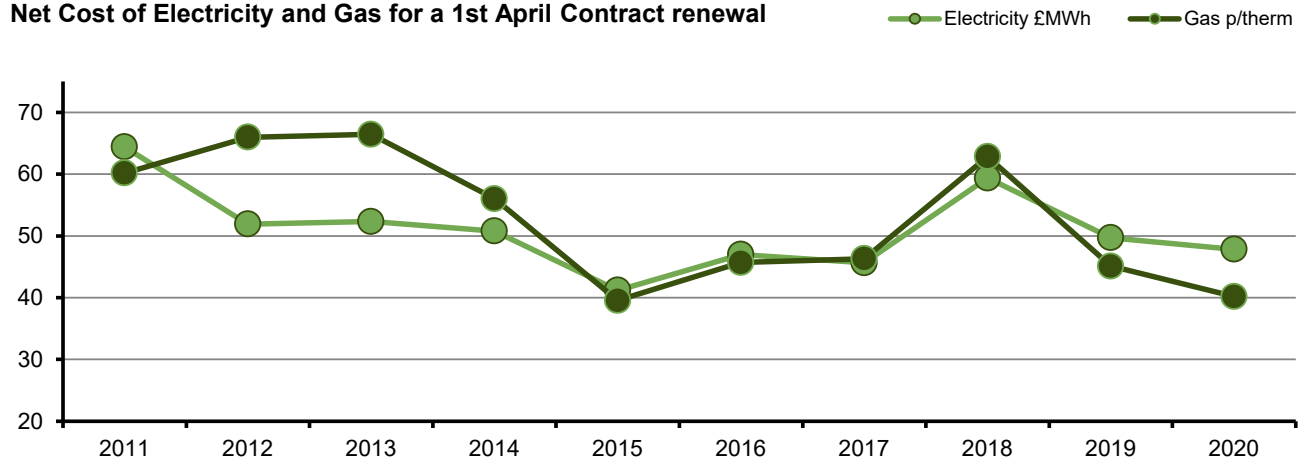


Report issued: 4th October 2020

Net Cost of Electricity and Gas for a 1st April 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 | 51.91 | 52.32 | 50.78 | 41.20 | 47.00 | 45.65 | 59.35 | 49.70 | 47.83 |

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

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 60.17 | 65.97 | 66.45 | 56.02 | 39.54 | 45.69 | 46.30 | 62.82 | 45.10 | 40.18 |

Week commencing 26th October 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$42.33 | 40.84 | £47.84 | \$55.25 | -12.8 |
| End | \$37.38 | 37.24 | £44.95 | \$50.20 | -15.1 |

Last week ended mostly positive for the energy mix, with the exception of oil. Front month Nov 20 NBP was at the forefront, posting a gain of 2.87p/therm, with later dated contracts Summer 21 and Winter 21 posting gains of 1.21p/therm and 0.61p/therm respectively. NBP prices have been supported by below average temperatures coupled with lower wind outturn, although demand has remained below seasonal norms across the week. An unplanned outage in Norway at the Oseberg field extended into Friday, prompting front month NBP higher. The unplanned outage has restricted 8.5mcm/day worth of gas supply. Power was supported by gains in NBP contracts, UK baseload Nov 20 gained £1.58/MWh followed by Summer 21 gaining £1.02/MWh. Falling temperatures have increased the demand for gas-generated power, further supported by lower wind outturn and low LNG arrivals. Dec 20 EUAs gained €0.69/tonne after prices failed to hold above a key support at €25/tonne and consequently slipped lower. Elsewhere oil was volatile across the week, Nov 20 Brent slipped \$0.92/barrel below settlement as market participants began to doubt any fiscal relief being agreed upon in U.S. congress, in the face of a rampant COVID-19 outbreak and global localised lockdown initiations. A rise in gasoline inventory numbers also suggests lower consumer demand which added further weight to prices.

Week commencing 12th October 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$43.04 | 38.01 | £47.01 | \$56.80 | -13.3 |
| End | \$42.91 | 38.74 | £46.99 | \$57.50 | -13.3 |

European gas markets saw a bearish start to last week amid returning supply, with the U.S. ramping up Gulf of Mexico production after Hurricane Delta, whilst a resolution to strike action led to improved Norwegian capacity. The bearishness was short lived however, with below seasonal normal temperatures and low wind generation lifting both prompt and near-curve contracts. Low LNG imports scheduled and a rising Asian spot market amid higher demand is also adding support despite demand concerns over rising coronavirus cases. The day-ahead Power contract reached up to £60.50/MWh for Friday, with tight margins amid low wind generation and higher demand forecast resulting in a low capacity market warning. Warmer weather and higher renewables output has widened margins for this week however. Near-curve contracts gained from mid-week along with NBP gas as curtailed supply and rising Asian prices added premium, however gains were limited by a fall in European carbon amid demand concerns.

Week commencing 19th October 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$43.04 | 38.01 | £47.01 | \$56.80 | -13.3 |
| End | \$42.33 | 40.84 | £47.84 | \$55.25 | -12.8 |

Last week ended mostly positive for the energy mix, with the exception of oil. Front month Nov 20 NBP was at the forefront, posting a gain of 2.87p/therm, with later dated contracts Summer 21 and Winter 21 posting gains of 1.21p/therm and 0.61p/therm respectively. NBP prices have been supported by below average temperatures coupled with lower wind outturn, although demand has remained below seasonal norms across the week. An unplanned outage in Norway at the Oseberg field extended into Friday, prompting front month NBP higher. The unplanned outage has restricted 8.5mcm/day worth of gas supply. Power was supported by gains in NBP contracts, UK baseload Nov 20 gained £1.58/MWh followed by Summer 21 gaining £1.02/MWh. Falling temperatures have increased the demand for gas-generated power, further supported by lower wind outturn and low LNG arrivals. Dec 20 EUAs gained €0.69/tonne after prices failed to hold above a key support at €25/tonne and consequently slipped lower. Elsewhere oil was volatile across the week, Nov 20 Brent slipped \$0.92/barrel below settlement as market participants began to doubt any fiscal relief being agreed upon in U.S. congress, in the face of a rampant COVID-19 outbreak and global localised lockdown initiations. A rise in gasoline inventory numbers also suggests lower consumer demand which added further weight to prices.

Week commencing 5th October 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$39.36 | 35.78 | £45.84 | \$54.50 | -14.2 |
| End | \$43.04 | 38.01 | £47.01 | \$56.80 | -13.3 |

UK gas prices spiked last week, as curtailed Norwegian supply amid strike action combined with forecasts for colder weather and lacklustre LNG supply. Flexible Norwegian production ramped up to help fill lost supply however, whilst more premium was priced out near the end of the week as confidence grew that further strike action would be avoided. LNG supply to Europe has failed to ramp up as expected in October, with a premium Asian market attracting Qatari spot cargoes, whilst Hurricane Delta disrupted supply from the U.S. Gas supply curtailment amid Norwegian strike action and continued low LNG imports combined with colder weather forecasts and pushed up the UK power curve last week. Gains were limited however, with carbon losing significant ground as coronavirus fears stoked selling activity. Near-curve clean spark spreads narrowed last week, with returning French nuclear availability heaping pressure on the French market and improving the margin outlook over the coming months.