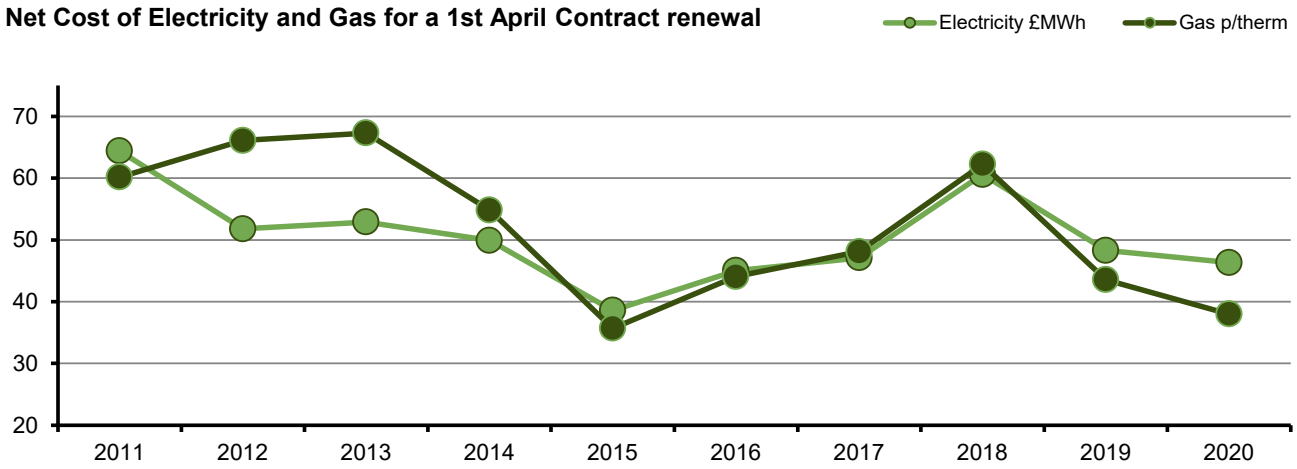
week on week

marketview

Report issued: 25th November 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	51.79	52.89	49.93	38.59	45.03	47.10	60.58	48.30	46.33

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	66.09	67.30	54.84	35.68	44.06	48.11	62.23	43.54	37.99

Week commencing 16th November 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$42.80	37.77	£46.25	$53.45	-13.8
End	$44.49	34.16	£43.92	$52.75	-14.8

Curve gas contracts shed value last week, weighed lower by a revision upwards in temperatures across Europe and by a stronger LNG supply outlook, with more cargoes added the import schedule. 14 cargoes are expected to arrive in the UK through November, double that of October, however still significantly down from last years levels. Additional pressure fed from a bearish global outlook as the shrinking Asian gas premium is removing risk of cargoes being diverted away from Europe. The Asian gas price saw a sharp fall last week amid mild weather forecast over the coming month. Losses were limited further down the curve as a bullish oil market added some support. UK curve power contracts saw sharp falls last week as a significant move down in NBP gas heaped pressure on the market due to above seasonal normal temperatures forecast, a busy LNG import schedule and weakness from global markets. Some support did feed from carbon, however clean spark spreads for balance of winter contracts continued to narrow as margins look comfortable over the coming months.

Week commencing 9th November 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$39.97	37.21	£46.17	$50.25	-14.5
End	$42.80	37.77	£46.25	$53.45	-13.8

Volatile trading was seen last week as bearish near-curve fundamentals were countered by bullish vaccine sentiment, which lifted the whole energy complex. Near-curve gas gained overall despite bearish fundamentals of above seasonal normal weather currently and steady LNG arrivals forecast. Temperatures both in the UK and Europe are expected to remain above normal for most of this week, however could turn colder thereafter. Some risk premium is being priced in for cold weather towards the end of November, whilst the potential of La Nina could drive Asian gas demand higher in December through February and attract LNG away from Europe. Seasonal contracts were the big beneficiaries on the vaccine news, with a bullish oil market helping lift prices down the curve.

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.

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