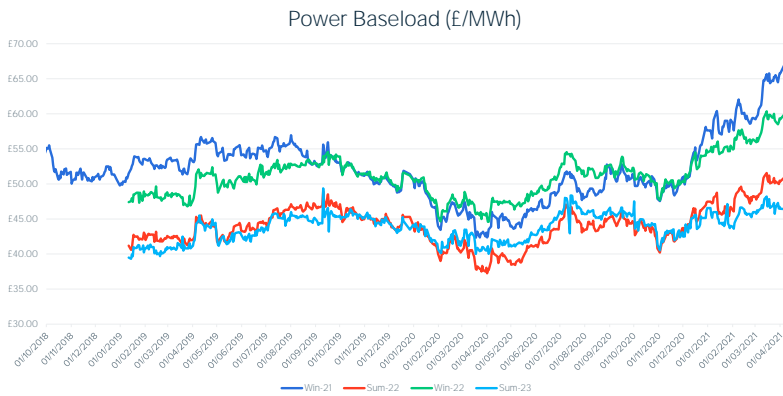


Weekly Energy Report

12 April 2021

Power

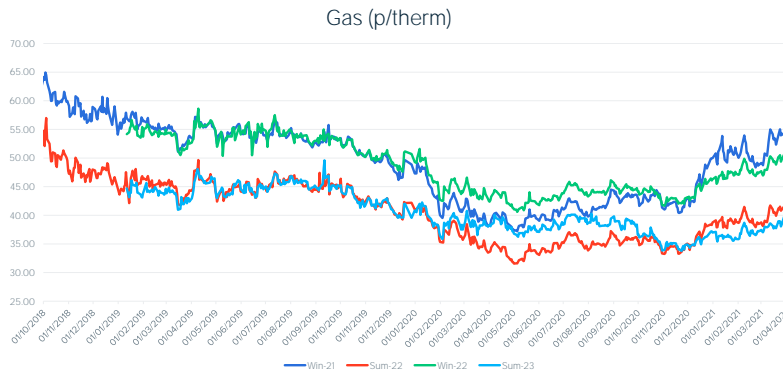


Contract	Price (£/MWh)		
	Previous Weeks Close	Last Weeks Close	
May-21	£ 56.52	£ 57.27	▲
Jun-21	£ 57.53	£ 57.68	▲
Jul-21	£ 56.78	£ 57.85	▲
Q3-21	£ 56.83	£ 58.01	▲
Q4-21	£ 64.16	£ 64.88	▲
Win-21	£ 65.80	£ 66.47	▲
Sum-22	£ 50.37	£ 50.72	▲
Win-22	£ 59.23	£ 59.93	▲
Sum-23	£ 46.46	£ 46.61	▲
Win-23	£ 55.92	£ 56.67	▲
Sum-24	£ 47.75	£ 47.15	▼

Summary

The May 21, Winter 21, and Summer 22 baseload contracts increased by £0.75/MWh, £0.67/MWh and £0.35/MWh respectively over the week. A drop in French nuclear availability led to further upside risk in the UK as two units at the Paluel nuclear facility have been taken offline due to a fire over the bank holiday weekend. This left UK as a net exporter to France for a few days with the BritNed interconnector still offline, putting more reliance on other European contributions. This in conjunction with a period of cooler weather and low wind generation led to much tighter fundamentals leading to higher gas-fired generation which averaged 32% over the week, supporting prices at the prompt. National Grid expect renewables will exceed minimum demand between mid-June and early August with summer demand to peak at 32GW which is just 500MW higher compared to last summer. Contracts further down the curve were tracking movements in the carbon market which traded at an all-time high. The December 21 EUA gained by £0.99/tonne on the week, settling at €43.64/tonne. The contract reached an all-time high on Tuesday at €44.35/tonne mostly driven by cooler weather, strong auctions results and a bullish macro backdrop. As the week progressed, prices turned bearish although still stayed above the €43/tonne mark. Regulated carbon emissions fell by a record 12% in 2020. This has led to an EU ETS allowance surplus of 14.2% last year which is clearly bearish however, the market remains focused on much bigger reductions taking place on the supply side. The Market Stability Reserve continues to cut auction supply by 24% per year and further tightening is expected as the EU aligns its carbon market with a new stronger 55% emissions reduction goal for 2030.

Gas



Contract	Price (p/therm)		
	Previous Weeks Close	Last Weeks Close	
May-21	47.21	46.86	▼
Jun-21	47.16	46.95	▼
Jul-21	45.93	45.92	▼
Q3-21	46.47	46.43	▼
Q4-21	53.68	53.76	▲
Win-21	55.31	55.34	▲
Sum-22	41.35	41.09	▼
Win-22	49.95	49.95	▬
Sum-23	38.35	38.56	▲
Win-23	47.27	47.52	▲
Sum-24	38.57	38.49	▼

Summary

The May 21 and Summer 22 NBP contracts fell by 0.35p/therm and 0.26p/therm respectively whilst the Winter 21 contract increased by 0.03p/therm over the week. It was bullish start to the week following Norwegian outages, carbon price rally and below seasonal normal temperatures. This led to higher demand as households put their heating back on however the National Transmission System remained well supplied throughout the week with strong gas withdrawals from storages and average LNG sendout at 60mcm, although still well below the 100mcm seen in March. After a slow start to April, the LNG picture has improved for the UK with five arrivals over the past week and a further 13 more shipments by the end of the month. Gas storages sit at the 5-year average at just 29% capacity which may support prices in the coming weeks however National Grid have forecast storages to be within normal range by October. The June 21 Brent contract lost \$1.62/bbl over the week, settling at \$62.95/bbl. Current support is coming from weakness in the U.S. dollar, falling U.S. bond yields and optimism on global economic outlook with the International Monetary Fund stating unprecedented public spending to fight COVID-19, primarily by the U.S., which would push global growth to 6% this year. Prices were overshadowed by an increase in OPEC+ supply from May and concerns about the continued rapid spread of Covid-19 cases in India and South America. Developments in indirect talks over a nuclear deal between U.S. and Iranian officials that are expected to resume in Vienna this week. A deal could see the removal of sanctions on Iran's oil sector and lead to an influx of Iranian oil into the market.