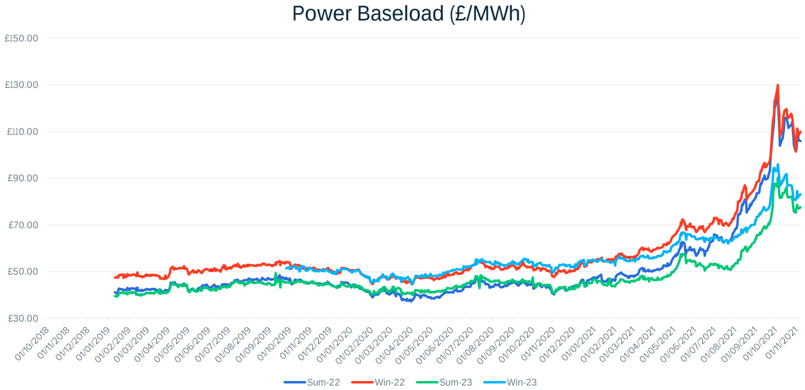
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

08 November 2021

Power

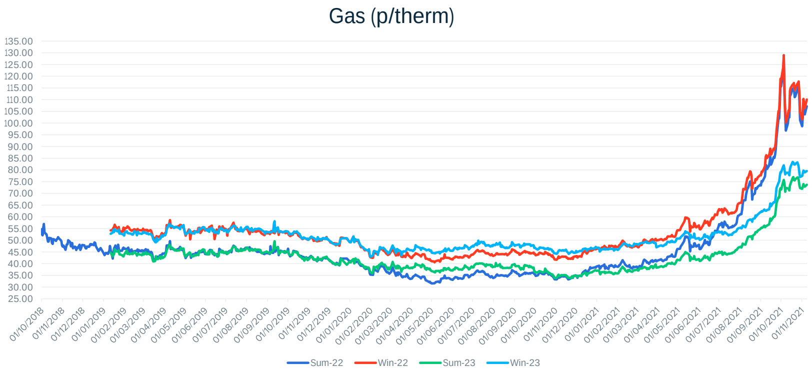


Contract		Price (£/MWh) Previous Weeks Close		Last Weeks Close	
Dec-21	£	182.90	£	186.22	▲
Jan-22	£	216.42	£	209.14	▼
Feb-22	£	177.28	£	184.46	▲
Q1-22	£	181.35	£	182.28	▲
Q2-22	£	108.20	£	111.35	▲
Sum-22	£	104.10	£	106.28	▲
Win-22	£	109.57	£	108.47	▼
Sum-23	£	75.77	£	77.02	▲
Win-23	£	80.84	£	82.23	▲
Sum-24	£	61.86	£	61.25	▼
Win-24	£	70.86	£	71.69	▲

Summary

The December 21 and Summer 22 UK baseload contracts gained by £3.32/MWh and £2.18/MWh respectively whilst the Winter 22 contract posted a loss of just £1.10/MWh over the week. Colder temperatures and volatile wind output kept the prompt market supported as heating demand increased. Over the week gas-fired generation averaged 39% whereas total renewables averaged 37%. UK temperature forecasts for the near term remain mild but again dip into next week that may lift demand. Volatility in the gas market also fed into power prices over uncertainty around Russian gas flows to Europe especially as no capacity was booked through Ukraine for Q1 2022 whilst flows into Germany were low. Contracts further out saw less movement given more stability in the carbon market whilst spark spreads also drifted lower week-on-week. The December 21 EUA gained €0.68/tonne over the week, settling at €59.39/tonne. The December 21 UKA gained £0.50/tonne over the week, settling at £54.20/tonne. UKAs followed sentiment from the European gas market last week as prices increased. On Wednesday the auction cleared at £52.45/tonne, which was 45 pence higher than the secondary market was trading at the time. Coal generation is still in the money for this quarter which kept the price of permits supported. The UK government will auction 80.5 million carbon allowances under its emissions trading system next year, marking an almost 4% drop from this year's volumes.

Gas



Contract	Price (p/therm) Previous Weeks Close	Last Weeks Close	
Dec-21	165.98	191.43	▲
Jan-22	170.71	193.99	▲
Feb-22	168.7	191.42	▲
Q1-22	161.45	184.94	▲
Q2-22	105.35	107.81	▲
Sum-22	101.3	103.73	▲
Win-22	104.8	106.31	▲
Sum-23	72.25	72.84	▲
Win-23	77	78.99	▲
Sum-24	56.41	58.65	▲
Win-24	70.08	70.1	▲

Summary

The December 21, Summer 22 and Winter 22 NBP contracts gained by 25.45p/therm, 2.43p/therm and 1.51p/therm respectively over the week. Prices were supported by a reversal in Russian gas flows from Germany into Poland on 30th October which continued until the midweek. Furthermore, Russia failed to book capacity at quarterly auctions for Ukraine and Polish transit volume on Tuesday. Colder temperatures also led to some storage withdrawals as total demand shifted above seasonal normal which supported the prompt. However, the market remained cautious following previous comments from the Russian president ordering Gazprom to begin refilling its gas storage sites in Germany and Austria as soon as it has completed the domestic gas injection program on 8th November. Upside was also capped as the JKM/NBP spread narrowed over the week from $6/MMBtu to $3.60/MMBtu. This signalled a more competitive LNG market leading to 3 LNG vessels having already arrived to the UK, which lifted stocks above levels seen this time last year with an additional 5 cargoes expected by the 17th November. For now, it remains to be seen whether Russian flows ramp up this week in line with Putin's request and, if they do, whether any extra gas will improve European storage levels that sit at just 75% capacity. The January 22 Brent contract posted a loss $0.98/bbl over the week, settling at $82.74/bbl. The market saw some risk off sentiment ahead of the OPEC+ meeting on Thursday along with EIA posting a 3.29MB build in U.S stocks. Furthermore, Iran and six global powers agreed to resume talks on 29th November to revive the 2015 deal on Iran's nuclear programme that could potentially bring back 1.3mbpd of oil into the market. As the OPEC meeting neared more pressure from countries, such as the U.S and Japan, to boost production put risk sentiment for oil on hold. Losses remained limited as OPEC+ decided to stick to their plan to raise oil output by 400,000bpd from December, ignoring calls from U.S President for extra output to cool rising prices. A better-than-expected U.S labour market helped support the market above $80/bbl as non-farm payrolls jumped by 531,000.