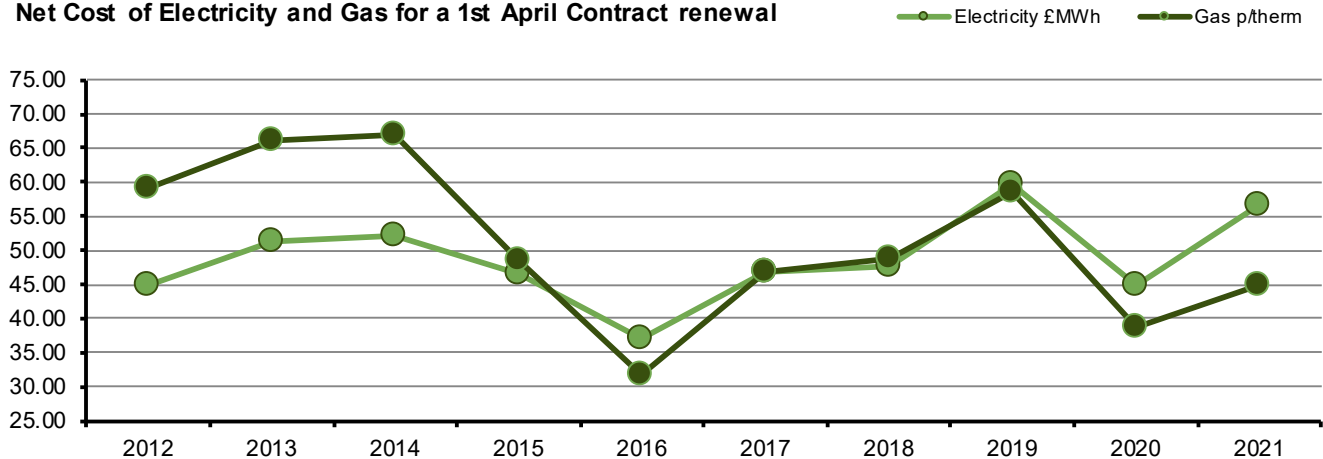


Report issued: 13th January 2021

Net Cost of Electricity and Gas for a 1st April Contract renewal



Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
59.05	66.14	66.83	48.40	31.83	46.85	48.74	58.47	38.65	44.73

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
59.05	66.14	66.83	48.40	31.83	46.85	48.74	58.47	38.65	44.73

Week commencing 4th January 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$50.94	46.88	£56.65	\$0.00	-5.4
End	\$55.33	47.66	£57.32	\$69.70	-4.6

UK gas saw a rollercoaster ride of price movements last week, with the Feb'21 contract seeing a low of 52p/th on Wednesday, before peaking at 61.70p/th on Friday. Initial bearishness stemmed from an upward revision to January temperature forecasts and news of UK and European lockdowns, with selling activity seemingly exaggerated by profit taking. This was short lived however as prices surged higher at the end of the week as the market focussed on tight supply and demand fundamentals going forward. European LNG supplies look set to remain tight with a continued surge in the Asian market, whilst Sudden Stratospheric Warming could bring cold weather towards the end of January, putting more strain on European gas storage sites. Tight margins caused prompt power to spike last week, with prices for Wednesday delivery trading up at £175/MWh at the DA stage, with block 5 reaching £600/MWh. Two capacity market notices were called amid the tight margins. Surging gas down the curve due to cold weather and low LNG arrivals helped lift power along with gains in carbon.

Week commencing 21st December 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$52.17	41.14	£51.43	\$68.45	-9.5
End	\$50.95	44.22	£54.23	\$69.90	-7.8

A sharp downward revision in temperatures across continental Europe saw prices spike throughout last week in the UK gas market. Wind generation remained strong yet this alone could not cap prices as doubts continued to be placed on future LNG imports in Q1'21, driving off price rises on Asian LNG as regional temperatures also plummeted. With cargoes previously bound for Europe diverting to Asia. Bullish fundamentals across the energy complex last week saw prices rise across the UK Power curve. Falling temperatures, the UK-EU trade agreement announcement and further LNG supply being diverted from Europe to Asia placed upward momentum to the Q1'21. Surging COVID-19 infection rates did cap prices rising further however as lockdowns were expected to intensify in an attempt to slow the second-wave.

Week commencing 28th December 2020

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$50.95	44.22	£54.23	\$69.90	-7.8
End	\$50.94	46.88	£56.65	\$0.00	-5.4

Last week saw positive performance across the energy complex. The NBP led with pronounced strength. High Asian premiums have seen LNG cargoes being diverted away from Europe and into Asia, prompting NBP prices higher due to supply chain disruptions. This disruption is further emphasised with colder temperatures across Britain coupled with projections that point towards colder than seasonal norm temperatures for the week ahead. This has driven demand higher, supporting the NBP curve. Dec 21 EUAs have gained, on the announcement of a Brexit deal, though this strength was largely faded throughout last weeks trading as momentum faded. The UK Baseload curve tracked gains in the NBP curve. This is due to high demand for heat generation as temperatures are expected to remain cold in the near-term, additionally weak NBP storage levels has provided wider price support. Elsewhere Brent prices were slightly lacklustre across the week, despite congress agreeing on a \$900bn support package, a surge in COVID-19 cases has deterred the short-term economic health of the US economy with officials pressuring the government to initiate a national lockdown.

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.

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.