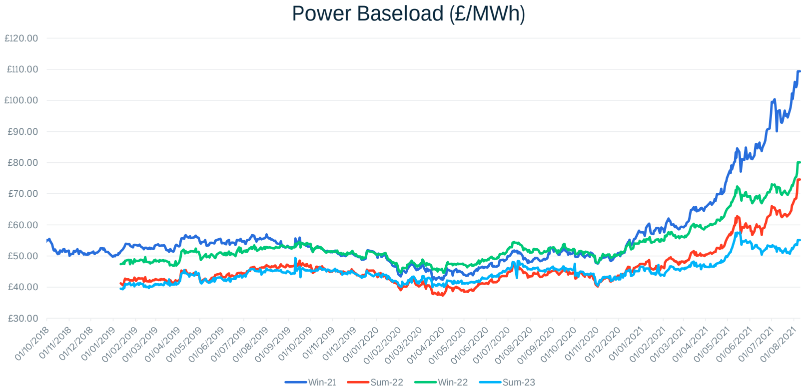
TRIDENT
360° ENERGY EXPERTISE

Weekly Energy Report

10 August 2021

Power



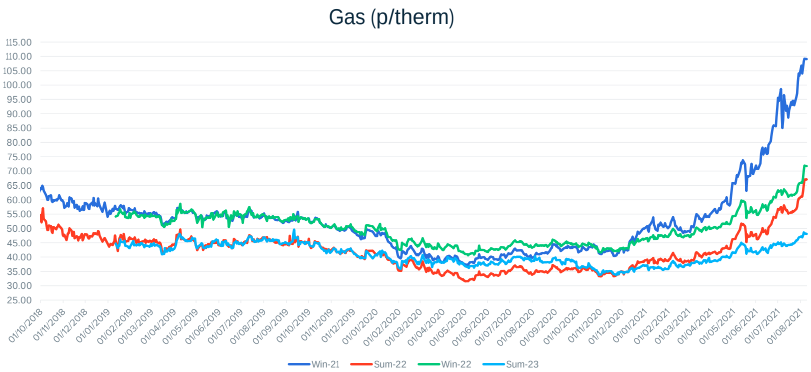
Price (£/MWh)

Contract		Previous Weeks Close		Last Weeks Close	
Sep-21	£	100.27	£	106.51	▲
Oct-21	£	99.56	£	108.60	▲
Nov-21	£	103.57	£	113.70	▲
Q4-21	£	102.13	£	111.40	▲
Q1-22	£	98.77	£	107.19	▲
Win-21	£	100.47	£	109.32	▲
Sum-22	£	66.59	£	74.54	▲
Win-22	£	72.52	£	80.09	▲
Sum-23	£	52.25	£	55.09	▲
Win-23	£	64.06	£	65.78	▲
Sum-24	£	52.62	£	54.42	▲

Summary

The September 21, Winter 21 and Summer 22 baseload contracts increased by £6.24/MWh, £8.85/MWh and £7.95/MWh respectively from the previous weeks close. The bullish trend continued across the curve with support coming from higher gas prices and strong auction results in the carbon market. There was some volatility seen in the prompt contracts towards the second half of the week after a surge in wind generation that helped narrow the spark spread leading to less gains compared to the seasonal contracts. Gas-fired generation averaged 31% over the week whereas total renewables accounted for 40% of the generation mix. Wind generation is expected to remain below seasonal average for the next two weeks which will likely keep higher gas for power demand. Seasonal contracts were supported by a tight market outlook in the coming quarters, with baseload generation capacity remaining limited following reduced gas and nuclear capacity. The December 21 EUA increased by €3.33/tonne over the week, settling at €56.66/tonne. Strong technical, bullish energy prices and a reduction in auction supply this month helped push the contract higher each day. The record high gas prices are encouraging fuel switching back to more carbon intensive coal generation which supports demand for permits. The UK carbon market closed the gap on EUA prices and now trades at a premium which is likely driven by the Cost Containment Mechanism not being triggered as the average carbon price in July was £44.15/tonne which was below the August trigger at £44.74/tonne. The next time the mechanism can be triggered is November with the level set at £50.37/tonne, therefore the market would need to average higher than this over the next three months for any market intervention.

Gas



Price (p/therm)

Contract	Previous Weeks Close	Last Weeks Close	
Sep-21	103.75	108.04	▲
Oct-21	104.51	109.26	▲
Nov-21	106.1	111.57	▲
Q4-21	105.85	107.18	▲
Q1-22	100.58	107.18	▲
Win-21	103.25	109.2	▲
Sum-22	60.5	67.01	▲
Win-22	65.73	71.92	▲
Sum-23	46.93	48.25	▲
Win-23	55.08	56.12	▲
Sum-24	43.68	44.48	▲

Summary

The September 21, Winter 21 and Summer 22 NBP contracts increased by 4.29p/therm, 5.95p/therm and 6.51p/therm respectively from the previous weeks close. Auction results on Monday showed Gazprom did not book extra transit capacity through Ukraine and Poland from October 2021 to October 2022. Gazprom's unwillingness to respond to high market prices by ramping up flows to Europe has been a key driver behind the rather exceptional gas market strength we have seen of late. This contrasts with Summer-2018 when the Russian state energy company increased supplies in response to high prices following the "Beast from the East". The start of August has seen Russian flows decline to around 284mcm and a fire on Thursday at a gas processing facility in the Yamal region caused disruption as gas flows dropping from 84mcm/day the previous week to around 27.5mcm/day which added further risk premium. Below seasonal normal demand, improved UKCS production and the resolved extended outage at Troll gas field has allowed strong injections into UK gas storages, lifting it by 11% from the previous week to 44% capacity, however, remains well below the level seen this time last year at 90% full. Lack of LNG imports are also adding to the tight supply picture with just one cargo expected to arrive on the 14th August as higher Asian LNG prices and an increase in Brazilian demand continue to keep supply away from Europe. The potential start-up of the Nord Stream 2 pipeline as soon as October could be key, with Gazprom then potentially able to refill its own storages in Europe through the fourth quarter. The October 21 Brent contract decreased by $4.71/bbl over the week, settling at $70.70/bbl. The market was pressured by a rising U.S dollar and the resurgence in Covid cases in China, Japan and U.S which posed negative repercussions on domestic transport fuel demand in the near term. Also weighing on price was EIA U.S crude inventory data displaying a 3.62MB build after a fall in exports to a 12-week low. The market retraced slightly towards the end of the week as tensions brewed amongst Iran and world powers over the drone attack which may lead to lengthy nuclear deal talks and unlikely to provide imminent sanction relief for Iran.