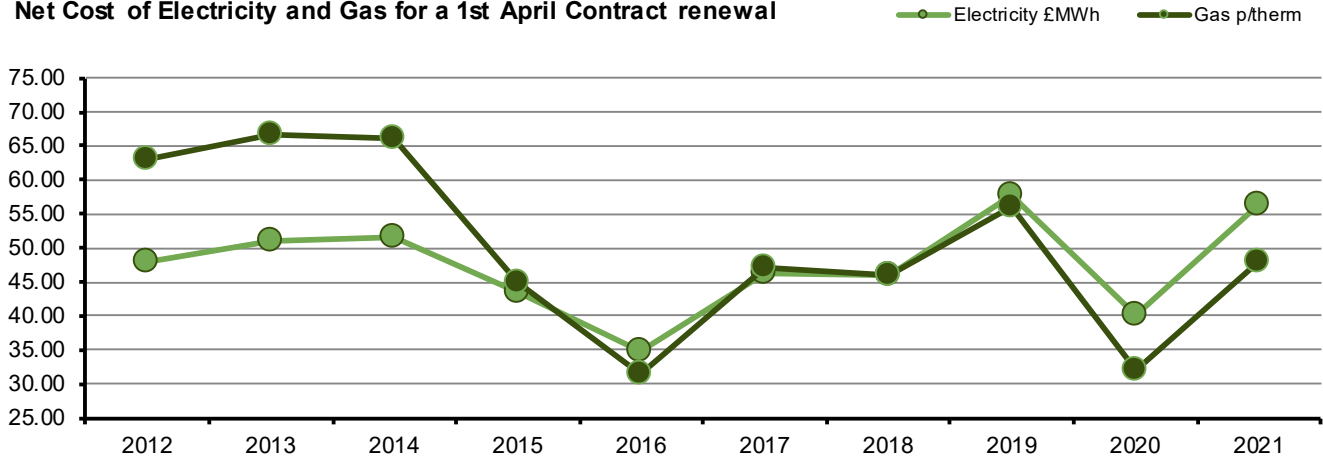


month on month marketview

Review of: 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
50.33	51.93	51.75	44.18	36.45	44.65	44.9	55.33	40.3	51.98

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
64.61	67.39	63.6	46.28	33.63	46.83	45.73	54.83	33.58	44.9

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

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

January 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 January was largely weather driven with supply concerns and cold temperatures. The markets ended the month higher in comparison to the end of December.

Weather

The first ten days of January were generally cold, with wintry showers in places in the first week and more general precipitation on the 7th and 8th. It turned milder and wetter in the south from the 10th, but colder air persisted at times in the north, resulting in some snow at the frontal boundary. Storm Christoph brought very wet and windy weather between the 19th and 21st, with many stations having over 100 mm of rain. It was colder from the 22nd to 25th with snow in places, mainly in the west and the Midlands. From the 26th, it turned mild and wet in the south, but remained generally cold in Scotland.

Gas, Storage and LNG News ▲

The start of January saw positive performance across the energy complex. Gas rose to yearly highs following strong demand supported by generally colder than seasonal norm temperatures. National Grid also supplied 2 margin notices that were withdrawn as units were called into the balancing mechanism to provide power supply to meet national demand. Additionally, risk that LNG supplies were to be redirected for delivery in Asia as premiums remained lucrative.

Gas continued to surge higher reaching highs of 83.50p/therm. The NBP contract gained 10p/therm on the day due to starkly colder than seasonal norm temperatures coupled with continued low LNG arrivals into the UK. Contracts were helped by the imminent threat of colder weather. Overall bullishness continued across the energy complex as contracts were spurred higher by cold temperatures, forecasts of cooler temperatures at the start of February, rumours of French nuclear workers striking and dwindling storage levels.

The final week of the month was a volatile week across the energy complex eventually seeing contracts dropping lower, although not without some fight. Front month gas began the week well bid, gapping higher at the open by 2.30p/therm, likely due to snowfall that weekend and lower temperatures but this was short lived as the contract began excessively shedding value. Feb 21 NBP slid to 55.55p/therm, almost 7p/therm below the open with weakness largely attributed to the expectation of more LNG reaching UK shores in Q2 as well as a weaker prompt market due to strong demand being well met.

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.

Politics and global economics ▲

Infection rates remained high, with 1 in 55 (1.87%) of the population estimated to have the coronavirus (COVID-19) in the week ending 23 January 2021 (Coronavirus (COVID-19) Infection Survey (CIS)).

Oil ▲

March 21 Brent gained \$4.45/barrel primarily due to Saudi Arabia's surprise oil production cut amounting to 1 million barrels per day, though concerns still exist around the commitment of other OPEC members to do the same in order to support prices. With gas and power prices taking the limelight, oil and carbon were much less spoken about despite oil reaching highs not seen for c. 11 months. Mar 21 Brent traded up to highs of \$57.42/barrel before failing to sustain this level with rising COVID-19 cases, new variants and increased air travel restrictions dampening the demand recovery outlook. The contract eventually settled the week \$1.14/barrel lower.

Coal ▲

The recent bullish run on the NBP prompt in conjunction with slower wind speeds and strong LDZ demand has seen coal return to the power mix with prices in the switching zone and above the average CSP for the first time in two years.

Carbon ▲

Carbon helps support the electricity curve. Dec 21 EUAs gained €2.22/tonne at the start of the month, bolstered by a bullish energy complex. Carbon spent most of the week falling lower, despite prices momentarily pushing to a high of the week amid extreme bullishness in gas and power. With prices failing to take direction from strong gas and power, the sell-off from both commodities later in the week seemed to manage to drag carbon lower.

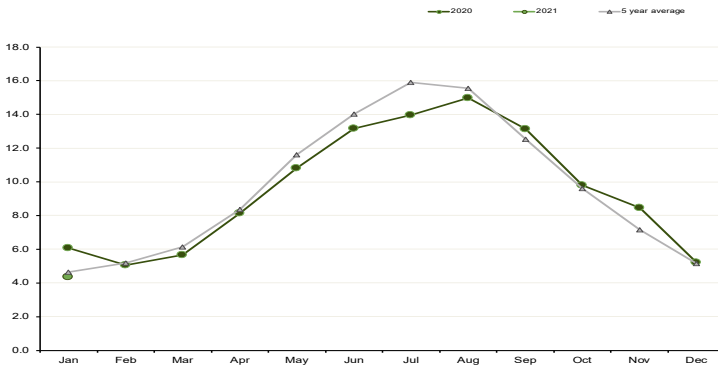
Looking Ahead

Weather is expected to have an ongoing bearing on prices as we move through winter with cold spike particularly being susceptible leading to price spikes. Coupled with this is the LNG concern however NBP-TTF FEB21 spread last traded at 7.7p/th supporting a continuation of strong deliveries to the UK.

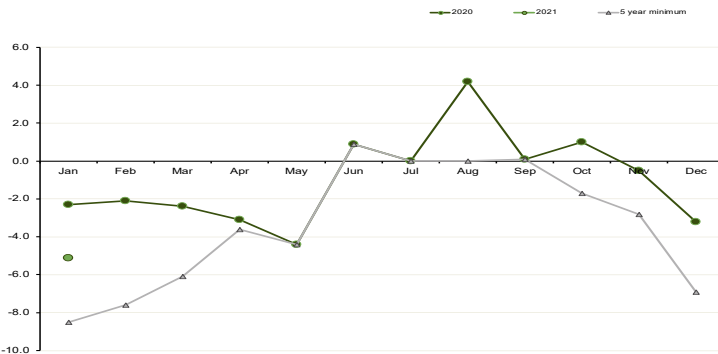
month on month marketview

Review of: January 2021

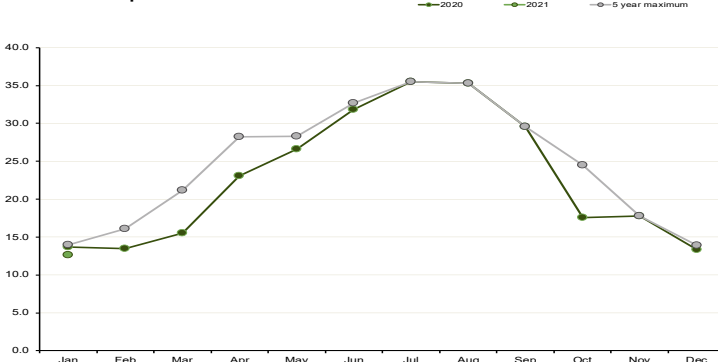
Average Temperature



Minimum Temperature



Maximum Temperature



Met office UK summary

The first ten days of January were generally cold, with wintry showers in places in the first week and more general precipitation on the 7th and 8th. It turned milder and wetter in the south from the 10th, but colder air persisted at times in the north, resulting in some snow at the frontal boundary. Storm Christoph brought very wet and windy weather between the 19th and 21st, with many stations having over 100 mm of rain. It was colder from the 22nd to 25th with snow in places, mainly in the west and the Midlands. From the 26th, it turned mild and wet in the south, but remained generally cold in Scotland.

Average temp: 2021: Summary

2021 Summary v 5 Year Average

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

2020/21	Dec	Jan	Year total
°C	-0.8	-0.3	-0.3
%	-13.8%	-6.3%	-6.3%

2020 v 2021 Summary

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

2020/21	Dec	Jan	Year total
°C	-0.1	1.7	1.7
%	-2.1%	-28.5%	-28.5%

Min temp: 2021: Summary

2021 Summary v 5 Year Average

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

2020/21	Dec	Jan	Year total
°C	3.7	3.4	3.4
%	-53.6%	-39.8%	-39.8%

2020 v 2021 Summary

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

2020/21	Dec	Jan	Year total
°C	-0.2	-2.8	-2.8
%	6.7%	55.1%	55.1%

Max temp: 2021: Summary

2021 Summary v 5 Year Average

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

2020/21	Dec	Jan	Year total
°C	-3.2	-1.4	-1.4
%	-19.4%	-10%	-10%

2020 v 2021 Summary

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

2020/21	Dec	Jan	Year total
°C	0.6	-1.1	-1.1
%	4.7%	-8%	-8%

Utility impact summary

January 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.