong flows from continental Europe coupled with resurgent renewable output throughout last week placed downward pressure on the NBP gas market. Prices fell throughout the curve but were most notable in the prompt where the front month contract fell 2.85p/therm, a 9% drop. This was despite the GBP losing significant value against the EUR as the UK-EU trade talks intensified. News of further LNG imports into Europe in the coming weeks also cast a bearish outlook on the market throughout the week. The UK Power market was torn last week between downward facing gas fundamentals, bullish sentiment in the EUA market and a falling GBP. Most contracts on the curve closed down with the front monthly contract losing 3.6% by Friday. The loss was less significant on long-term contracts with Winter '20 only dropping £0.22/MWh as concerns over potential outages quashed further losses.

Week commencing 14th September 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$40.09	34.67	£45.75	\$51.15	-14.6
End	\$43.39	35.65	£46.71	\$51.30	-13.4

Last week saw gas and power futures recover, following a prior week of noticeable front-end weakness. Front-month NBP contracts were up 2.51p/therm, supported by a speech from European Commission President Von der Leyen last week, announcing a change in the EU 2030 climate change goals, from 40% to 55%. The prospects of greater natural gas demand could have rolled over to the UK NBP contracts and contributed towards front month futures rising on the week. Seasonal contracts also took the cue from front month gains in NBP and rose slightly on the week though likely held back by weaker carbon prices. Power markets followed behind gas markets, with front month contracts posting gains, whilst the seasonal price action posted similar gains on the winter contract. Carbon contracts slipped by €0.41/tonne, after initially gaining following Von der Leyen's speech. An overly ambitious European Commission may have left market participants somewhat doubtful and therefore likely to seek a clear action plan on how decarbonisation targets will be achieved. Brent markets gained on the week, posting a gain of \$3.37/bbl likely due to the impact of Hurricane Sally which disrupted refinery production activity in the Gulf of Mexico, U.S. stockpiles shrunk as a result prompting oil prices higher. Over a quarter of U.S. offshore output has been temporarily forced offline due to the hurricane.

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 Oct'20 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 Q4'20 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.