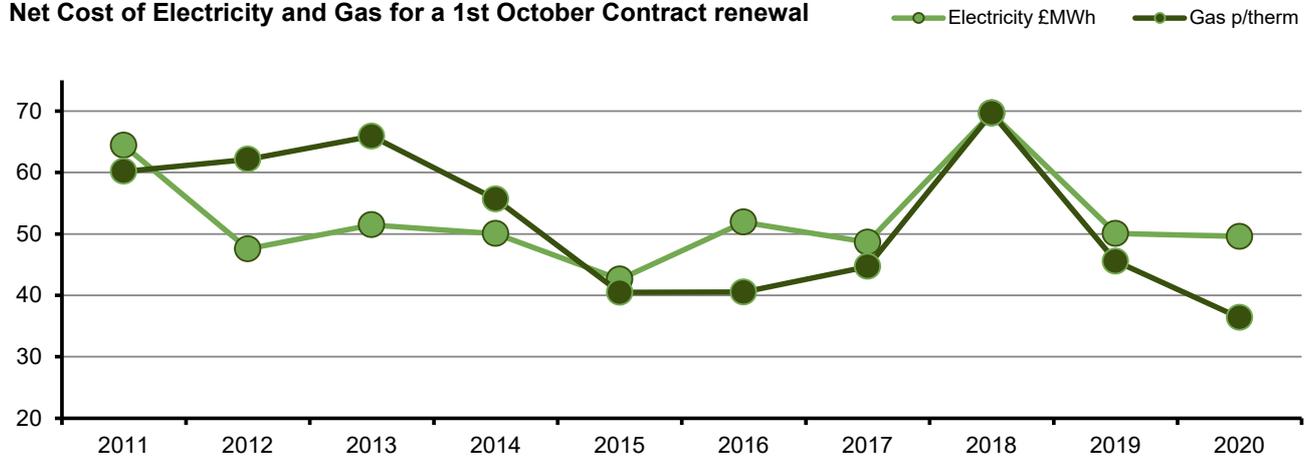


month on month marketview

Review of: 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
64.4	47.57	51.47	50.04	42.61	51.92	48.65	69.65	50.07	49.57

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	62.15	65.89	55.64	40.48	40.53	44.69	69.66	45.55	36.38

▲ : Indicates that there was an upward pressure on prices.

▼ : Indicates that there was a downward pressure on prices.

September in summary

News of increased LNG imports and the slip in demand due to the rise in COVID 19 cases weighed on many commodities. Cooler temperatures controlled near-dated contracts.

Market volatility

Much of September was dominated by supply and demand and the uncertainty the rise in COVID 19 cases brought.

Weather

September began with a ridge of high pressure, but westerlies dominated from the 2nd until the 12th bringing areas of rain interspersed with brighter showery weather, though high pressure increasingly influenced the south at times. It turned hot in places, especially south-east England, around mid-month, and the 16th to 21st was settled with high pressure and plenty of warm sunshine for most parts of the UK. The weather turned much cooler and more unsettled from the 22nd, and it was very wet and windy in Norfolk on the 25th. With clear skies and slackening northerly winds further west from the 25th to 27th, frost developed overnight in some places.

Gas, Storage and LNG News ▼

A bearish start to September as strong flows from continental Europe coupled with resurgent renewable output placed downward pressure on the NBP gas market. 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.

Gas and Power did then recover, supported by a speech from European Commission President Von der Leyen announcing a change in the EU 2030 climate change goals. The prospects of greater natural gas demand rolled over to the UK NBP contracts and contributed towards front month and Seasonal contracts rising.

Mid September saw worries of a second lockdown seeing weakness filtered into gas and power markets, although losses at the front of the gas and power curves were controlled by cooler temperatures arriving and forecast for the coming weeks.

September closed seeing sellers dominate gas markets, supported by an aggressive pick up in covid-19 cases in the UK which had increased week on week, prompting lockdown worries. Additionally, Britain entered the Winter period with storage levels down 22% which created concern as to how flexible supplies will be in the event of colder than usual days. Moreover, NBP suffered on news that LNG imports will increase with nine cargoes expected to arrive in October.

Politics and global economics ▲

September saw the UK Government re-introduce lockdown measures and more stringent local restrictions. Brent Oil saw support come from the OPEC+ meeting as the panel warned countries to comply with the current cut agreement, whilst also planning to hold a further meeting in October if market fundamentals continue to weaken.

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.

Oil ▼

The largest cuts in the official selling price (OSP) in Arab light Crude in five months saw the price of Brent crude drop by 5%. The retraction was compounded by a fall in U.S. gasoline demand and an increase in rig numbers; indicating U.S. domestic production was set to ramp up throughout September. Crude continued to slide off a combination of strong domestic inventories in the U.S., reduced imports from China and further concerns over the global economic recovery off the COVID-19 pandemic.

Mid September Oil contracts rebounded, bullishness was driven by the U.S. EIA reporting a fall in both crude and gasoline stocks. Additional support came from the OPEC+ meeting as the panel warned countries to comply with the current cut agreement, whilst also planning to hold a further meeting in October if market fundamentals continue to weaken.

The month ended with Brent crude spiraling downwards as gasoline demand continued to fall in line with increased COVID-19 lockdown measures. Current U.S. demand has now slipped by 9% compared to this time last year pushing down prices, despite the number of operation domestic rigs being only slightly higher than its record 80 year low in Aug'20

Coal ▲

Coal futures traded above \$60 per tonne, close to the highest level since April as the demand is rising in the electric power sector. Still, the coal market is expected to remain under pressure amid growing natural gas-powered production and rising share of renewable energy generation as more countries try to move to more environmentally friendly energy.

Carbon ▲

After testing the €30/t level the front year contract followed the bearish sentiment on both crude and global. The return of a full EUA auction schedule in September also added to the downward trajectory. The carbon market then saw a 3% uplift as the environment committee of the European Parliament voted for a call to increase planned emissions cuts to 60% of 1990 levels by 2030. Whilst the level was seen as ambitious and questions were raised into whether it would pass the final vote, the bullish intent of the committee pushed up the EUA curve.

The carbon market came under noticeable pressure at the end of September as the rapid rise in COVID-19 infections rates across the globe placed questions on future consumption demand. With many countries within continental Europe increasing travel restrictions and domestic lockdown measures, the front year carbon price took on a bearish fundamental outlook, dropping 6.5% on the previous week.

Looking Ahead

Cooler temperatures across the UK and the Continent will contribute to rising demand, LNG sendout is expected to be lower for the month of October and the uncertainty surrounding the impact of COVID 19 continues, all suggesting a volatile month.

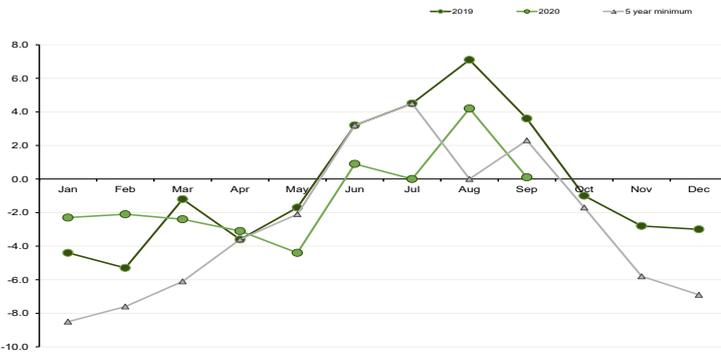
month on month marketview

Review of: September 2020

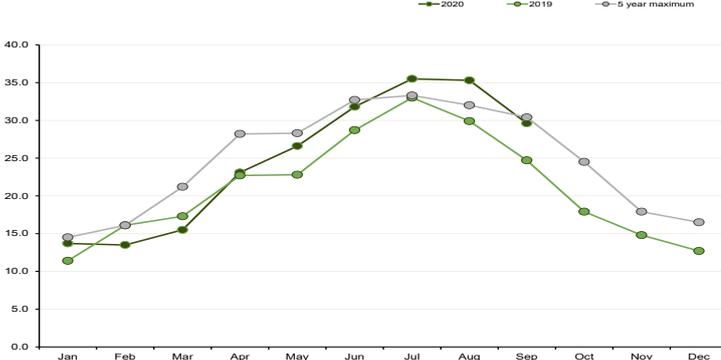
Average Temperature



Minimum Temperature



Maximum Temperature



Met office UK summary

September began with a ridge of high pressure, but westerlies dominated from the 2nd until the 12th bringing areas of rain interspersed with brighter showery weather, though high pressure increasingly influenced the south at times. It turned hot in places, especially south-east England, around mid-month, and the 16th to 21st was settled with high pressure and plenty of warm sunshine for most parts of the UK. The weather turned much cooler and more unsettled from the 22nd, and it was very wet and windy in Norfolk on the 25th. With clear skies and slackening northerly winds further west from the 25th to 27th, frost developed overnight in some places.

The provisional mean temperature was 12.9 °C, mean maximum temperatures were mostly up to 1 °C above average, mean minimum temperatures were mostly up to 0.5 °C below average. For most of the UK it was a dry sunny month, with 77% of average rainfall and 117% of average sunshine.

Average temp: 2020: Summary

2020 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2020	Aug	Sept	Year total
°C	-0.9	0.2	0.3
%	-5.6%	1.5%	3.4%

2019 v 2020 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2020	Aug	Sept	Year total
°C	-0.8	0.3	0.8
%	-5%	2.4%	8.6%

Min temp: 2020: Summary

2019 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2020	Aug	Sept	Year total
°C	4.2	-2.2	4.1
%	100%	-95.7%	-48.2%

2019 v 2020 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2020	Aug	Sept	Year total
°C	-2.9	-3.5	0.9
%	-40.8%	-97.2%	-17.0%

Max temp: 2020: Summary

2020 Summary v 5 Year Average

(* Positive numbers = warmer, negative = colder than 5 year average)

2020	Aug	Sept	Year total
°C	3.3	-0.8	2.2
%	10.3%	-2.6%	6.6%

2019 v 2020 Summary

(* Positive numbers = warmer, negative = colder than 2019)

2020	Aug	Sept	Year total
°C	5.4	4.9	2.5
%	18.1%	19.8%	7.6%

Utility impact summary

September sees the beginning of the heating season for most people and will be no different with average temperatures only slightly warmer than last year and the 5 year average.

When you switch your heating on for the first time make sure:

-It is on a timer, don't leave it running when there is no-one in the building

-On a temperature set point, usually around 22 degrees is enough, heating to a higher temperature doesn't make it warm up faster, it will only use more energy try to reach an unachievable temperature.

It is particularly important this year to check your heating settings as closing the building during lockdown may have meant that the usual settings were altered and timers and temperatures need to be reset.