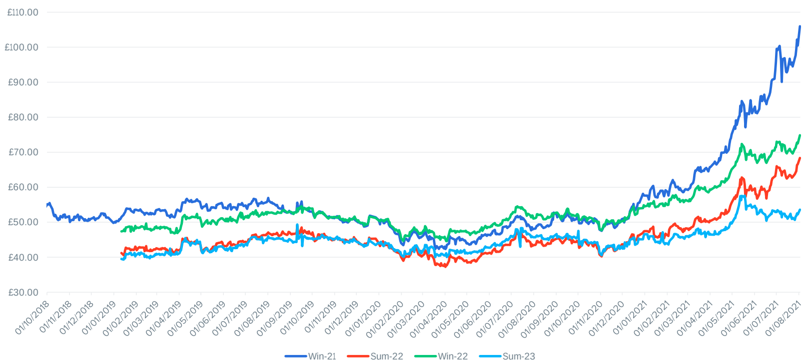
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report
03 August 2021

Power

Power Baseload (£/MWh)



Price (£/MWh)

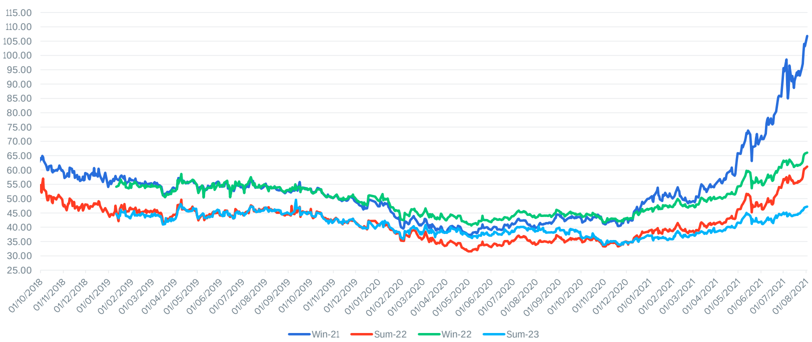
Contract	Previous Weeks Close		Last Weeks Close		
Sep-21	£	90.07	£	100.27	▲
Oct-21	£	91.30	£	99.56	▲
Nov-21	£	96.75	£	103.57	▲
Q4-21	£	95.20	£	102.13	▲
Q1-22	£	93.77	£	98.77	▲
Win-21	£	94.49	£	100.47	▲
Sum-22	£	62.94	£	66.59	▲
Win-22	£	69.62	£	72.52	▲
Sum-23	£	51.29	£	52.25	▲
Win-23	£	62.86	£	64.06	▲
Sum-24	£	51.94	£	52.62	▲

Summary

The September 21, Winter 21 and Summer 22 baseload contracts increased by £10.20/MWh, £5.98/MWh and £3.65/MWh respectively over the week. The bullish start to week was driven by tight gas supply fundamentals and recovering carbon prices. Outages to the Drax biomass units and delays in the return of the Heysham units which went offline the previous week helped to force prices over £100/MWh for the weekend. Gas-fired output accounted for 36% over the week whereas total renewables averaged 38%. The UK wind forecast remains poor for the short-term, and this could lead to some high within-day prices as standby generators are incentivised to come on to balance the system. The Winter 21 period may experience tight power margins from a reduction in nuclear capacity by 2.3GW as two reactors will be unavailable. Gas capacity will also be reduced by 2.3GW as three gas-fired units will remain offline. However, the new North-Sea Link interconnector will go live in September bringing 1.4GW flexible capacity. The December 21 EUA increased by €2.44/tonne over the week, settling at €53.33/tonne. The market saw two auctions, first the Polish auction adding just over 2.5 million EUAs into circulation and later the UK ETS auction, which added just over 6 million UKAs to the market which were absorbed relatively well bolstered by strength in gas hub pricing. EU published the confirmed industrial allocations for 2021-25, which could lead to an increase in selling as companies are now certain about how many permits they are getting. The UK's carbon market Cost Containment Mechanism's triggers for the next three months were invalidated on Friday, with July's drop in UKA prices averting any potential near-term supply-side intervention. Support for prices have also come from a drop in auctions volumes whereby the next UK auction volume will drop from 6 million UKA's to just over 2.5 million UKA's.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Sep-21	89.98	103.75	▲
Oct-21	90.91	104.51	▲
Nov-21	94.85	106.1	▲
Q4-21	93.78	105.85	▲
Q1-22	92.14	100.58	▲
Win-21	92.96	103.25	▲
Sum-22	56.08	60.5	▲
Win-22	61.69	65.73	▲
Sum-23	44.81	46.93	▲
Win-23	53.42	55.08	▲
Sum-24	44.30	43.68	▼

Summary

The September 21, Winter 21 and Summer 22 NBP contracts increased by 13.77p/therm, 10.29p/therm and 4.42p/therm respectively over the week. Bullishness continued to feed from tight gas supply fundamentals. Unplanned outages at Troll gas field have been extended, impacting capacity by an additional 27mcm which is now expected to be completed on 5th August. Gazprom also decided not to book any interruptible transit capacity through Ukraine for August which has helped keep a bid in the market, as hurdles remain in the potential start-up of Nord Stream 2. LNG imports remain poor following a premium Asian market keeping cargoes away from Europe with just one LNG shipment heading to the UK. This constraint in supply has slowed down the rate of gas storage injections which currently sit at 33% capacity although, just 0.63mcm of combined BBL and Interconnector capacity has been booked towards the EU for August to September, which may leave room for further injections. However, upside risk remains with relatively poor plant availability due to maintenance and unplanned outages that may keep margins tight. The October 21 Brent contract increased by $1.97/bbl over the week, settling at $75.41/bbl. The overall increase was led by optimism over global demand recovery after The International Monetary Fund maintained its 6% global growth forecast for 2021 despite resurgence in Covid-19 cases. Weakness in the U.S dollar also provided support after the Federal Reserve left interest rates unchanged. Furthermore, uncertainty over Iranian sanctions remain therefore the expected increase in Iranian oil supply over the second half of 2021 is likely to be delayed. EIA data showed U.S crude stockpiles shrunk by 4.08MB with drawdowns in both gasoline and distillates which indicates higher demand. Meanwhile OPEC+ have started hiking monthly supplies by 400,000bpd this month and it is expected that the market will be able to absorb these additional barrels as demand grows through the second half of 2021.