# week on week

## marketview

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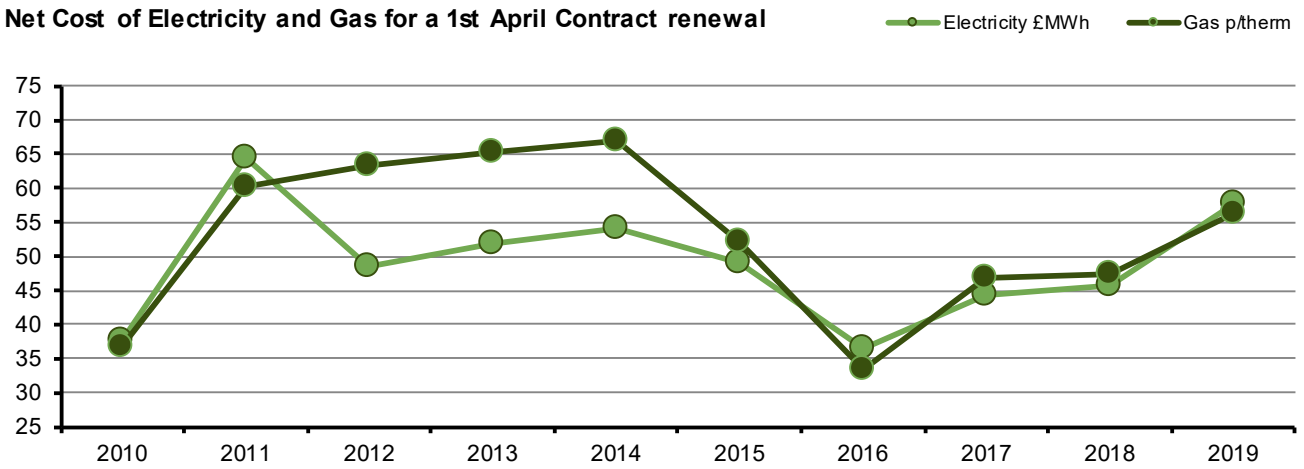


**Electricity: base load cost - excludes distribution, taxation and supplier margin and costs**

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| 37.63 | 64.40 | 48.58 | 51.98 | 54.15 | 49.15 | 36.43 | 44.38 | 45.83 | 57.73 |

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

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| 36.75 | 60.17 | 63.24 | 65.33 | 66.98 | 52.26 | 33.40 | 46.69 | 47.28 | 56.35 |

### Week commencing 30th December 2019

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|---|---|---|---|---|---|
| **Start** | $68.06 | 34.58 | £43.86 | $53.30 | -11.8 |
| **End** | $68.65 | 36.12 | £43.59 | $53.80 | -12.7 |

Bearish fundamentals drove price movements early last week, with mild temperatures and the continued influx of LNG supply heaping pressure across the curve. LNG imports broke records again in December, with the UK receiving 29 vessels. The bearish trend was reversed in the first few trading days of the new year, as prices were led higher by supply disruption through the Velke Kapusany pipeline from Russia and by a surging crude oil market. Balance of winter contracts closed slightly lower, however the rise in the oil market amid Middle East tensions led seasonal contracts higher.

Heavy losses in both European carbon and NBP gas heaped pressure on UK power contracts through much of last week. Gas was initially weighed down by mild weather, strong supply and the signing of the new Russia-Ukraine gas transit agreement, whilst carbon shed value due to the impending return of auction volume. News of a U.S. air strike which killed a top Iranian general and supply disruptions through the Velke Kapusany pipeline from Russia helped lift prices on Friday, however were not enough to erase previous losses.

### Week commencing 23rd December 2019

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|---|---|---|---|---|---|
| **Start** | $66.08 | 37.47 | £45.75 | $51.50 | -10.3 |
| **End** | $68.06 | 34.58 | £43.86 | $53.30 | -11.8 |

Prices across continental Europe took a heavy downward shift at the signing of the new 5-year Russia-Ukraine gas transit deal last week. With the current deal expiring at the end of this month, the market questioned whether a deal could be reach by both parties as 2020 should see the opening of both the NordStream 2 & TurkStream pipelines, both of which supplying Russian gas to Europe and bypass transit through Ukraine. With the short-term risk associated to the signing of the deal removed, gas prices within-season plummeted with Q1'20 shedding 3.45p/th. Strong LNG flows together with renewables dominating immediate generation saw the UK power prompt market drop with the week-ahead contract falling £1.10/MWh last week. This together with the signing of the Russia-Ukraine gas transit deal saw the bearish fundamentals take hold of the market pushing down prices across the curve. The rally in Brent crude offered partial support to far-term contracts however this alone could not stop the follow-on from the downward facing continental gas market with Summer'20 itself falling £2.14/MWh.

### Week commencing 16th December 2019

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|---|---|---|---|---|---|
| **Start** | $63.40 | 35.14 | £43.55 | $51.60 | -11.5 |
| **End** | $66.08 | 37.47 | £45.75 | $51.50 | -10.3 |

Gas transit talks were the major driver throughout last week as we saw significant volatility on any headlines coming though. Contracts across the curve bounded up over the first half of last week, supported by colder weather forecast, lower LNG send-out and by concerns that the Russian-Ukraine gas transit talks had come to a stalemate. Curve contracts all closed up last week, however the further has dented these gains Prompt power contract crashed off from the previous week as wind generation returned to more normal levels after previously outputting 13GW at times. Curve contracts saw a volatile week along with NBP gas with news regarding the Russian-Ukraine gas transit talks the major driver. Additional bullish drivers through the week came from forecasts of colder weather to start Jan, lower LNG send-out and the extension to outages at a couple nuclear reactors in the UK

### Week commencing 9th December 2019

| | Oil (bbl) | Gas (ppt) | Power (MWh) | Coal (MT) | Market Index |
|---|---|---|---|---|---|
| **Start** | $64.07 | 37.90 | £45.51 | $51.40 | -10.7 |
| **End** | $63.40 | 35.14 | £43.55 | $51.60 | -11.5 |

UK gas contracts shed value throughout last week, with the strong supply outlook and mild temperatures across the continent continuing to weigh on prices. The UK is currently on course to receive at least 22 LNG vessels over December. Additional selling pressure came on Friday after the pound surged amid the Conservative majority in the UK elections, whilst unconfirmed reports of a Russia-Ukraine transit agreement aided the move in the afternoon. A well-supplied gas market and very high wind generation kept pressure on prompt power contracts through last week, however with a forecast drop off in wind output to start this week the day-ahead contract gained. Curve contracts remained under pressure off the strong gas supply outlook and mild temperatures last week, whilst the surging pound aided the downward move on Friday. Losses in European carbon also fed through as heavy losses were seen on Friday following the UK election result.

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