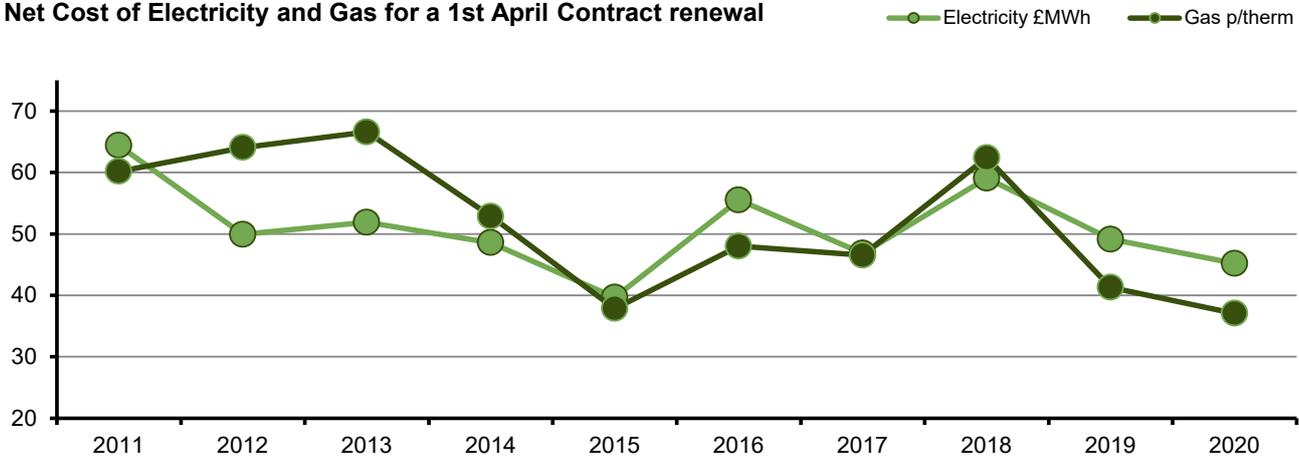


month on month marketview

Review of: 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
64.4	49.92	51.88	48.56	39.66	55.53	46.84	59.06	49.14	45.20

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	64.05	66.59	52.86	37.84	48.01	46.53	62.40	41.28	37.05

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

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

October in summary

Quite a volatile month for October with the start of the month opening with increases amid colder weather and supply disruptions. This did however see a recovery towards the end of the month as high temperatures & wind output, US elections risks, European/UK lockdowns, lower demand, and high LNG arrival volumes all helped drive prices down.

Market volatility

Volatility in October was due to colder weather, supply disruptions and Norwegian strike action, which cut output by around 35mcm/d supply to the UK.

Weather

October began very unsettled, with Storm Alex bringing rain and strong winds to much of England and Wales on the 2nd, and a very wet day followed for much of the UK on the 3rd. From the 4th to 13th it remained unsettled with rain or showers, and from the 8th winds changed to a mainly northerly or north-westerly direction. It was more settled from the 14th to 18th with easterly winds, though many places were rather cloudy at times. The weather turned very wet and windy from the 19th onwards, with mainly westerly and south-westerly winds, and rain belts crossed the country at frequent intervals, with some brighter showery weather in between.

Gas, Storage and LNG News ▼

Gas markets were very volatile throughout October with price hikes throughout the month however; this did recover to a bearish level towards the end of the month compared to September.

Prices were driven by cooler temperatures and supply disruptions due to strikes on Norwegian gas fields at the start of the month, although strong wind output capped further upside. A low volume of LNG arrivals into Britain also added to the pressure with only four cargoes expected to berth in Britain this month in comparison to 14 cargoes last October. Unplanned outage in Norway at the Oseberg field prompted front month prices to increase as the outage restricted supply by 8.5mcm/day. COVID-19 restrictions easing added further upside as demand started to recover. Warmer temperatures and a looser market saw prices trade lower mid-September before the related fuel volatility. However, Norwegian strike action, which cut output by around 35mcm/d in tandem with falling temperatures and US LNG concerns (hurricane Delta), saw the bull's return. Towards the end of the month, prices saw heavy recovery returning to levels lower than the previous month. We saw a multitude of fundamental drivers across the energy complex including, high temperatures & wind output, US elections risks, European/UK lockdowns, lower demand, and high LNG arrival volumes. There was also an increase in LNG cargoes delivered to the UK with only two less than Octobers total delivery, thus illustrating strong LNG flows when compared to surrounding hubs.

Politics and global economics ▲

The UK was officially in a recession following two consecutive quarters of negative growth in 2020 Q1 and Q2. As global coronavirus (COVID-19) cases rose, social distancing measures were imposed in the UK, forcing the closure of shops, businesses and schools from the end of March until the beginning of July. The overall effect of the virus on the UK economy was to erase around a quarter of GDP in 2020 Q2.

Oil ▼

Oil prices at the start of the month posted mostly positive gains of \$3.66/barrel. Much of this momentum was due to Hurricane Delta, which caused refineries to halt production and an optimistic demand outlook from OPEC, which expects pre-COVID demand levels to return by Q4 2021. Oil remained supported for the most part of October but finally posted sharp losses amid demand concerns. Fresh lockdown measures across Europe has threatened to slow down demand, lending nervousness to the commodity.

Coal ▲

At the end of October, Glencore Plc, the biggest shipper of coal in the world, reduced its production target for the third time this year after facing an extended strike at a key mine in Colombia. 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 ▲

Carbon started the month remaining volatile, range bound between €26.00-27.50/tonne (approximately), however higher than normal auction volumes saw prices slipping below the €26.00/tonne support, touching a low of €25.51/tonne. This downward movement continued with prices down €0.61/tonne after they failed to hold above a key support at €25/tonne, higher than normal auction volumes likely triggered this weakness.

Looking Ahead

November will see the start of falling temperatures in the UK, which will push up heating demand and with the majority of people working from home; this will only exasperate the situation. COVID-19 wave 2 can weigh further and has the potential to keep a lid on any significant upside; Europe is now cast as the new epicentre leading to a return to some of the more draconian restrictive COVID-19 measures observed earlier in the year. This coupled with the US elections, which has the potential to drive the wider fuels into rises we could be in for a beginning of a bullish winter. November should also see a less heavy maintenance schedule. Troll and Oseberg production are forecast to remain steady.

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.

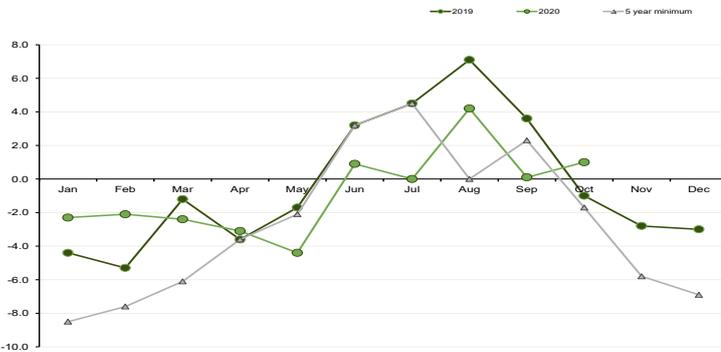
month on month marketview

Review of: September 2020

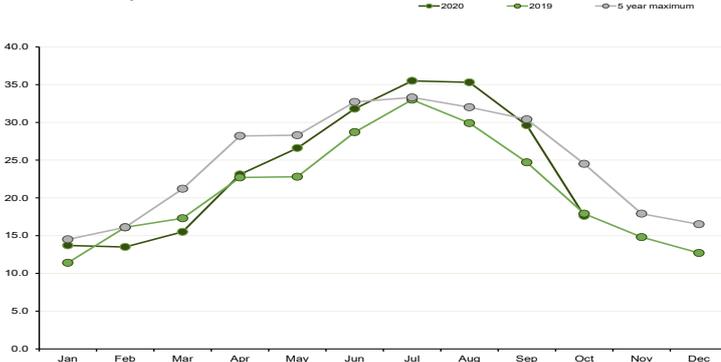
Average Temperature



Minimum Temperature



Maximum Temperature



Met office UK summary

October began very unsettled, with Storm Alex bringing rain and strong winds to much of England and Wales on the 2nd, and a very wet day followed for much of the UK on the 3rd. From the 4th to 13th it remained unsettled with rain or showers, and from the 8th winds changed to a mainly northerly or north-westerly direction. It was more settled from the 14th to 18th with easterly winds, though many places were rather cloudy at times. The weather turned very wet and windy from the 19th onwards, with mainly westerly and south-westerly winds, and rain belts crossed the country at frequent intervals, with some brighter showery weather in between.

Average temp: 2020: Summary

2020 Summary v 5 Year Average

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

2020	Sept	Oct	Year total
°C	0.2	-0.1	0.3
%	1.5%	-1.2%	3.5%

2019 v 2020 Summary

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

2020	Sept	Oct	Year total
°C	0.3	1.1	0.8
%	2.4%	12.7%	8.2%

Min temp: 2020: Summary

2019 Summary v 5 Year Average

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

2020	Sept	Oct	Year total
°C	-2.2	2.7	4.1
%	-95.7%	-158.8%	-48.2%

2019 v 2020 Summary

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

2020	Sept	Oct	Year total
°C	-3.5	2.0	0.9
%	-97.2%	-200.0%	-17.0%

Max temp: 2020: Summary

2020 Summary v 5 Year Average

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

2020	Sept	Oct	Year total
°C	-0.8	-6.9	2.2
%	-2.6%	-28.2%	6.6%

2019 v 2020 Summary

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

2020	Sept	Oct	Year total
°C	4.9	-0.3	2.5
%	19.8%	-1.7%	7.6%

Utility impact summary

The weather during October had some impacts on prices at the beginning of the month with price hikes seen on the back of colder weather. This was however alleviated towards the end of the month as the weather turned seasonally warmer and wind speeds aided generation.

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 does not 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.