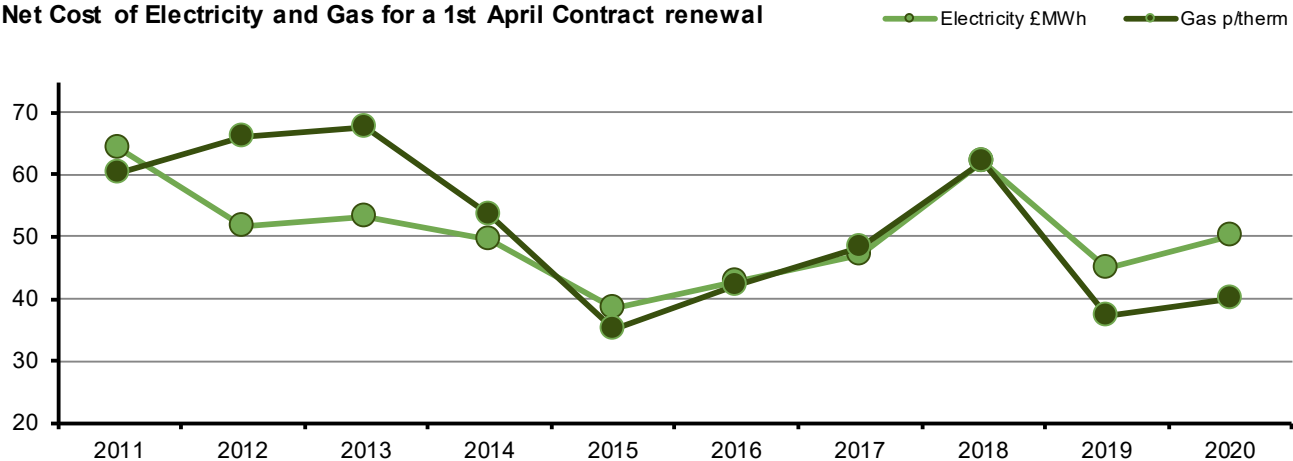


Report issued: 23rd December 2020

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 14th December 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$50.11	39.94	£50.95	\$66.05	-10.3
End	\$52.17	41.14	£51.43	\$68.45	-9.5

The NBP curve declined on falling demand and bearish fundamental conditions including warmer temperatures above seasonal norms and higher wind output. Recent LNG arrivals have contributed to further weakness on the front month NBP contracts, further supported by greater flows from Norway despite an oversupplied grid. Weakness may continue to feed through in later dated contracts, conditions are expected to worsen in January with colder temperatures which could prompt demand higher, but high LNG arrivals could counteract this. Elsewhere the UK Baseload curve declined due to noticeable losses recorded in the NBP curve and higher levels of wind output. Renewable generation is forecast to drop this week, which could provide support to front month baseload. Dec 20 EUAs gained €0.60/tonne following range-bound movement across the week, prices maintained momentum above the €30/tonne level, however recent price action has failed to successfully sustain the bullish market structure. Feb 21 Brent gained around \$2/barrel, driven predominantly by reports that congress has been made progress on the highly anticipated US fiscal stimulus bill.

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 further on Friday. 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 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	-10.3

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 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 further on Friday. 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.

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.