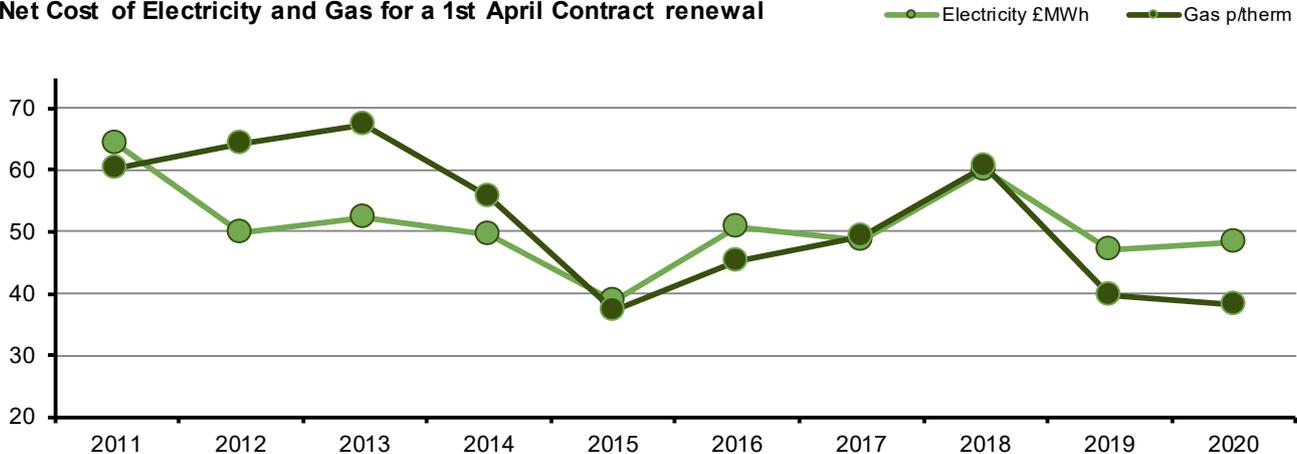


# month on month marketview

Review of: 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
64.4	49.98	52.33	49.44	38.84	50.89	48.74	60.12	46.96	48.45

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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
60.17	64.43	67.40	55.61	37.31	45.38	49.37	60.47	39.74	38.14

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

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

## November in summary

Colder than average temperatures at the start of November saw price increases. England went into a 4-week lockdown, resulting in all but essential businesses remaining open, reducing demand. However, optimism over a number of COVID-19 vaccines and Joe Biden winning the U.S. election helped markets make further gains.

## Market volatility

Volatility in November was a result of colder than average weather, continued Norwegian strike action, new COVID-19 restrictions and uncertainty over reaching a Brexit deal agreement.

## Weather

November began wet and windy, and it briefly turned colder and more settled around the 4th-7th due to a ridge of high pressure. Frequent southerly and south-westerly winds from the 7th to 18th, brought mild weather with wet and windy spells. It continued mostly unsettled and mild until the 25th, with a very brief northerly outbreak on the 19th. It turned settled and colder from the 26th to 29th with high pressure and widespread fog and variable amounts of cloud, then further rain spread southwards on the 30th.

## Gas, Storage and LNG News ▲

Gas markets were very volatile once again throughout November, which started the month mostly upbeat. Prices were supported by colder than seasonal normal temperatures coupled with lower wind and renewable generation. However, strong Norwegian gas flows in addition to expected high LNG arrivals saw prices retrace and subsequently lose these early gains. Following the news of the Pfizer vaccine, which claimed to be 90% effective in preventing COVID-19 infections, the energy complex was mostly bullish despite higher wind output and week ahead warmer temperature forecasts. Further announcements of two more potential vaccines provided further support. Signs of slowing LNG flows mid-month may have also contributed towards this strength. The above seasonal average temperatures and high wind output did then see demand drop during the second half of November. Additionally, LNG flows remained high with increasing LNG nominations. Demand uncertainty following the implementation of a second nationwide lockdown in the UK added an element of bearish pressure. The end of the month saw strong gains following colder temperatures, which saw demand jump to 40mcm above seasonal normal levels. A decrease in wind output provided further support, though high LNG flows remained a concern. Norwegian strike action at the very end of November reduced output by as much as 50mcm/day, with no resolution to this dispute in sight. This could be a potential bullish driver as we head into December.

## Politics and global economics ▲

On the 5th November, England went into its second national lockdown, with all but essential shops/businesses having to close once more until 2nd December. The aim is to get the rate of infection under control to allow a little more leniency over the festive period. It was later announced that once the lockdown has ended, the 3-tier system will be re-introduced but with much stricter measures, and most of the country set to fall under the higher tiers. November also saw several promising announcements surrounding vaccines for COVID-19, which saw bullish movements as this suggested the possibility of a return to something close to normal is on the horizon. The three vaccines will still need to be approved by authorities that they are safe before they are rolled out, which could begin next month. Elsewhere, Joe Biden won the U.S. election, in which both sides achieved a record number of votes. President Trump angrily disputed the results, falsely claiming a number of voter fraud cases. These cases were filed by Trump's legal teams and were subsequently thrown out in what became a very distasteful saga, with Trump refusing to concede and allow the process of the Biden

camp to begin the formal handover. This was finally allowed to begin, but Trump is still yet to formally concede and accept the result.

## Oil ▲

Oil started November seeing volatile prices due to the U.S. elections. A drawdown in inventory data saw prices jump 1% on prospects of increased demand. Prices were also upbeat on expectations of Joe Biden winning the U.S. election. Brent gained an impressive \$3.13/barrel on the back of the COVID vaccine announcements, though the underlying fundamentals of the oil market are still bearish, in particular in the short term. Further vaccine announcements coupled with comments from OPEC citing that they recognise the need for supply cut revisions saw further Brent gains through the rest of the month. The OPEC announcement whilst expected, is yet to materialise, and will be something to look out for next month.

## Coal ▲

Bearish sentiments returned to the coal market due to heightened lockdown concerns, with prices at \$54.6/ton compared to \$55.3/ton at the end of October. However, with winter restocking accelerating across Asia and optimism over demand recovery globally in the medium term, prices stabilised at around the \$56/ton level during mid-November. Gradual demand recovery in India, the world's second largest coal importer, saw prices rise strongly in the final week of November. A gain of 8.1% on the previous week saw prices reach \$60/ton. This price rise was also aided by Seaborn supply cuts in response to sluggish demand.

## Carbon

Carbon started the month remaining volatile falling as low as €23/tonne before staging an impressive comeback to the €25/tonne level. Sustained momentum followed for a time, with a range-bound price of between €25.50-27/tonne. Moving into the second half of November saw several false breakouts above the €27/tonne mark, but ultimately failed to sustain this momentum. Prices remained trapped between only €25-27.50/tonne for the rest of the month. However, a breakout above €28/tonne at the month-end may indicate more bullish momentum to come.

## Looking Ahead

December forecasts are showing temperatures will be below seasonal average, which will continue the high heating demand. The strike situation in Norway and potential reductions in output, or even closures of facilities could put a tight squeeze on supply. COVID-19 will of course continue to play its part in suppressing demand, though some restrictions are set to be eased in England from December 2nd, with the 3-tier system to be re-introduced. Therefore, this may see sight demand recovery as retail/gyms and some hospitality venues, depending on the tier of restrictions they are under, can re-open. Fears over a rise in cases following the '5 days of Christmas' relaxation of measures may dampen any short-term optimism. The results of three vaccine trials are to be scrutinised by authorities with a view to approving the vaccines, with a bullish impact on markets possible once the rollout begins. The deadline for a Brexit deal is at the end of December, with currently no resolution in sight. This will likely add to the uncertainty and volatility in the markets as the deadline draws ever closer.

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

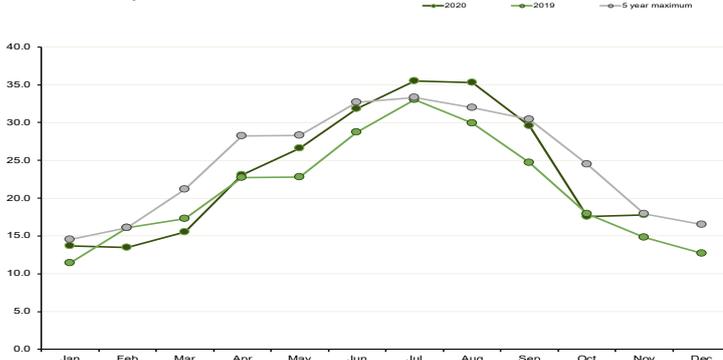
## Average Temperature



## Minimum Temperature



## Maximum Temperature



## Met office UK summary

November began wet and windy, and it briefly turned colder and more settled around the 4th-7th due to a ridge of high pressure. Frequent southerly and south-westerly winds from the 7th to 18th, brought mild weather with wet and windy spells. It continued mostly unsettled and mild until the 25th, with a very brief northerly outbreak on the 19th. It turned settled and colder from the 26th to 29th with high pressure and widespread fog and variable amounts of cloud, then further rain spread southwards on the 30th.

## Average temp: 2020: Summary

### 2020 Summary v 5 Year Average

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

2020	Oct	Nov	Year total
°C	-0.1	1.8	0.3
%	-1.2%	26.1%	3.5%

### 2019 v 2020 Summary

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

2020	Oct	Nov	Year total
°C	1.1	2.4	0.8
%	12.7%	39.2%	8.2%

## Min temp: 2020: Summary

### 2019 Summary v 5 Year Average

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

2020	Oct	Nov	Year total
°C	2.7	5.3	4.1
%	-158.8%	-91.4%	-48.2%

### 2019 v 2020 Summary

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

2020	Oct	Nov	Year total
°C	2.0	2.3	0.9
%	-200.0%	-82.1%	-17.0%

## Max temp: 2020: Summary

### 2020 Summary v 5 Year Average

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

2020	Oct	Nov	Year total
°C	-6.9	-0.1	2.2
%	-28.2%	-0.6%	6.6%

### 2019 v 2020 Summary

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

2020	Oct	Nov	Year total
°C	-0.3	3.0	2.5
%	-1.7%	20.3%	7.6%

## Utility impact summary

The beginning of November saw support for market pricing on the back of colder than normal seasonal temperatures. This then occurred again at the end of the month, with prices rising once more due to a downturn in temperatures. These cold spells sandwiched what was a largely mild and settled period in terms of temperature throughout the middle of November.

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.