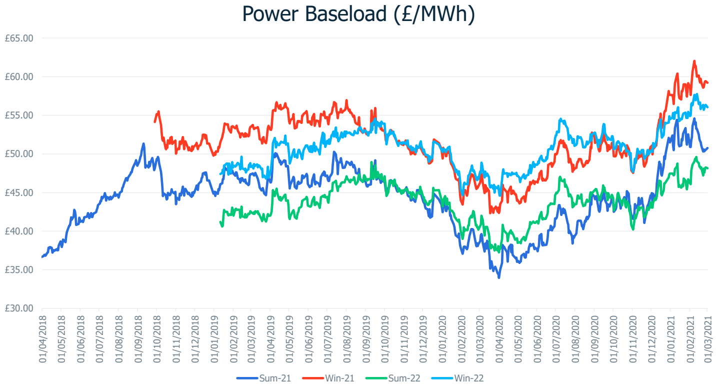
Weekly Energy Report

01 March 2021

Power

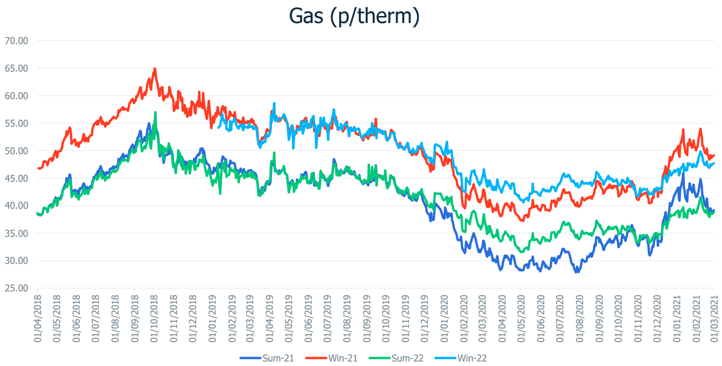


	Price (£/MWh)		
Contract	Previous Weeks Close	Last Weeks Close	
Apr-21	£ 53.03	£ 52.29	▼
May-21	£ 50.63	£ 50.20	▼
Jun-21	£ 50.40	£ 50.01	▼
Q2-21	£ 51.34	£ 50.83	▼
Q3-21	£ 50.85	£ 50.22	▼
Sum-21	£ 51.09	£ 50.52	▼
Win-21	£ 59.25	£ 59.42	▲
Sum-22	£ 48.26	£ 48.26	▬
Win-22	£ 56.05	£ 56.35	▲
Sum-23	£ 45.73	£ 45.98	▲
Win-23	£ 54.66	£ 54.81	▲

Summary

The April 21 and Summer 21 baseload contracts decreased by £0.74MWh and £0.57/MWh respectively whilst the Winter 21 contract increased by £0.17/MWh from the previous weeks close. The price movement remained similar to the gas market where the near curve was impacted by milder temperatures and high wind generation which converged with gas-fired output twice due to the inverse corelation, whereas the far curve was influenced by a volatile carbon market. Over the week, gas-fired output that accounted for 35%. of the generation mix whilst renewables contributed 40% over the week with half of that coming from wind-generated power. Temperatures in the first half of March is now set to be predominantly below seasonal normal with a cold spell expected this weekend and into early next week with temperatures set to be around 3/4°C below seasonal normal which may lead to some price support. The December 21 EUA dropped by just €0.12/tonne over the week, settling at €37.28/tonne. The market moved similar to oil where the contract touched highs of €39.68/tonne by Thursday on improved economic recovery outlook, lower winds in central Europe and auctions clearing with strong cover ratios, indicating high demand. Price movement then took a sharp fall, following trends in the equity markets and investment funds reducing their position. The Intercontinental Exchange (ICE) announced that Britain will hold the first carbon auction under its domestic emissions trading system on 19th May. A total of 83 million UK allowances will be sold this year with auctions taking place every two weeks. Auction volumes are in line with the government's pledge to reduce the number of allowances for polluting by 5% relative to the EU system. However, key details about the UK ETS are still unclear, particularly about its linkage to the EU ETS.

Gas



	Price (p/therm)		
Contract	Previous Weeks Close	Last Weeks Close	
Apr-21	41.23	39.79	▼
May-21	39.56	37.96	▼
Jun-21	39.84	38.07	▼
Q2-21	40.00	38.60	▼
Q3-21	39.99	38.62	▼
Sum-21	40.00	38.61	▼
Win-21	49.45	48.80	▼
Sum-22	38.57	38.47	▼
Win-22	47.20	47.44	▲
Sum-23	36.83	37.21	▲
Win-23	47.72	48.31	▲

Summary

The April 21, Summer 21 and Winter 21 NBP contracts decreased by 1.44p/therm, 1.39p/therm and 0.65p/therm respectively from the previous weeks close. Prices were consolidating for most of the week led by below seasonal normal demand as temperatures were milder across the country. This was countered by high winds that delayed LNG ships from docking and reduced gas flows from a mixture of planned and unplanned Norwegian outages which was expected to continue into March. Despite this, LNG supply to Europe remains high following lower JKM LNG prices as buying appetite reduces in Asia. The Panama Canal authority is working to ease congestion on transit slots to limit delays to get U.S LNG vessels to Europe. This should help storage injections as both UK and European gas inventories are below the 5-year average at 49% and 37% respectively. The May 21 Brent contract increased by $2.32/bbl over the week, settling at $64.42/bbl. Prices were rising till Thursday reaching levels not seen since January 2020 underpinned by a sharp drop in U.S crude output last week due to the storm in Texas. EIA data displayed a 1.28MB build in crude stocks which was attributed to power outages and extreme low temperatures which shut up to 4.4mbpd refinery capacity. However, the market was beginning to switch its focus from a U.S inventory build and refinery outages to resilient longer-term fundamentals, inflationary pressure and a vaccine-led demand recovery. By the end of the week prices took a fall, although not enough to erase all the week gains as a collapse in bond prices led to gains in the U.S. dollar which tends to act inversely to oil prices. Attention will now shift to the OPEC+ meeting on 4th March, which is expected to offer guidance into the coalition's production plan going forward.