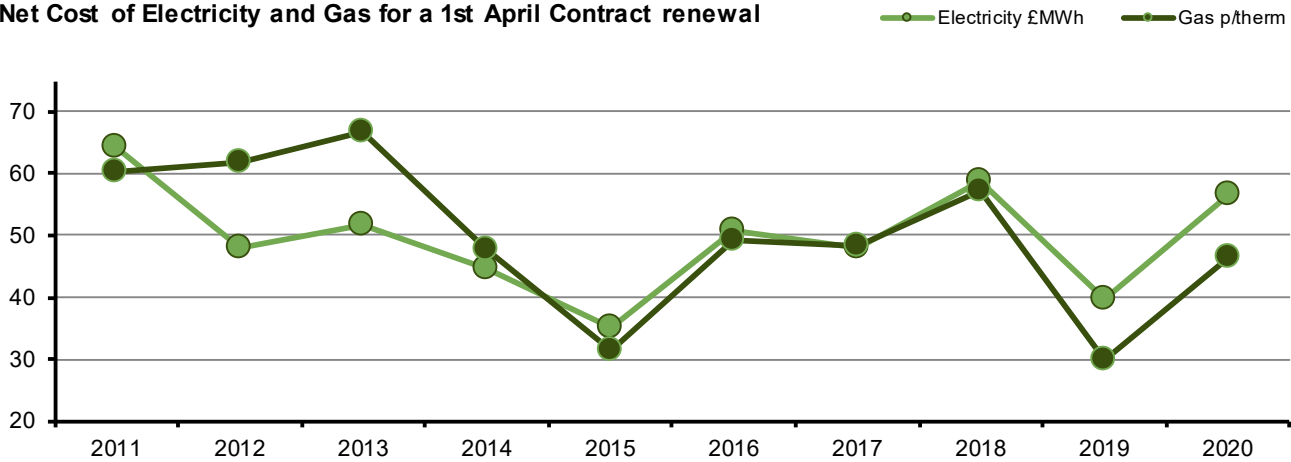


month on month marketview

Review of: 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	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.

December in summary

A bullish month for prices with overall an increase amid colder than normal weather and LNG supply disruptions as high Asian LNG premiums saw cargoes diverted away from Europe and into Asia.

Market volatility

Volatility in December was a result of seasonal fundamentals with the last week of December seeing prices surge on the back of cooler weather and high Asian LNG premiums, which saw cargoes, diverted away from Europe and into Asia, thus pushing up gas prices due to supply chain disruptions.

Weather

The first week of December was unsettled and turned increasingly cold, with low pressure becoming slow-moving and giving spells of rain, with sleet and snow over high ground and locally to low levels. It turned milder from the 8th, while remaining generally wet. A south-to-south-westerly type dominated from the 13th to 23rd bringing bands of rain interspersed with brighter showery weather, with strong winds at times. It became colder during the last week, with widespread wet and windy weather from Storm Bella on the 26th, and cold and unsettled weather continued during the last few days with lying snow penetrating to low levels in some counties.

Gas, Storage and LNG News ▲

The start of December saw a relatively mixed performance across the energy complex with Gas prices well supported holding momentum above the 42.57p/therm settlement price, though high LNG flows saw these gains being reversed. Demand also picked up during this period - rising above seasonal norms, which further supported gas contracts along with strong Asian gas pricing luring LNG cargoes East. News of Norwegian strike threats however saw losses largely recovered with prices continuing to rise as risk of supply being made offline, prompting prices higher on tight supply margins coupled with heightened uncertainty.

The middle of the month saw mixed performance, with Gas & Electricity prices declining. Gas declined on falling demand and bearish fundamental conditions including warmer temperatures and higher wind output. Additionally, LNG arrivals contributed to further weakness on the short term Gas contracts, further supported by greater flows from Norway despite an oversupplied grid.

The final week of the year saw huge gains across the energy complex. High Asian premiums saw LNG cargoes diverted away from Europe and into Asia, thus pushing up gas prices due to supply chain disruptions. This disruption was further emphasised with colder temperatures across Britain coupled with projections that pointed towards colder than seasonal norm temperatures for the weeks ahead.

Politics and global economics ▲

Furthermore, the recently discovered mutated COVID-19 strain that was discovered in the UK has now been found in the US, suggesting starkly higher cases of COVID-19 in the US to come.

Oil ▲

Oil had a bullish month as Brent gained \$1.35/barrel as the commodity was kept upbeat on vaccine potential combined with expectations of OPEC to agree on supply cut extensions. Oil continued to rise \$0.74/barrel, prices were pressured by rising COVID-19 cases in the U.S., with officials citing lockdown potential whilst vaccine hopes kept prices somewhat afloat.

The Bull Run continue towards the end of the month and gained \$2.37/barrel. Gains were driven predominantly by reports that congress has been made progress on the highly anticipated US fiscal stimulus bill, fuelling the prospects of oil product demand recovery. A firm date and further details around this stimulus package will likely provide strong bullish momentum to oil markets.

Coal ▲

Coal prices saw a strong upside this month, with an increase of 12%. Despite this, we saw TTF DA deeper into the range compared to the end of November. This indicates that a recent strong price upside in TTFDA has been in greater degree driven by bullish gas fundamentals than by external fuels upside.

Carbon ▲

Carbon gained €1.76/tonne at the start of the month and broke above the €25.50-27/tonne range, an area of importance highlighted in previous market reports. Consequently, prices pushed higher but reached a resistance of €30/tonne, which may see a short-term reversal. Prices continued to gain in the month and broke above €30/tonne. The end of the year showed prices surge to €33/tonne on the 24th of December on the announcement of a Brexit deal, though this strength was largely faded throughout last week's trading as momentum faded.

Looking Ahead

The first few months of 2021 are predominately going to be hanging on cooler weather and LNG supply concerns. We expect total Norwegian exports in January at 335mcm/d, a small upside from December supported by fewer maintenances and a view that flexible fields will continue strong. The latest Gassco scheduled suggests only four minor maintenances in January. The combination of higher demand and outlook for lower LNG arrivals in January should tighten the January balance supporting strong Norwegian supply to the UK.

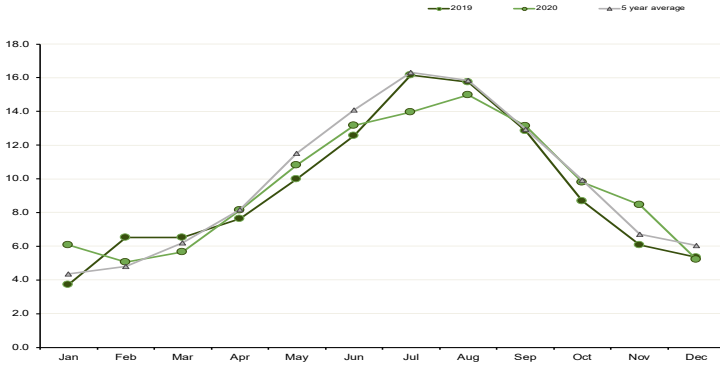
Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change.

ECA cannot be held responsible for movement in the commodity market.

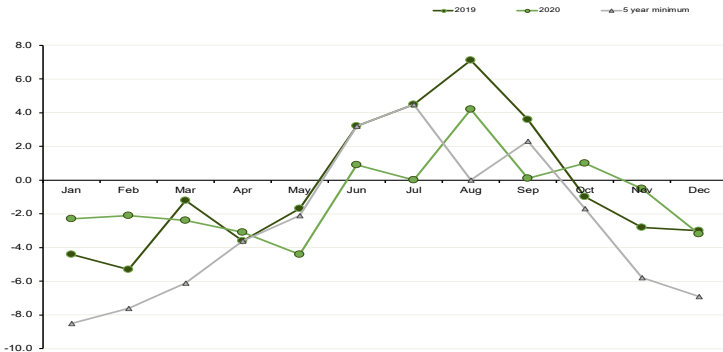
month on month marketview

Review of: December 2020

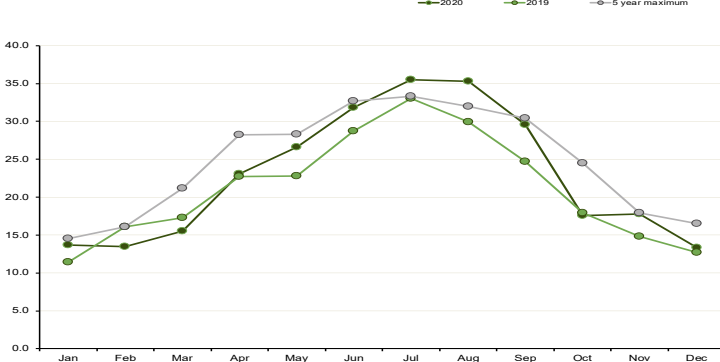
Average Temperature



Minimum Temperature



Maximum Temperature



Met office UK summary

The first week of December was unsettled and turned increasingly cold, with low pressure becoming slow-moving and giving spells of rain, with sleet and snow over high ground and locally to low levels. It turned milder from the 8th, while remaining generally wet. A south-to-south-westerly type dominated from the 13th to 23rd bringing bands of rain interspersed with brighter showery weather, with strong winds at times. It became colder during the last week, with widespread wet and windy weather from Storm Bella on the 26th, and cold and unsettled weather continued during the last few days with lying snow penetrating to low levels in some counties.

Average temp: 2020: Summary

2020 Summary v 5 Year Average

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

	2020	Nov	Dec	Year total
°C		1.8	-0.8	-0.2
%		26.1%	-13.8%	-2.1%

2019 v 2020 Summary

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

	2020	Nov	Dec	Year total
°C		2.4	-0.1	0.2
%		39.2%	-2.1%	2.4%

Min temp: 2020: Summary

2019 Summary v 5 Year Average

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

	2020	Nov	Dec	Year total
°C		5.3	3.7	4.1
%		-91.4%	-53.6%	-48.2%

2019 v 2020 Summary

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

	2020	Nov	Dec	Year total
°C		2.3	-0.2	0.9
%		-82.1%	6.7%	-17.0%

Max temp: 2020: Summary

2020 Summary v 5 Year Average

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

	2020	Nov	Dec	Year total
°C		-0.1	-3.2	2.2
%		-0.6%	-19.4%	6.6%

2019 v 2020 Summary

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

	2020	Nov	Dec	Year total
°C		3.0	0.6	2.5
%		20.3%	4.7%	7.6%

Utility impact summary

December saw support for market pricing on the back of colder than normal seasonal temperatures.

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.