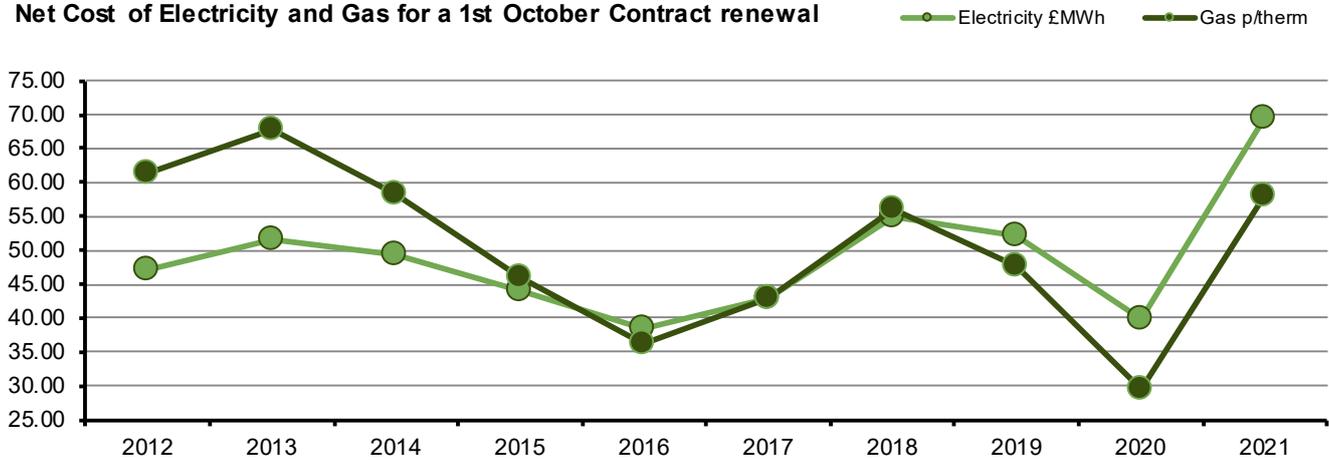


month on month marketview

Review of: May 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
46.96	51.51	49.2	43.95	38.3	42.9	54.98	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
61.33	67.7	58.2	45.9	36.11	42.84	55.92	47.74	29.47	58.09

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

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

May in summary

May saw more bullish behaviour, with below seasonal normal temperatures lingering, and further easing of COVID restrictions seeing Brent Crude reach a 3-year high.

Market volatility

Volatility through May came once again from the continued below seasonal normal temperatures, rampant carbon prices and low storage levels. COVID news also played its part, with easing of restrictions and vaccine rollouts continuing, along with a new strain identified which spread devastatingly throughout India.

Weather

May began very unsettled and unseasonably cold, with frosts in many places. We began to see slightly warmer temperature after the first week, but frequent rain showers for most areas continued. The UK experienced a number of deep low-pressure systems that resulted in a number of notably windy days. The weather settled down for the final few days of the month, when it also became much warmer reaching seasonal normal temperatures.

Gas, Storage and LNG News ▲

The start of May saw markets continue to track higher as high winds stopped LNG cargoes from unloading into Milford Haven. Traders also continued to eye the low gas storage levels, and gas prices were finding support from strength in the carbon market.

Prices overall continued gaining throughout the rest of May, with worries surrounding European storage remaining as shippers opted to withdraw as temperatures remained below seasonal normal levels. This resulted in a further loop where the scarcity of gas incentivises coal generation, which improved coal margins. This brought further EUA demand, which results in gas prices having to rally further to facilitate storage injection.

The latter half of the month saw volatility across the market, with carbon giving direction to gas prices. Some support for pricing came from Gazprom not choosing to take any flow capacity through Ukraine in June's auction, in the ongoing saga relating to Nord Stream 2. However, warmer weather forecasts for the first few weeks of June helped to ease fears around gas demand and hopes that injection season would finally get underway. Several LNG vessels delivering gas to the UK also helped to somewhat ease pressure on pricing.

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 ▲

Discussions took place surrounding the re-instating of the nuclear deal with Iran, with expectations that this would see the sanctions currently imposed on Iran lifted.

May saw the next phase of the easing of restrictions roadmap in the UK. This saw indoor hospitality in England re-open and saw the introduction of travel outside the UK to countries on the 'Green list', which bolstered recovery optimism.

There was a COVID-19 outbreak with a new strain of the virus identified in India, with scientists looking at how vaccines protect against this new variant as lockdowns are eased in numerous countries.

Oil ▲

A strong start following US lockdown measures easing and indications of EU states opening borders for summer. However, news of strong stockpiles and a surge in COVID-19 cases in India cast doubts as to demand recovery. A cyber-attack on the East Coast Colonial pipeline helped to pull prices higher, but the COVID situation in India negated any impact of this. News that sanctions on Iran were expected to be lifted, did see a brief dip in prices, but oil ended the month on a high as global vaccine rollout success and a view of increased global demand helped prices break the \$70/barrel mark.

Coal ▲

Gas price rises along with wider commodity gains saw coal dragged along, with prices continuing to rise throughout the month.

Carbon ▲

Carbon prices continued to push higher throughout May, seeing an increase of almost 75% from the start of year, with fund money continuing to pour into the contract. This is leading to increased volatility across the commodities as, despite an overall bullish move, carbon is in a cycle of hitting fresh highs before profit taking resumes. This in turn is leading to wide ranges and rapid changes in sentiment.

The 19th May saw the UK Emissions Trading Scheme begin and the first UK Allowance (UKA) auction. UKAs traded at a premium to EUAs as a fundamentally tighter scheme helped to support pricing. Pricing stabilised at the end of the month, as prices took their direction from gas, but still another bullish month overall.

Looking Ahead

As we head into June, the main driver will once again be the low gas storage situation and the ability to inject. LNG prices will be crucial to this, as Europe will be competing with the Asian market for the required cargoes. High levels are needed to help boost this much-needed storage, now that temperatures finally seem to have improved, which will reduce demand.

month on month marketview

Review of: May 2021

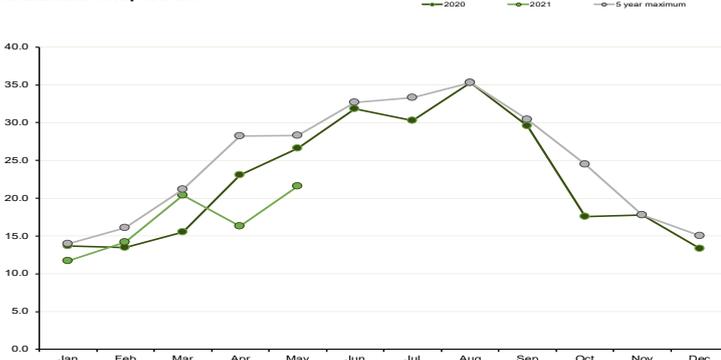
Average Temperature



Minimum Temperature



Maximum Temperature



Met Office UK summary

May began very unsettled and unseasonably cold, with frosts in many places. We began to see slightly warmer temperature after the first week, but frequent rain showers for most areas continued. The UK experienced a number of deep low-pressure systems that resulted in a number of notably windy days. The weather settled down for the final few days of the month, when it also became much warmer reaching seasonal normal temperatures.

Average temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Mar	Apr	Year total
°C	-0.5	-0.5	-0.1
%	-5.7%	-4.0%	-0.0%

2020 v 2021 Summary

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

2021	Mar	Apr	Year total
°C	-0.6	0.1	0.4
%	-7.1%	0.8%	0.1%

Min temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Mar	Apr	Year total
°C	0.0	2.4	3.1
%	0.0%	-54.5%	-41.7%

2020 v 2021 Summary

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

2021	Mar	Apr	Year total
°C	-1.5	2.4	-2.5
%	32.6%	-120.0%	52.4%

Max temp: 2021: Summary

2021 Summary v 5 Year Average

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

2021	Mar	Apr	Year total
°C	-11.9	-6.7	-3.5
%	-42.2%	-23.7%	-16.3%

2020 v 2021 Summary

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

2021	Mar	Apr	Year total
°C	-6.8	-5.0	0.0
%	-29.4%	-18.8%	0.0%

Utility Impact Summary

May saw more bullish behaviour, with below seasonal normal temperatures lingering, and further easing of COVID restrictions seeing Brent Crude reach a 3-year high.

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.