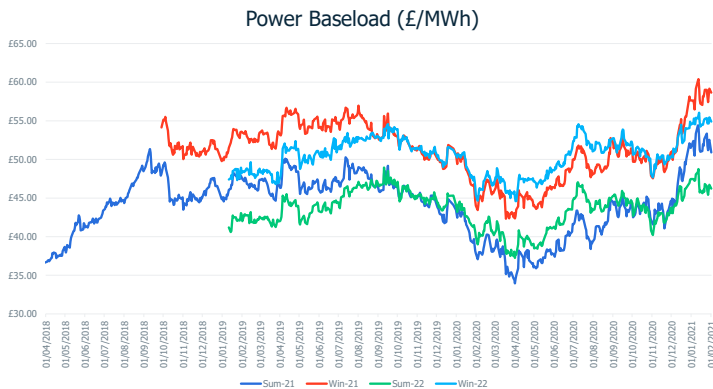


# Weekly Energy Report

## 01 February 2021

### Power

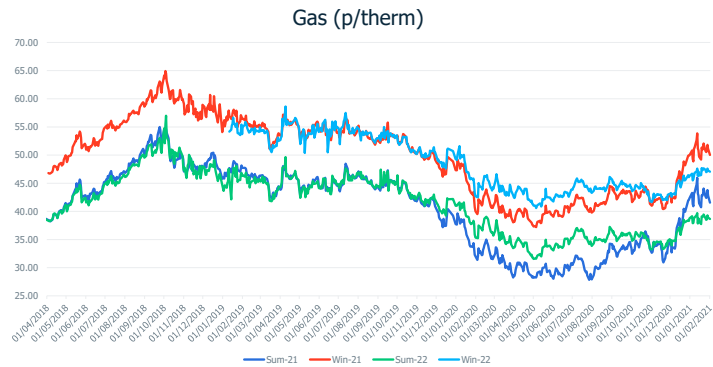


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
Mar-21	£ 62.53	£ 61.49	▼
Apr-21	£ 57.97	£ 57.05	▼
May-21	£ 52.52	£ 52.28	▼
Q2-21	£ 53.99	£ 53.35	▼
Q3-21	£ 51.62	£ 51.74	▲
Sum-21	£ 52.80	£ 52.54	▼
Win-21	£ 59.01	£ 59.16	▲
Sum-22	£ 46.82	£ 46.72	▼
Win-22	£ 55.25	£ 55.45	▲
Sum-23	£ 44.29	£ 44.03	▼
Win-23	£ 54.51	£ 54.11	▼

### Summary

The March 21 and Summer 21 baseloads decreased by £1.04/MWh and £0.26/MWh, whilst the Winter 21 contract increased by £0.15/MWh respectively from the previous weeks close. The market was tracking movement in the NBP on warmer temperatures and reduced supply concerns which softened prices across the curve. The greatest drop was seen in the prompt with the week-ahead contract falling £11.52/MWh on strong renewable forecasts and increased LNG supply to the UK. Average gas-fired output was similar to the previous week at 43% while renewable output was slightly lower accounting for 31% as wind generation dipped mid-week below 2GW. Spark spreads and weakness in the carbon market also added pressure to power prices as auction supply returned after a near seven-week pause. The BritNed interconnector is expected to return online in February. The original outage was meant to last only for part of December however, it was soon reported that the outage would remain for the whole of January. The return of the interconnector will see an additional 1GW of power be made available, along with the commencement of the IFA2 making the system more flexible in February. However, the increased interconnection raises the UK's exposure to a French market where price sensitivity to temperatures is high, therefore an extended cold spell could add upside pressure to UK prices. IFA2 is the first of two UK interconnectors scheduled to launch in 2021, with a 1.4GW link with Norway due online later this year. The December 21 EUA dropped by €1.55/tonne on the week, settling at €32.95/tonne. The market came under pressure from an upward revision in temperature forecasts across Europe which may reduce demand for thermal generation and EUA permits. Furthermore, the return of European auctions added more pressure as Germany auctioned 2.6m permits which cleared at a sizeable discount with further auctions expected this week.

### Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
Mar-21	56.81	53.15	▼
Apr-21	48.68	46.71	▼
May-21	44.37	42.67	▼
Q2-21	45.32	43.64	▼
Q3-21	42.79	41.96	▼
Sum-21	44.05	42.80	▼
Win-21	52.06	51.10	▼
Sum-22	39.44	38.90	▼
Win-22	47.65	47.26	▼
Sum-23	36.32	35.87	▼
Win-23	46.32	46.27	▼

### Summary

The March 21, Summer 21 and Winter 21 NBP contracts decreased by 3.66p/therm, 1.25p/therm and 0.96p/therm respectively from the previous weeks close. Prices were at their highest on Monday morning with increased send-out above the 10-day average as temperatures were 3°C below seasonal normal. The increased volatility during the afternoon took prices lower till Wednesday as stronger flows were also seen from Norway after variable flows over the recent days on short-term capacity reductions at key fields. Downward pressure also came from reduced risk of cold-snaps over the coming weeks in addition to weakness coming from a continued fall in LNG prices and increasing expectations of more arrivals to the UK in Q2. From the mid-week prices pushed higher especially on the front month as the contract was due to expire and forecasts were predicting colder temperatures from 6th February. In addition, there is still a lack of LNG in the UK and European market with low volumes expected over February which helps support near curve prices as East Asia spot LNG prices continue to hold a premium to NBP for delivery through to March. The UK has received eight shipments in January with a further five arrivals before 13th February which may reduce strain on storage to meet supply. These LNG arrivals are expected to increase gas supply flowing to around 35bcm for February, an increase from what we have seen this month with flows generally around 20bcm. IJK and BBL bookings however are expected to decrease in February. Gas storage levels have increased above the 5-year average at 76% full after the additional tanker received over the weekend. Looking ahead gas prices will remain sensitive to weather forecasts, combined with movements in the carbon market and LNG prices as demand in Asia has eased. The April 21 Brent contract lost just \$0.07/bbl over the week, settling at \$55.04/bbl. A general increase was seen during the first half of the week as the International Monetary Fund validated bets on a solid recovery in demand this year by raising its forecasts for global economic growth to 5.5% from 5.2%, reflecting in large part the more ambitious stimulus plans of the new U.S. administration and Congress. On Wednesday, the EIA U.S. crude inventory data displayed a 9.91MB drawdown however the draw didn't prompt a significant reaction from the market as it seems to have partly been caused by a combination of an increase in U.S. exports and a decrease in U.S. imports in addition to rising gasoline stocks. From this point prices started to trade lower as stricter lockdowns and new restrictions in several countries threaten to weigh on demand for transportation fuels. Over the weekend, the market had had time to digest data from the U.S. Commodity Futures Trading Commission showing that hedge funds and other speculative investors had again trimmed their net long positions in crude marginally to the lowest in two months. In addition, the Baker Hughes tally of active oil rigs in the U.S. rose to 295, its highest since May, although that is still not a level capable of generating any meaningful increase in U.S. output. Currently, Brent is holding on to the past three months of gains as Saudi Arabia's additional 1mbpd production cut commences through February and March, although patchy coronavirus vaccine rollouts, new infections and the discovery of new variants are keeping a lid on prices. The oil market will be looking towards the OPEC Joint Ministerial Monitoring Committee for hints over the alliance's supply outlook on 3rd February.