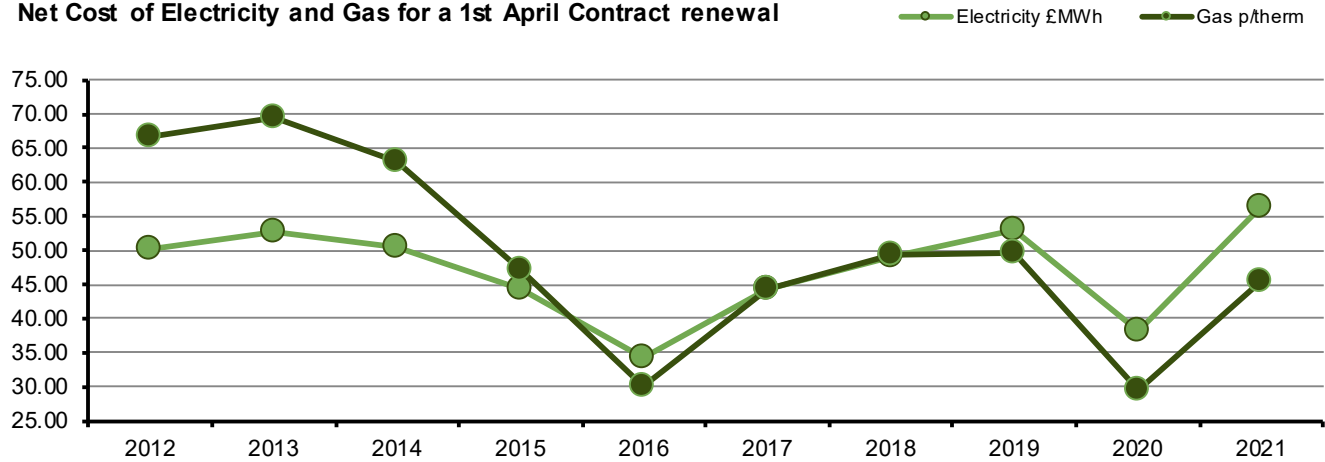


Report issued: 17th March 2021

## 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
50.22	52.79	50.56	44.22	34.18	44.32	49.04	52.97	38.12	56.43

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
66.67	69.48	63.13	47.08	30.01	44.41	49.44	49.66	29.60	45.53

### Week commencing 8<sup>th</sup> March 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$68.99	45.53	£56.43	\$65.60	-2.2
<b>End</b>	\$69.41	50.34	£60.94	\$68.10	-1.0

Driven by temperatures staying in line with seasonal norm, windy conditions in the prompt and plentiful LNG supply in the beginning of the week, gas started the week in red. However, a swift recovery followed as prices surged during the remainder of the week. The rally was attributed to rising Asian spot LNG prices, very low level of UK gas storage and temperatures being revised slightly downward across Europe. Following the wider energy complex, the UK Power curve rose last week despite ample supply and the system remaining mostly long. Nevertheless, even though prompt contracts weakened due to bearish fundamentals, the curve jumped in line with bullish momentum across carbon and gas.

### Week commencing 1<sup>st</sup> March 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$66.17	42.69	£53.87	\$67.90	-6.2
<b>End</b>	\$68.99	45.53	£56.43	\$65.60	-2.2

Last week saw the complex post gains due to strength late in the week. Gas and power markets posted gains on Monday but were met with losses on Tuesday and Wednesday as the LNG arrivals roster looked healthy with suggestions that cooler temperatures would not last past mid-March. However, Thursday and Friday saw the markets push higher. Further exacerbating matters is the fact that premiums between the NBP and TTF shrunk on Friday, which could hamper imports and further weaken the supply picture. Also supporting moves higher late in the week was strength in carbon. Oil markets again showed some signs of weakness early in the week with the market pricing in expectations of OPEC+ easing supply cuts due to the recovery in Crude pricing.

### Week commencing 22<sup>nd</sup> February 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$63.76	43.84	£54.40	\$66.00	-6.1
<b>End</b>	\$66.17	42.69	£53.87	\$67.90	-6.2

Last week saw gas and power contracts drift mostly sideways. Warmer temperatures for the week, through to the weekend, helped dampen contracts early in the week. Further helping price softening was a well balanced NTS with demand some way below seasonal norms. Contracts were then lifted higher into the middle of the week as a mixture of planned and unplanned Norwegian outages reduced flow to the UK, some of which expected to last into March. Contracts along the curve saw day-on-day increases from Tuesday to Wednesday before returning to weakness through to the end of the week. Losses were dispelled further along the curve with Winter 21 contracts ticking slightly higher. Carbon endured a volatile week, the contract touched highs of €39.68/tonne on Thursday before falling off a cliff on Friday. Oil continued its fairly stable weekly gains as output was noted to be slow to recover from the Texas freeze.

### Week commencing 15<sup>th</sup> February 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$61.53	45.59	£56.38	\$68.50	-2.1
<b>End</b>	\$63.76	43.84	£54.40	\$66.00	-6.1

UK gas contracts crashed off last week as temperature forecasts were significantly revised up across Europe, whilst strong LNG imports are also expected over the coming weeks. Both these factors have taken reliance off storage withdrawals going forward after EU levels reached down to c.40%, 25% lower than this time last year, and 6% lower than 2019. Although temperatures are forecast to be above normal over the near-term, the market will still be sensitive to any changes in either Europe or Asia. A small surge in prices was briefly seen mid last week as some unplanned Norwegian outages, lower Russian flows and a reduction in U.S. feedgas flows worried the market, however this was short lived. UK power contracts shed value last week as a comfortable gas market outlook amid mild weather and strong LNG supply weighed heavily on prices, whilst weak fundamentals and technical selling also led carbon lower.

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.