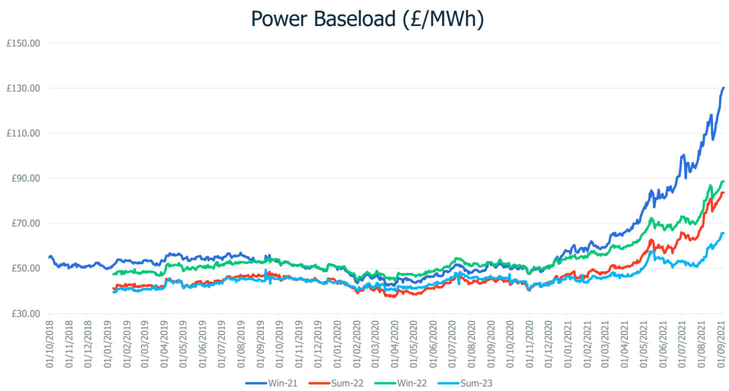
TRIDENT

360° ENERGY EXPERTISE

Weekly Energy Report

06 September 2021

Power



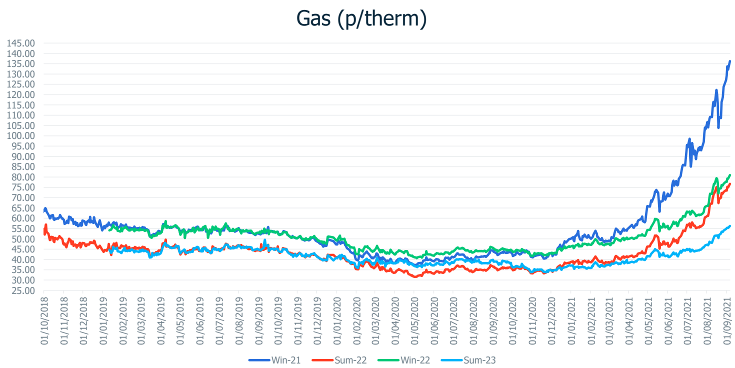
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Oct-21	£	115.31	£	126.26	▲
Nov-21	£	120.82	£	131.17	▲
Dec-21	£	118.89	£	129.81	▲
Q4-21	£	118.31	£	129.06	▲
Q1-22	£	116.54	£	127.74	▲
Win-21	£	117.43	£	128.40	▲
Sum-22	£	79.66	£	83.54	▲
Win-22	£	84.12	£	88.34	▲
Sum-23	£	61.89	£	65.59	▲
Win-23	£	69.94	£	73.45	▲
Sum-24	£	56.89	£	59.44	▲

Summary

The October 21, Winter 21 and Summer 22 baseload contracts increased by £10.95/MWh, £10.97/MWh and £3.88/MWh respectively from the previous weeks close. The week started with strong prices following a number of extended nuclear outages with Hinckley point B pushed back by a month to 25th October and two Heysham plants delayed to the 6th and 7th September. Further support was coming loss of biomass plants and gas-fired generation assets adding to tight margins. There was higher reliance on gas-fired output which averaged 41% over the week compared total renewables at just 29% due to low wind generation. UK temperatures are forecast to remain significantly above seasonal normal for the remainder of this week, while wind generation looks poor and could support prompt prices. Seasonal contracts remained supported on carbon trading at all-time highs along with record high gas prices and sharp gains in the coal market. The December 21 EUA increased by €0.65/tonne over the week, settling at €61.32/tonne. Record high European gas prices has lifted generation costs for gas-fired power plants to all-time highs. This has made it more profitable for power generators to burn coal this winter, keeping European demand for permits high proven by strong auction results. The reduction in auction supply also continues to support the market as more has been put into the Market Stability Reserve. Further price volatility will be expected this month from the start of the legislative process for the EU's "Fit for 55" package, which puts the EU ETS revision plans of the European Commission under scrutiny by lawmakers in the European Parliament and Council. Proposals include widening the scope of the EU ETS, and adoption of the package could lead to a further rise in carbon prices in the long term.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Oct-21	118.09	130.45	▲
Nov-21	122.61	134.24	▲
Dec-21	125.58	135.69	▲
Q4-21	124.92	133.45	▲
Q1-22	122.49	130.8	▲
Win-21	123.71	132.14	▲
Sum-22	72.73	75	▲
Win-22	76.74	79.12	▲
Sum-23	54	55.3	▲
Win-23	60.88	62.23	▲
Sum-24	48.02	49.51	▲

Summary

The October 21, Winter 21 and Summer 22 NBP contracts increased by 12.36p/therm, 8.43p/therm and 2.27p/therm respectively from the previous weeks close. Prices remained supported on UKCS outages and Norwegian maintenance taking capacity offline. More than 50mcm/day of capacity is expected to remain offline throughout the first half of this month, rising above 100mcm/day on 8th and 14th September. Potential disruption to U.S LNG supplies caused by Hurricane Ida and lack of LNG imports adds higher reliance on Norwegian and European imports this winter. Tighter gas flows through Europe including flows through Mallnow into Germany hit the lowest level since the August outages at a Gazprom facility. This tight supply picture in compounded by low European gas storages at just 68% capacity, which is the lowest in more than a decade for this time of year. Further bullish sentiment was also provided by Gazprom commenting that Nord Stream 2 will not have any major impact on its exports to Europe this year. Gazprom plans to send 183Bcm to Europe in 2021 which is a 6Bcm increase from 2020. Irrespective of Nord Stream 2, if higher flows are seen through other routes such as the Yamal-Europe pipeline or Ukrainian transit corridor it could lead to selling momentum. The November 21 Brent contract increased by $0.59/bbl over the week, settling at $72.61/bbl. The price action was largely sideways as OPEC+ decided to continue a policy to add 400,000bpd to the market on a monthly basis as it is expected that global oil demand would far exceed supply through the rest of the year. OPEC+ also raised its demand forecast for 2022 but still predicts a surplus for the year by 1.6mbpd, which could cause the alliance to consider pausing its output hikes at future meetings. This bearishness was countered by the impact of Hurricane Ida affecting 1.7mbpd of the Gulf of Mexico's oil and gas output and EIA U.S crude inventory data displaying a 7.16MB drawdown.