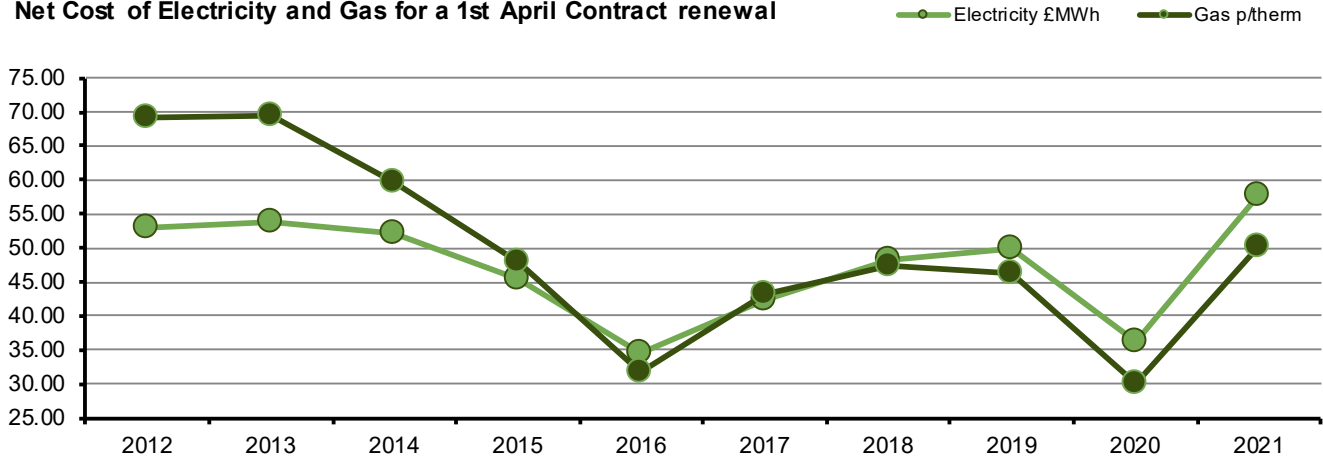


month on month marketview

Review of: 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
52.95	53.83	52.13	45.48	34.63	42.48	48.13	49.90	36.33	57.70

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
69.28	69.56	59.75	48.05	31.73	43.08	47.28	46.15	30.17	50.08

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

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

March in summary

European gas prices have been bullish of late rising steadily since the beginning of March as markets priced in the risk of low storage levels, exacerbated by the recent cold spell and surge in heating demand of which we have not seen since 2018.

Market volatility

Volatility through March has come from the below seasonal norm temperatures, rampant carbon prices, low storage levels and finally the blockage in the Suez Canal.

Weather

The first week of March was cold but largely settled, followed by a disturbed spell of weather from 9th to 12th. Many areas were predominantly dry during the second half of the month, although western and northern areas saw persistent rain during 24th to 30th. The second half of the month was also much warmer, especially the last three days.

Gas, Storage and LNG News ▲

The start of March saw gains on gas & power however were met with healthy LNG arrivals along with suggestions cooler temperatures would not last past mid-March.

Prices then surged higher as the month went on, led by rampant EUAs breaking into new highs above €42/tonne. Gas prices were subdued, as supply stack looked comfortable with the expectation of several LNG vessels to reach UK shores helping to allay supply fears.

The UK also faced dwindling storage levels throughout March, which was bullish on prices, lending to the hikes we saw. The was also vulnerable with Norwegian outages and cold temperatures pushing prices up, however strong LNG outflow helped keep the undersupply minimal.

Towards the end of the month, we saw strength across gas and power contracts that was fuelled by the Suez Canal blockage caused by the Ever Given, which had run aground amid high winds and a sandstorm that affected visibility. The blockage held up an estimated \$9.6bn of goods per day, caused prices to jump within week.

Politics and global economics ▲

European countries began to raise concerns with the Oxford- Astra Zeneca vaccine and reports of blood clots, causing countries to halt vaccine rollout from this provider, stemming demand recovery timelines.

Oil ▲

Oil markets showed some signs of weakness early in the month with the market pricing in expectations of OPEC+ easing supply cuts due to the recovery in Crude pricing. Oil continued the downward movement into the month largely caused by losses linked to a stronger dollar and attacks on Saudi oil infrastructure proving unsuccessful at causing a supply disruption. However, the dollar reversed, equities gained, demand curves were marked higher, and the US saw large drawdowns in fuel inventories. Drastic losses were suffered later in the month after strength linked to demand recovery and generally, positive fundamentals propped up prices to around \$70/barrel.

Brent prices grappled with similar coronavirus impacts with the Suez blockage causing opposing pressure. This often saw the May 21 Brent contract in c. \$4/barrel ranges. May 21 Brent eventually settled the week just \$0.04/barrel higher, struggling to find sustained support either way.

Coal ▲

The front-year coal contract is now trading at a two-year high of €75.70/MWh as buyers fret about more Chinese mine closures considering the recent spate of accidents and deaths.

Carbon ▲

Carbon contracts gained just under €1.50/tonne early in the month, which saw prices push above €39/tonne once again. This strength in carbon saw strong support lent to power pricing with impressive weekly gains down the curve.

These gains only continued throughout the month breaking into several new highs and settling not far off €43/tonne. Support came largely from strength in equities as well as breaking through several key technical levels and the note earlier in the week from a European Commission official that advised against new measures to prevent carbon market intervention to curb speculation.

Carbon weakness came through towards the end of the month with third COVID-19 waves across Europe, slow vaccine rollouts, and increasing restrictions played a part in weakness, raising concerns over the expected demand recovery timeline. EUAs did end the week strongly though, possibly due to speculative dip-buying as the Dec contract rose over €1/tonne.

Looking Ahead

Going forwards, we are expecting the warmer weather to have a bearish impact on prices as there is still some element of cold weather risk premiums still included into prices. On the bullish side, the slowdown of LNG send out and Qatari maintenance along with strong Asian restocking will have a bearing on prices. Continental storage inventory will remain a bullish concern until we reach levels markets deem sufficient. Strong gas for power demand in the UK, weaker renewable outlook, and heavy nuclear maintenance.

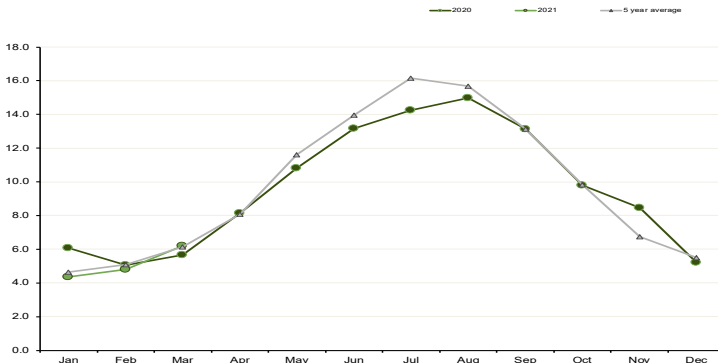
Disclaimer: The above information is based on current market data available at the time of producing this document and is subject to change.

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

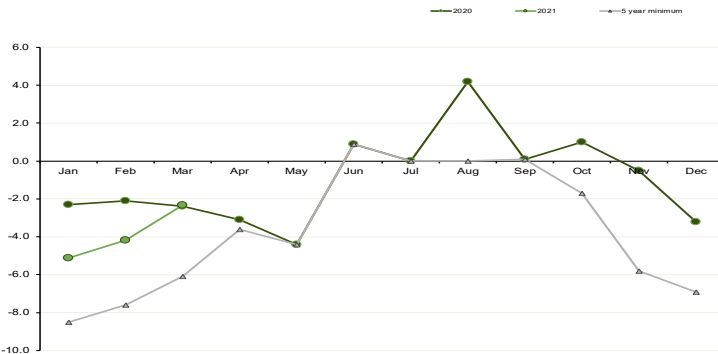
month on month marketview

Review of: March 2021

Average Temperature



Minimum Temperature



Maximum Temperature



Met office UK summary

The first week of March was cold but largely settled, followed by a disturbed spell of weather from 9th to 12th. Many areas were predominantly dry during the second half of the month, although western and northern areas saw persistent rain during 24th to 30th. The second half of the month was also much warmer, especially the last three days.

Average temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Feb	Mar	Year total
°C	-0.3	0.1	-0.3
%	-5.9%	1.3%	-0.1%

2020 v 2021 Summary

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

2021	Feb	Mar	Year total
°C	-0.3	0.5	-1.0
%	-5.3%	9.7%	-0.2%

Min temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Feb	Mar	Year total
°C	3.4	3.8	3.4
%	-45.0%	-62.0%	-42.4%

2020 v 2021 Summary

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

2021	Feb	Mar	Year total
°C	-2.1	0.1	-2.5
%	49.8%	-3.4%	52.4%

Max temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Feb	Mar	Year total
°C	-1.4	-4.6	-1.9
%	-10%	-21.7%	-12.6%

2020 v 2021 Summary

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

2021	Feb	Mar	Year total
°C	-1.1	1.1	-0.5
%	-8%	7.1%	-3.4%

March saw market-pricing rising on the back of colder than normal seasonal temperatures.

When you switch your heating on 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.

As the evenings begin to grow lighter, adjust any automatic lighting timers to ensure lights are not switching on needlessly.