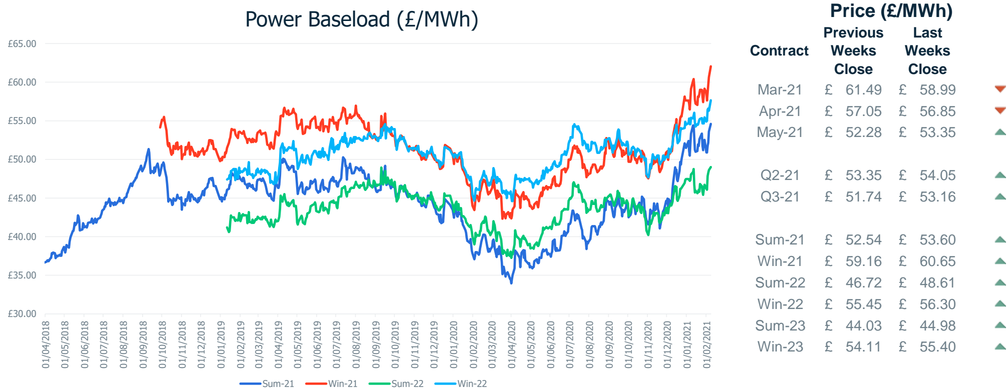
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

08 February 2021

Power

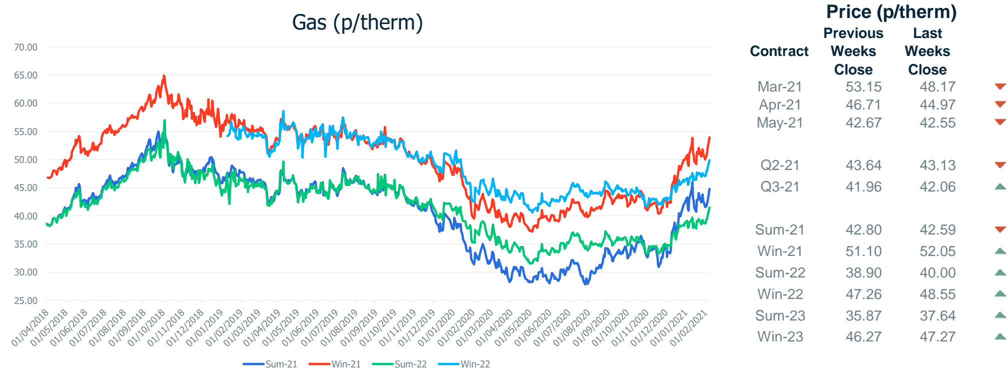


Contract	Price (£/MWh) Previous Weeks Close	Last Weeks Close	
Mar-21	£ 61.49	£ 58.99	▼
Apr-21	£ 57.05	£ 56.85	▼
May-21	£ 52.28	£ 53.35	▲
Q2-21	£ 53.35	£ 54.05	▲
Q3-21	£ 51.74	£ 53.16	▲
Sum-21	£ 52.54	£ 53.60	▲
Win-21	£ 59.16	£ 60.65	▲
Sum-22	£ 46.72	£ 48.61	▲
Win-22	£ 55.45	£ 56.30	▲
Sum-23	£ 44.03	£ 44.98	▲
Win-23	£ 54.11	£ 55.40	▲

Summary

The March 21 Baseload lost £2.50/MWh, whilst the Summer 21 and Winter 21 contracts gained by £1.06/MWh and £1.49/MWh respectively from the previous weeks close. The market tracked movements In the NBP as the front month was impacted by forecasts for colder temperatures while gains in the carbon and oil market kept the far curve supported. Over the week, gas-fired ouput accounted for 40% of the generation mix whilst renewables contributed 36% largely from wind output averaging over 10GW. The first half of the week saw prices lower from a sharp increase in wind output which reduced demand for gas-fired generation. Prices flattened out in the mid-week as weather models were volatile with many forecasts offering a different view as to how the next two weeks would unfold. Prices then took a bullish turn by the end of the week with strength in carbon also continuing to filter into power prices after reaching all-time highs and supporting the seasonal contracts. However, the front month was unable to recover from losses as the cold spell this week will be accompanied with higher wind generation. We may a tighter system on Wednesday as wind speeds reduce to 2m/s before lifting higher thereafter however, the increase in import capacity this month has created more flexibility keeping prompt prices below the high's seen in January. The December 21 EUA rose by €5.25/tonne, settling at €38.20/tonne as the market absorbed the first full week of 2021 allowance auctions. The contract pushed through key technical levels despite rebounding off the 100-day moving average twice at the start of the week after the first auction cleared at a sizeable discount. The following day saw a breakout above the €33/tonne mark after strong auction results, with support also coming from an improving economic picture. UK participants were also covering exposure with EU certificates while the UK system is being established with the government indicating that auctions of UK carbon permits will start no later than Q221. Linking the UK's new emissions trading scheme to the EU carbon market is the single most important issue facing Britain's energy industry. It presents the largest threat in terms of raising costs for consumers and preventing utilities from managing risk. Poland's first carbon auction of the year cleared at a record €38/tonne which was €2 above the secondary market. Bullish momentum was coming from reports of hedge funds predicting €100/tonne carbon this year which led to a short squeeze in the market. Colder-than-average temperatures across much of Europe have supported the European energy complex, while delayed annual free allocation of carbon allowances to Europe's industrial sectors in 2021 means supply is temporarily tighter than expected. The delayed free allocation of allowances is now due in Q221 and could temper the recent gains. However, the background is still bullish as the EU is taking a tough line on CO2 emissions in a regulatory push to tighten the market to help deliver net-zero emissions by 2050.

Gas



Contract	Price (p/therm) Previous Weeks Close	Last Weeks Close	
Mar-21	53.15	48.17	▼
Apr-21	46.71	44.97	▼
May-21	42.67	42.55	▼
Q2-21	43.64	43.13	▼
Q3-21	41.96	42.06	▲
Sum-21	42.80	42.59	▼
Win-21	51.10	52.05	▲
Sum-22	38.90	40.00	▲
Win-22	47.26	48.55	▲
Sum-23	35.87	37.64	▲
Win-23	46.27	47.27	▲

Summary

The March 21 and Summer 21 NBP contract lost 4.98p/therm and 0.21p/therm respectively, whilst the Winter 21 contract gained by 0.95p/therm from the previous weeks close. The week began with prices falling, especially on the front month as temperatures were revised milder over the course of the weekend of around 2°C above seasonal normal. There was also an increase in Norwegian flows with no unplanned works ahead and only one maintenance work at Kristin gas field that ended on Tuesday. Further on supply, the decline of UK LNG inventories seen in January has been halted over the past week as milder weather and healthier imports see storage levels lift. February looks set to comfortably surpass the total of eight LNG tanker arrivals seen in January as Asian spot prices remain less volatile, with two arrivals already this month and a further seven currently on the schedule, UK gas storage levels are now 74% full which is 7% above the 5-year average. From the mid-week prices turned more bullish as demand started to increase with influence also coming from strength in the oil and carbon market which added support to the seasonal contracts. Price sensitivity was also driven by cooler weather revisions as both UK and Europe face a significant cold spell which could potentially persist until 23rd February. This may result in increased flows from LNG send-out and storage withdrawals to support the system. In addition, the NBP remains a premium market to European hub, therefore strong interconnector flows may continue as we saw last week. The April 21 Brent contract lifted by $4.43/bbl over the week, settling at $59.34/bbl on the back of an improvement in the crude oil demand outlook and managed supply levels after it was revealed that OPEC+ had adhered to its production cut commitments in January. Furthermore, OPEC+ maintained its oil output policy at the JMMC meeting on Wednesday as the price of crude hit its highest in almost a year, a sign that deep supply cuts are draining inventories which may decline below a five-year average by June. EIA displayed at 0.99MB drawdown in the U.S stockpiles although a 4.46MB build in gasoline indicates weak U.S downstream demand leading to some consolidation. Prices then continued its upward trajectory on hopes that a sizeable US stimulus package is not far-off, after the Senate on 5th February, approved a fast-track budget measure that could allow the package to be passed despite Republican resistance. The oil market also received a boost from Chinese demand lifting sentiment as the number of vessels sailing toward China hit a six-month high of 127 on Friday, equivalent to approximately 250MB.