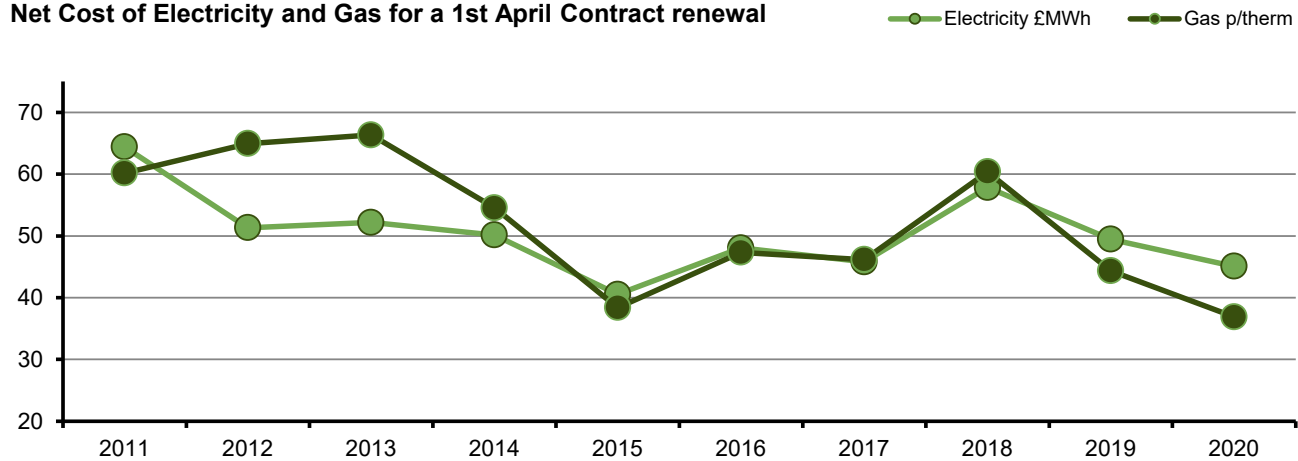


Report issued: 11th October 2020

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	51.31	52.18	50.15	40.53	48.05	45.78	57.83	49.45	45.08

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	64.95	66.34	54.53	38.38	47.33	46.17	60.36	44.33	36.88

Week commencing 2nd November 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$37.38	37.24	£44.95	\$50.20	-15.1
End	\$39.97	37.21	£46.17	\$50.25	-14.5

Mixed movements were seen across the UK gas curve last week. The near-curve turned mostly bearish, with an end to the recent cold spell and strong LNG supply weighing heavily on contracts. Temperatures across Europe are set to turn mild over the next couple of weeks, reducing gas demand, whilst U.S. LNG arrivals have ramped up with feedgas flows staying high. The UK has already received 5 LNG cargoes in November which has pressured the market, however some support has come from a premium Asian market which is attracting Qatari cargoes away from Europe. Further dated contracts recorded gains along with a bullish oil market. UK power followed suit with NBP gas last week, as near-curve contracts fell on the prospect of milder weather and continued strong LNG supply, particularly from the U.S. Additional losses were seen due to sharp losses in clean spark spreads, as improved French nuclear availability and reduced demand due to lockdowns added pressure. Further dated contracts saw weekly gains however, with bullishness from the oil market and carbon feeding through.

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 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 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.

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.