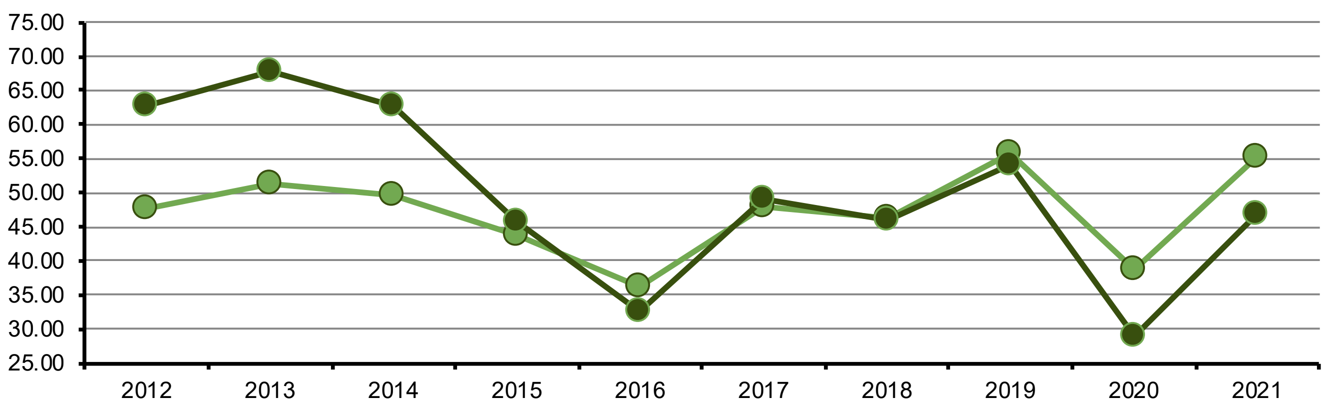
week on week
marketview

Report issued: 10th February 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
47.75	51.40	49.65	43.80	36.16	47.90	46.20	55.89	38.64	55.20

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
62.83	67.68	62.70	45.58	32.52	48.95	46.12	53.96	28.86	46.71

Week commencing 1st February 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$55.95	46.83	£56.16	$69.60	-6.0
End	$59.52	46.48	£56.76	$67.60	-5.5

NBP gas remained rangebound last week as cooler temperature forecasts were continuously updated for Week 6 and 7. There remained large differences between weather models offering markedly different prospects for demand. NTS system remained oversupplied throughout last week as LNG send out remained strong and LNG cargo arrivals to the UK were seen higher than January schedule, due to falling Asian LNG demand. Strong interconnector flows via IUK and BBL due to the NBP premium over European hubs contributed to NTS system length. UK Power front week contracts remained rangebound in line with falling Gas contracts, as forecasts for greater wind production in Week 6 and warmer temperatures in Week 7 contributed towards bearishness of the Power curve. However, Gains in Carbon, Coal and Oil markets kept the far curve Power contracts supported.

Week commencing 25th January 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
Start	$55.50	48.82	£57.48	$66.80	-3.5
End	$55.95	46.83	£56.16	$69.60	-6.0

The return of LNG send-out to the European market combined with the reduced risk of cold-snaps over the coming weeks pushed down the UK gas market last week. Spot LNG cargoes were largely absent from UK shores for much of the first three weeks of January, however softening Asian demand saw a further five cargoes announced last week, set for delivery in the first two weeks of February and reducing the strain on storage to meet supply. UK Power followed the downward trend across the continental gas market for much of last week as warmer temperatures and reduced supply concerns softened prices across the curve. The greatest drop was seen in prompt with the week-ahead contract falling £11.52/MWh as strong renewable forecasts added to the increased LNG supply to the UK energy complex.

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.