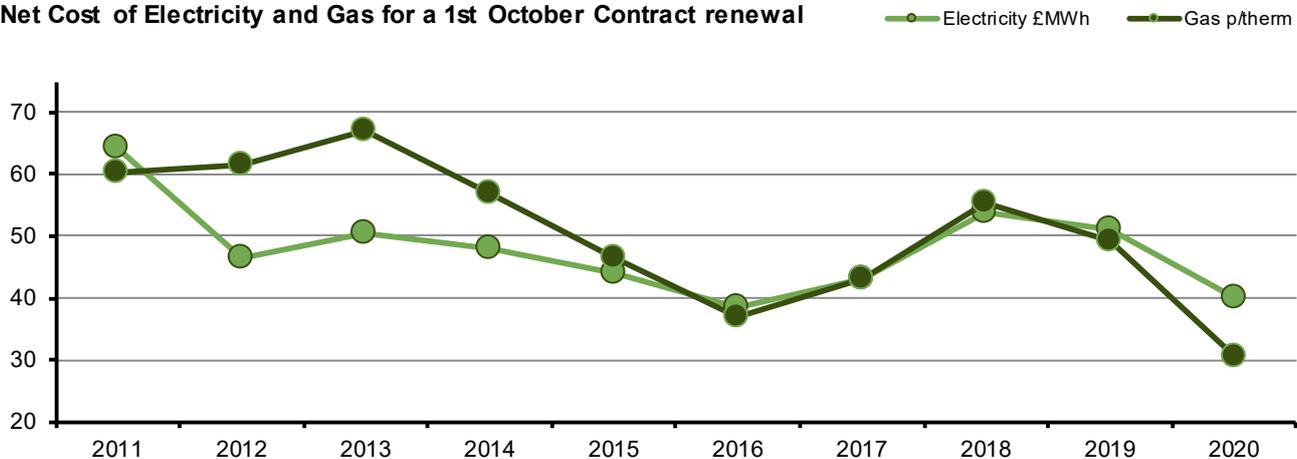


Report issued: 16th June 2021

## Net Cost of Electricity and Gas for a 1st October Contract renewal



### Electricity: base load cost - excludes distribution, taxation and supplier margin and costs

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
46.65	51.27	48.84	43.95	37.54	42.93	53.97	52.03	39.73	69.45

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

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
61.68	67.82	57.41	45.9	35.12	43.08	55.68	46.95	29.47	58.09

### Week commencing 7<sup>th</sup> June 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$71.56	63.74	£72.95	\$101.50	5.9
<b>End</b>	\$72.83	69.72	£75.34	\$120.15	8.1

Prices lifted across the complex, with gas particularly strong after a gap at the open on Tuesday which helped to set the tone for the week with prices only losing steam come Friday. Thursday, front month gas had reached highs not seen since January this year. Sentiment was maintained until Friday where a lacklustre start to the day led to prices dipping. Storage remains extremely low, with levels still below 2018, however, injections for once looked high as demand sat some way below seasonal norms and prompt prices lower than front month contracts gave incentive for storage levels to creep higher. Carbon, although sometimes taking a backseat to gas, proved a catalyst for bullish pricing last week too. Prices moved higher through to Friday as well before a mid-morning sell off lasted until the close, giving up value and leaving the contract up €2.70/tonne from the start of the week which would have seemed a conservative view if mentioned on Monday. Oil prices remained stable above \$70/barrel although trading ranges of \$2 meant the consistent gains last week were not fully reflective of within day trading. Aside from usual Covid impacts and changeable views of demand recovery, news that the U.S were unlikely to lift certain sanctions on Iran provided relief that the nation would not flood the market with supply.

### Week commencing 24<sup>th</sup> May 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$66.52	62.37	£75.04	\$88.00	5.4
<b>End</b>	\$69.72	61.07	£75.24	\$95.40	6.0

Gas saw a rebound last Tuesday due to a heavy Norwegian maintenance schedule, rerouting of flows top Europe and lower LNG sendout. Low UK and European Gas Storage stock levels, along with a volatile Carbon market led to a bullish movements on the curve. This bullishness was short lived however, with prices crashing off near the end of the week as the arrival of warm weather was expected to weigh heavily on demand and finally give storage sites a chance to inject. LDZ demand out-turned around 70mcm/d over the weekend, down from c.120mcm/d a week ago. Wind output across Europe is expected to remain below normal due to the more settled conditions, however solar generation is to remain strong. Key risks still remain as the market remains tight with low storage levels and LNG import competition with Asia.

### Week commencing 31<sup>st</sup> May 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$69.72	61.07	£75.24	\$95.40	6.0
<b>End</b>	\$71.56	63.74	£72.95	\$101.50	5.9

Last week saw UK gas and power push higher on a short trading week thanks to the bank holiday. Most of this strength was due to a gap higher on Tuesday despite somewhat comfortable prompt fundamentals with temperatures well above seasonal norms and storage injections underway across Europe. The rest of the week was spent drifting lower from this high open as price action seemed to follow warmer weather, a strong roster of LNG arrivals to the UK, and losses in carbon contracts. The race is still on however to fill European storage levels, which still sit relatively depleted or the time of year ahead of Winter and could continue to support pricing through the summer injection season. Carbon markets posted gains in the first few days of trading reaching a high of €53.30/tonne on Tuesday before the rest of the week was spent sliding lower to close below €50/tonne. Brent markets continued to trek higher with the August contract first pushing above \$70/barrel then quickly trading above \$71/barrel. Strength was linked to OPEC+ showing a strong agreement amongst members to only continue to add supply at a slow rate in line with increased demand rather than flooding the market as well as crude stockpile drawdowns and slowing Iranian nuclear deal talks.

### Week commencing 17<sup>th</sup> May 2021

	Oil (bbl)	Gas (ppt)	Power (MWh)	Coal (MT)	Market Index
<b>Start</b>	\$68.33	67.68	£79.17	\$87.50	8.1
<b>End</b>	\$66.52	62.37	£75.04	\$88.00	5.4

Gas contracts climbed higher last week, with temperatures expected to remain slightly below normal over the coming weeks, whilst wind generation forecasts are low in the short term. Supply uncertainty also remains as Norwegian maintenance is set to ramp up from May 15th, with Europe set to be reliant on competitive LNG imports to fill up storage levels. European gas storage inventories currently stand at 33% full, compared to 68% in 2020 and 53% in 2019. Additional support fed from the relentless bull run in carbon as it continually sets new all-time highs. UK power jumped higher as the relentless surge in EU carbon and UK gas continued. Spark spreads have also been quite volatile recently, some of which could be attributed to the impending start of the UK ETS, with the first auction scheduled for this Wednesday.

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.