

**Headline:** Oil prices fall further amid continued coronavirus induced demand destruction and dwindling storage capacity

## Key Market Drivers

- Temperatures forecast to sit at or above seasonal norm for May, pressuring prompt contracts
- Oil prices suffer as global demand continues to drop. Further dated gas and power contracts feel the effects
- European gas storage could be full as early as June

## Market Prices

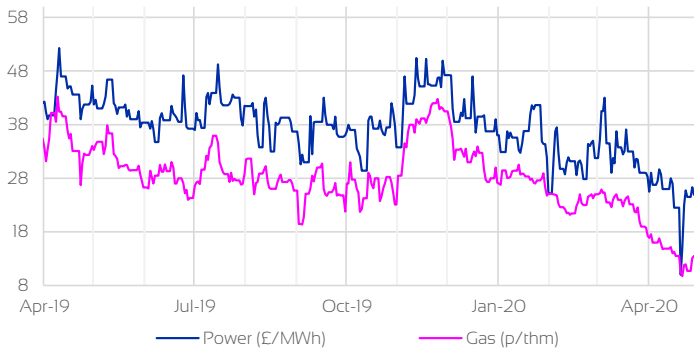
Contract	UK Baseload Power (£/MWh)			NBP Gas (p/thm)		
	Mar -20	Apr -20	Change	Mar -20	Apr -20	Change
<b>Day-Ahead</b>	£28.25	£24.90	-11.9%	17.25	13.50	-21.7%
<b>Win-20</b>	£38.30	£40.65	6.1%	31.68	31.70	0.1%
<b>Sum-21</b>	£34.00	£36.00	5.9%	29.16	28.50	-2.3%
<b>Win-21</b>	£42.85	£44.00	2.7%	40.00	38.00	-5.0%
<b>Sum-22</b>	£37.65	£38.00	0.9%	34.07	32.90	-3.4%

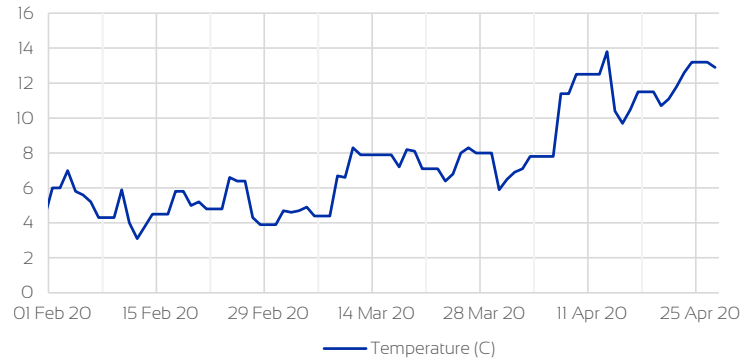
Brent Crude	Carbon	GBP : EUR	UK Destined LNG Cargos
\$ 20.23/bbl	€ 20.2/tCO2e	€ 1.15	11
-11.0%	15.0%	2.0%	

## Market Analysis: Short-Term

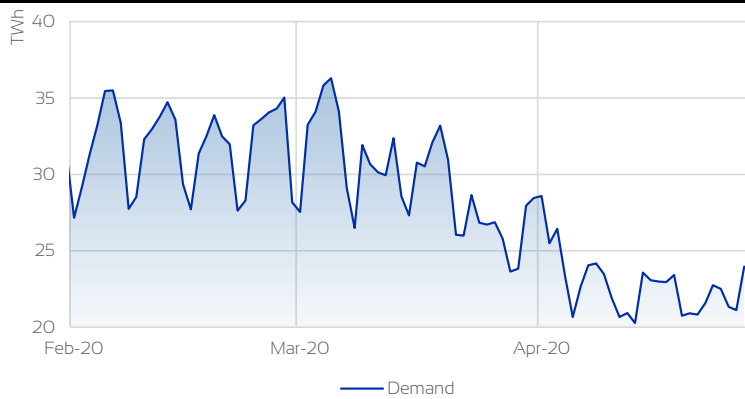
### Day Ahead Prices



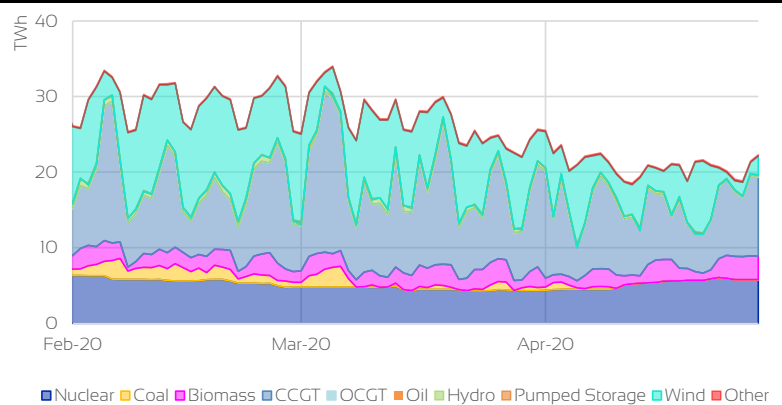
### UK Temperatures



### UK Demand



### UK Supply Mix



## Market Insight: Short-Term

UK demand has significantly reduced since the implementation of UK lockdown in mid-March and continued into April. With non-essential businesses remaining closed and manufacturing output reduced, demand has fallen by over 20%. A proportion of this decrease can be attributed to the change in seasons as we approach summer.

April brought record breaking solar generation with over 9.68GW of solar generation last Monday, overtaking the previous record of 9.55GW set in May 2019. Wind generation has also been healthy throughout April; reducing reliance on gas for generation and pressuring prompt contracts. Day-ahead gas and power traded at lows of 9.75p/Thm and £10.00/MWh respectively earlier last week.

LNG has continued to arrive into the UK with frequency and the general gas supply picture remains healthy with consistent flows from Norwegian gas fields and storage remaining above levels seen in the previous 5 years.

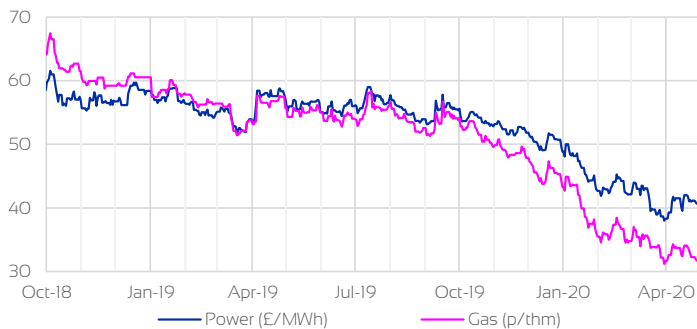
## Market Insight: Long-Term

Oil remained the dominant long-term driver throughout April. With global demand expected to drop by 30% in 2020, due to coronavirus, global storage capacity is being filled fast. OPEC agreed to record cuts of almost 10 million barrels per day over the Easter weekend, but this is only around 10% of global demand. US stocks are within striking distance of reaching the all-time record set in 2017. Market analysts are speculating US storage could be full within just a few weeks. The US WTI benchmark front month product fell into negative territory last week as traders looked to move their positions to later dated contracts to avoid taking physical delivery of the product.

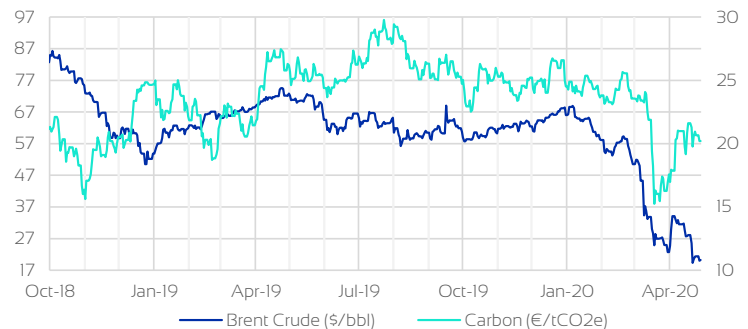
Carbon has also been a significant driver throughout April. It has mainly taken direction from oil and equity markets but managed to post some gains in late April as France's EDF announced it was revising down its nuclear output for 2020. If this materialises, this will increase the countries reliance on fossil fuels and interconnectors, raising demand for EUAs.

## Market Analysis: Long-Term

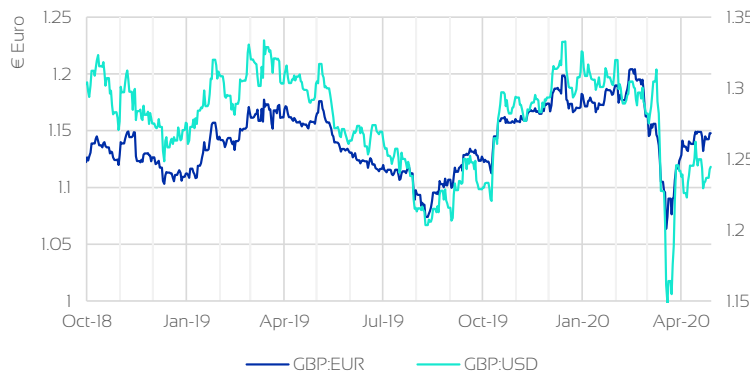
Front Seasonal Prices



Brent Crude & Carbon Price



UK, EU & US Currencies



Coal Prices



## Market Outlook

The outlook for the coming weeks remains bearish. Oil prices appear to be remaining rangebound between \$18 - 22/bbl and this looks set to continue as global lockdowns continue to destroy demand. Some volatility is to be expected as global storage continues to fill.

European gas storage remains high, with some analysts forecasting storage to be full by June/July. This coupled with cancelled Norwegian gas maintenance projects and falling demand, paints a bearish picture for gas prices over summer.

In the shorter term, temperatures throughout May are expected to sit at or above the seasonal norm and 11 LNG cargos are expected into the UK in the coming weeks, at the time of writing.

UK gas and power markets are still sitting at extremely favourable levels and so clients are advised to consider renewals. With the markets currently showing contango characteristics, prices further out being more expensive than nearer-term prices, we would advise that clients consider either Fixed contracts of 24 months or less, or adopt a longer-term Flexible strategy at this time.

For more information on anything covered in this months Market Insight, please contact Optimised Energy's Trading desk:



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