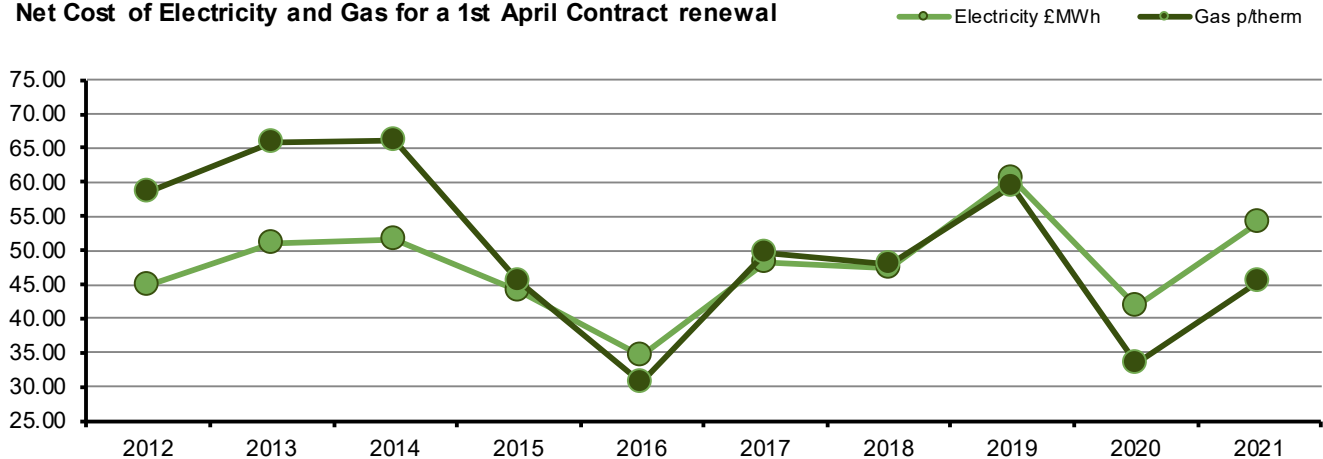


Report issued: 27th January 2021

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
44.88	50.93	51.55	43.98	34.43	48.15	47.44	60.52	41.75	54.04

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
58.63	65.84	66.07	45.37	30.57	49.48	48.06	59.43	33.52	45.46

Week commencing 18th January 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$54.78	46.31	£55.44	\$69.25	-8.0
End	\$55.50	48.82	£57.48	\$66.80	-3.5

Volatility continued to dominate gas movements last week, with the market very sensitive to weather forecasts. The curve closed higher on the week, as colder weather and lower wind generation is expected at the start of February, both pushing up gas demand and reliance on storage. Market participants have been worried that further cold snaps could leave gas storage at low levels by the end of winter, however key weather and LNG uncertainties remain. Slightly more LNG arrivals are expected in February, however Asian prices still hold a strong premium to Europe. Reduced renewable output and a tight system expected for wk4 saw prompt power prices rise on Friday with the day-ahead contract closing up at £100.67/MWh. Curve contracts also moved higher through the week, tracking gains in gas and carbon primarily as temperatures were revised down over the coming weeks.

Week commencing 11th January 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	\$55.33	47.66	£57.32	\$69.70	-4.6
End	\$54.78	46.31	£55.44	\$69.25	-8.0

UK gas saw extreme volatility last week – it rose to multi-year all-time-highs in the beginning of the week, only to subsequently give up all of the gains and to close at or below where it was trading last month. Such volatility was brought to the market by: Instability of weather forecasts – issuing bullish forecasts in the beginning of the week for Jan-21 and Feb-21, MetOffice then revised its view predicting European temperatures to outturn within seasonal normal span and stronger winds to support renewable generation. However, MetOffice kept emphasising the uncertainty of their forecasting models, thus not removing the weather risk completely from the market. Asia was bidding aggressively for LNG cargoes in the beginning of the week, causing NBP and TTF to follow. However, warmer-than-expected temperature caused a significant correction. UK power contracts traded differently depending on their delivery dates: Tight margins pushed DA Baseload and Peakload contracts to new record highs on Thursday. Down the curve, prices continued to decline on the back of falling gas prices and no LNG arrivals scheduled in the nearest future. Technical profit taking could also take place on the father-dated contracts following impressive rally in the beginning of the week.

Week commencing 4th January 2020

	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/therm on Wednesday, before peaking at 61.70p/therm 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 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.

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.