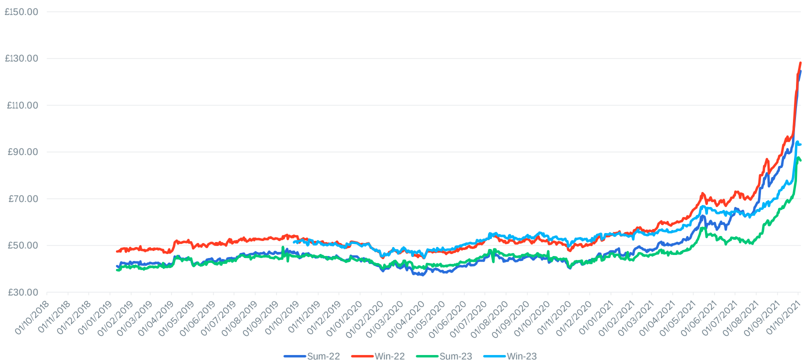
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

04 October 2021

Power

Power Baseload (£/MWh)



Price (£/MWh)

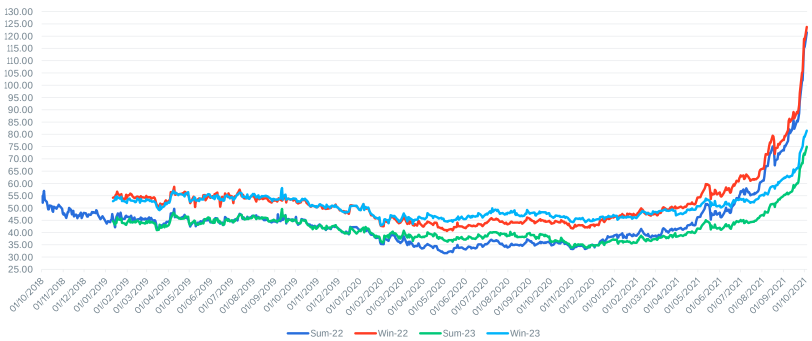
Contract		Previous Weeks Close		Last Weeks Close	
Nov-21	£	198.25	£	250.11	▲
Dec-21	£	186.76	£	249.83	▲
Jan-22	£	186.23	£	251.64	▲
Q1-22	£	177.56	£	245.27	▲
Q2-22	£	100.56	£	122.37	▲
Sum-22	£	99.16	£	120.54	▲
Win-22	£	99.61	£	123.70	▲
Sum-23	£	71.90	£	87.69	▲
Win-23	£	81.53	£	93.06	▲
Sum-24	£	64.53	£	76.09	▲
Win-24	£	71.53	£	78.88	▲

Summary

The November 21, Summer 22 and Winter 22 UK baseload contracts increased by £51.86/MWh, £21.38/MWh and £24.09/MWh respectively over the week. Pricing continued to track gains in both gas and the UK carbon market. The generation mix was comfortable with total renewables averaging 58% which led to lower demand for gas-fired generation averaging 23% over the week. The new North Sea Link began a trial period at reduced capacity of 700MW which may offset some lost volumes from the IFA 1 interconnector outage that isn't due to return 50% capacity until the latter half of October. However, power margins are expected to remain tight across the winter, with no let up from the gas market and UK nuclear output is forecast to average 5.8GW in Q4, the lowest since 2008 with new and extended outages keeping six reactors offline at present. In summary, upside risk remains despite current high pricing, but a mild winter and strong wind generation after a disappointing first nine months could rapidly change that picture. The December 21 EUA posted a loss of €0.90/tonne over the week, settling at €62.04/tonne. The growing calls for market intervention in the carbon market were weighing on prices despite the strong bullish signals for gas and power. Furthermore, uncertainty over the EU's 'Fit for 55' package grows as lawmakers amplify calls for a limit on speculation in the market. The December 21 UKA remained resilient gaining over 14% over the week, settling at £73.85/tonne. This sees the UKA/EUA spread over a staggering £20/tonne due to increased investor interest. With gas prices still at record highs and concerns over the poor level of European gas storage, demand for coal is expected to remain high especially as coal-fired output remains more profitable than gas-fired generation throughout this winter. The UK is scheduled to a hold a carbon auction on 6th October where over 5 million UKA's will be on offer.

Gas

Gas (p/therm)



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Nov-21	183.95	241.26	▲
Dec-21	185.95	247.52	▲
Jan-22	185.41	250.55	▲
Q1-22	180.87	242.83	▲
Q2-22	95.51	119.27	▲
Sum-22	93.56	115.67	▲
Win-22	96.84	118.4	▲
Sum-23	65.88	71.61	▲
Win-23	72.31	78.99	▲
Sum-24	65.69	59.92	▼
Win-24	64.86	70.54	▲

Summary

The November 21, Summer 22 and Winter 22 NBP contracts increased by 57.31p/therm, 22.11p/therm and 21.56p/therm respectively over the week. Higher demand was met by an increase in Norwegian flows above the 10-day average following the end to heavy maintenance. Stronger gas flows in the UK enabled storages to replenish to 99% capacity at present which was leading to high exports into the premium European market. Russian gas flows into Europe dropped considerably throughout last week creating further supply concerns as European gas storages are 15% below the 5-year average. Even with a mild winter European storages could drop below levels seen last year without Russian gas. The reduction in Russian flows have been led by Gazprom's need for storage injections after withdrawing 63Bcm last winter leaving their inventories just 23% full ahead of this winter. However, with Gazprom's obligation to deliver 55-70Bcm of gas into Europe, there could be higher auction bookings from November to March. Lack of clarity over Russian flows and Nord Stream 2 over this winter along with limited LNG imports to Europe remain supportive for prices. The December 21 Brent contract increased by $2.05/bbl over the week, settling at $79.28/bbl. The market remained fairly rangebound for most of the week with gains capped during the mid-week as EIA displayed a 4.57MB build in U.S crude inventories including builds in both gasoline and distillate stocks. Further bearish development was seen when the U.S dollar held near one-year highs, making oil more expensive for holders of other currencies. Nonetheless, any losses were limited as the outlook for supply remains tight indicated by OPEC suggesting the market will be undersupplied by 1.2mbpd and 900,000bpd in October and November respectively, further eating into oil inventories. High gas prices will also lead to some gas to oil switching which would be supportive of oil demand as spot Asian LNG prices were trading at an oil equivalent of $177/bbl. This stronger demand coupled with supply losses in excess of 30 million barrels from the U.S Gulf of Mexico due to Hurricane Ida suggest a tighter than expected market. This is leading several countries urging OPEC+ to increase production who are due to meet on 4th October with market expectations of at least 400,000bpd increase in output.