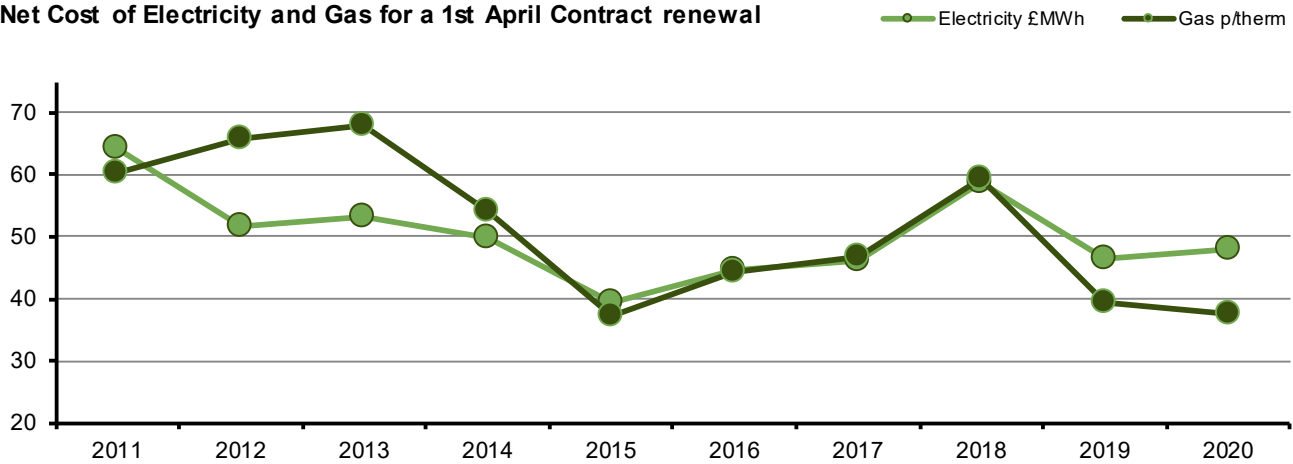


week on week marketview

Report issued: 16th December 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 | 51.67 | 53.32 | 49.94 | 39.54 | 44.58 | 46.18 | 58.68 | 46.4 | 47.85 |

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

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 60.17 | 65.94 | 67.91 | 54.29 | 37.27 | 44.21 | 46.72 | 59.44 | 39.53 | 37.68 |

Week commencing 7th December 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$49.13 | 37.51 | £48.79 | \$64.05 | -11.6 |
| End | \$50.11 | 39.94 | £50.95 | \$66.05 | -10.8 |

The UK gas curve surged through last week, with the Q1'21 contract climbing over 4p/therm as risk of colder weather in January and a premium Asian market led prices higher. Asian gas prices have risen sharply amid a much tighter market, with colder weather, LNG supply disruption and coal-to-gas switching driving the charge. The recent surge in Asian gas prices have widened a spread with Europe, which could start to attract LNG supply away. Curve contracts saw bullish moves through the week, tracking higher with the NBP gas market amid the threat of cold weather and limited LNG supply going into January. Gains in carbon due to EU leaders agreeing the 2030 emission reduction target also aided gains through the week.

Week commencing 30th November 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$48.00 | 37.52 | £47.08 | \$58.75 | -12.6 |
| End | \$49.13 | 37.51 | £48.79 | \$64.05 | -11.6 |

Revised weather forecasts showing much colder temperatures over the coming weeks across Europe helped boost gas contracts last week. Temperatures are now expected to be below normal going into December, whilst wind generation is also forecast to be lower than previously expected amid the calmer conditions. News of strike action at the Nyhamna processing plant, helped push up gas contracts further on Friday. The potential for cold Asian weather due to La Nina could cause a more competitive LNG market, however Europe is currently getting steady supplies. The day-ahead Power hit its highest level in over a year on Wednesday amid fears of tight margins. Extremely low wind generation expected through Thursday and the requirement for more coal and smaller generators to run led prices higher. Curve contracts also saw strong bullish moves through the week, with colder weather forecast driving up the energy complex. Margins are expected to be tighter over the coming weeks due to higher demand and lower wind generation than previously forecast.

Week commencing 23rd November 2020

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|--------------|-----------|-----------|-------------|-----------|--------------|
| Start | \$44.49 | 34.16 | £43.92 | \$52.75 | -14.8 |
| End | \$48.00 | 37.52 | £47.08 | \$58.75 | -12.6 |

Revised weather forecasts showing much colder temperatures over the coming weeks across Europe helped boost gas contracts last week. Temperatures are now expected to be below normal going into December, whilst wind generation is also forecast to be lower than previously expected amid the calmer conditions. News of strike action at the Nyhamna processing plant, helped push up gas contracts further on Friday. The potential for cold Asian weather due to La Nina could cause a more competitive LNG market, however Europe is currently getting steady supplies. The day-ahead Power hit its highest level in over a year on Wednesday amid fears of tight margins. Extremely low wind generation expected through Thursday and the requirement for more coal and smaller generators to run led prices higher. Curve contracts also saw strong bullish moves through the week, with colder weather forecast driving up the energy complex. Margins are expected to be tighter over the coming weeks due to higher demand and lower wind generation than previously forecast.

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 to 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.

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.